

SHEFFIELD CITY COUNCIL

Audit and Standards Committee

Meeting held 21 March 2024

PRESENT: Councillors Mohammed Mahroof (Chair), Fran Belbin (Deputy Chair), Lewis Chinchin, Simon Clement-Jones, Laura McClean, Henry Nottage and James Brackley (Independent Co-opted Member)

1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Independent Co-opted Member, Alison Howard.

2. EXCLUSION OF THE PRESS AND PUBLIC

2.1 There were no items on the agenda which excluded the press and public.

3. DECLARATIONS OF INTEREST

3.1 There were no declarations of interest.

4. MINUTES OF PREVIOUS MEETING

4.1 **RESOLVED:** The minutes of the meeting held on 1 February 2024 were approved as an accurate record.

5. PUBLIC QUESTIONS AND PETITIONS

5.1 The Committee received questions from a member of the public, prior to the meeting. The member of public joined remotely to raise her questions.

5.2 Ruth Hubbard

I have not received an answer to my public question of 1st February and this is below.

"Can I ask please about the role of this committee in relation to Stocksbridge Towns Deal. Considerable concerns about failing governance arrangements and processes have been raised by local stakeholders, including at the relevant LAC - but I have not seen them filter through to here and, what are the audit and standards implications of the govt Simplification Pilot for certain external grants (that I understand Sheffield is part of) and how is this being overseen by members in audit and standards terms?"

Since then, I understand the discontent around the Stocksbridge Levelling up Fund (LUF) programme continues with two well attended Town Forums raising a host of unanswered questions about the concentration of funding on demolishing and rebuilding the existing library.

It appears to those watching this issue that the Council has been unwilling to

intervene on basic transparency and governance issues such as publishing agendas and reports or engaging with stakeholders. This is the responsibility of Council officers seconded to the STD yet they seem to be immune from the standards and procedures supposedly reaffirmed by the current administration.

Please can the Audit and Standards Committee provide clear information and an answer in relation to my unanswered question and my updated comments. Thank you.

The Chair (Councillor Mohammed Mahroof) explained that this Committee does not have a specific role in this work of the Stocksbridge Town Fund Board and partnership. The Committee's role was to look at systems for assurance, unless individual matters were brought to us via the assurance mechanisms such as audit or the Annual Governance Statement.

DLUHC simplification pilot relates to the National Levelling Up Programmes. The three national funds (at this time) which were included in the scheme were the Future High Streets Fund (FHSF), Town Fund Deals and the levelling up fund round one (LUF1). Sheffield City Council was an announced national pilot area (since 4 July 2023) along with a number of other simplification scheme pathfinders in 9 other local authority areas. More detail of how that will operate will be set out in the published answer to the question below.

Sheffield City Council expects all its funding partnerships to work within accountable frameworks and the national criteria of funding allocations and delivery. The published answer to this question will set out detail from the national guidance on the governance of Towns Funds for information. There are compliance checks completed annually by DLUHC for all Town Deals to check whether the Town Deal Board is working in line with the governance and information provision requirements set out in the prospectus and subsequent guidance.

The Council will bring an Annual Funding Report about Stocksbridge Town Fund to the relevant Policy Committee to provide an update on the towns fund programme, a suggested refresh of governance for municipal year 2024- 25 and beyond, and a programme update at Quarter 4 of 2023-24.

The national guidance for Simplification model, set out the following:

- A single aggregate allocation: local authorities' allocations from each of the 3 individual funds will be aggregated into a single allocation which, subject to assurance, can be managed flexibly across a portfolio of projects.
- An investment plan: a combined set of outcomes and outputs, covering the full portfolio of activity that will be delivered using

the aggregate allocation. We will track delivery across this portfolio (as opposed to a project-by-project basis).

- Streamlined reporting: moving away from reporting across 3 different programmes, local authorities will submit one 3-monthly RAG report (focusing on spend and progress) and one 6-monthly delivery report.
- Change management: local authorities will only need to seek approval from DLUHC if they are making a 'material change' to their investment plan (see definition in section 2.5).
- Integrated conversation: local authorities will have one main contact in their DLUHC area team for discussions about the pilot.

The Simplification pilot outcomes and aims are strategically to

- Enhancing sub-regional and regional connectivity
- Unlocking and enabling industrial and commercial development
- Strengthening the visitor and local service economy
- Improving the quality of life of residents
- Employment and education
- The local authority should develop their investment plans in collaboration with local stakeholders and should consider how local governance could be used to encourage this collaboration. All plans must be signed off by the Section 151 Officer and any other Senior Responsible Officers (SROs) responsible for delivery of the funding.
- Expenditure profiles must be accurate and deliverable. Each place must set out a forecast for the amount of funding that will be invested each year across the identified interventions.
- All local authorities will be required to monitor the spend, outputs and outcomes that have been agreed. However, monitoring will be streamlined into 4 portfolio-level returns per year:

1) 3-monthly summary updates (in the form of RAG reporting) focusing on spend and progress.

2) 6-monthly detailed reports on spend and progress, including (but not limited to) forecast underspends, a plan for delivering uncommitted funding, projected delivery of portfolio-level outputs and outcomes, and changes to projects below the change request threshold.

In addition to monitoring, DLUHC will also conduct separate assurance activity, including local authority assurance reviews. These reviews will focus on the assurance processes that local authorities have in place and will follow a similar model as is currently used across the 3 separate funds.

Local authorities should seek approval from DLUHC where they are

seeking to make “material changes” to their investment plans. A single amendment to funding plans is a “material change” if it involves moving at least £5 million to a different intervention theme or moving at least £5 million between projects in the same intervention theme. This change will be benchmarked against the investment plan agreed by DLUHC or against the position agreed as part of a previous change request.

Where local authorities would like to make a material change to their investment plan, they must submit details of the change to DLUHC using a change request template. Local authorities should confirm as part of the request that they have sought the views of key local stakeholders, and this must include the Member(s) of Parliament (MP(s)) covering the geography for the proposed change. If DLUHC is concerned about the size or intention of a particular change, we will discuss it with local authority teams and we reserve the right to reject a change on the grounds it would not secure value for money or meet the objectives of the funding.

Where the local authority has made contractual or funding commitments to a third party or other public body, the local authority will be required to assess if the proposed change will have an impact on their ability to honour this commitment.

The following do not constitute a material change and can be reported to DLUHC in the 6-monthly monitoring returns:

- movement of funding between intervention themes below the £5 million threshold.
- movement of funding between projects in the same intervention theme below the £5 million threshold.

If changes made fall beneath the thresholds to be considered a material change, the local authority does not need to seek explicit approval from DLUHC. However, DLUHC will review all updates to investment plans provided by the local authority as part of the reporting cycle and regular engagement meetings.

If a local authority wishes to reprofile underspend from one financial year into the next, they need to submit a ‘credible plan’ as part of their end-of-year report explaining the approach, including:

- amount of funds committed and the profile of that spend.
- amount of funds allocated but not committed, and the profile of that spend.
- plan for the allocation of unallocated funds, key milestones for the commitment of funds and spend profiles
- risk management i.e., confirmation that plans are in place to manage risks relating to project pipeline and capacity

The national guidance for governance, oversight and Town Deal Boards

For the purposes of the simplification pilot, the local authority is the accountable body through which all funding will flow. Within the investment plan, local authorities will need to confirm which Senior Responsible Officers (SROs) are responsible for the delivery of the

pilot, including who the designated S151 Officer is. SROs are responsible for signing-off monitoring returns, submitting change requests, and securing value for money from the agreed aggregate allocation.

This Board will have no decision-making power but will exercise strategic oversight over pilot activity. Local authorities have the flexibility to set out how a consolidated governance will work for the geographic area and should give an overview of the chosen approach in the investment plan. Town Deal Boards may be reconstituted or expanded into this consolidated governance structure to give stakeholders, including local MPs, the framework to exercise strategic oversight over the portfolio.

To facilitate a transition to a consolidated governance structure, participating local authorities could make the following changes to the scope and membership of existing Town Deal Boards:

- Scope of the board: The pilot board could expand the scope to include all projects across a broader geography or all projects in a particular locality.
- Membership: the core membership and Chair of the board could remain the same, but if you choose to expand the geographical remit, then the number of attendees would increase to reflect the new broader geography. The membership should include a private sector chair, the MPs representing the area, local representatives from business and community, and representatives from all tiers of local government for the expanded geography, if applicable

The transfer of Police Crime Commissioner (PCC) powers to the West Midlands mayoralty has been quashed by Judicial Review due to inadequacies in the government consultation. In South Yorkshire (SY) the decision to transfer PCC powers to the SY Mayoralty was taken on 7th Feb, a day after the West Midlands decision. My understanding is that our consultation took place under pretty much the exact same conditions as the West Midlands consultation, now ruled inadequate. (And, in South Yorkshire 65% of consultees disagreed with the transfer anyway, though this was overridden by government.). What is the understanding of the Committee about the implications of the West Midlands Judicial Review ruling for the similar proposed transfer of powers in South Yorkshire? Thank you. Given this involves inadequate consultation (failure to meet Gunning Principle 2) I think this question is appropriate for Audit and Standards.

The General Counsel (David Hollis) explained that the case Ms Hubbard referred to was taken against the Secretary of State or the Home Department and it was his decision in relation to the Police and Crime Commissioner for the West Midlands that was overturned. As far as we are aware the case has no effect on any decision in relation to the Police and Crime Commissioner for South Yorkshire. In any event these are not matters that are within the remit of this Committee or the Council. They related to functions of the Police and Crime Commissioner and South Yorkshire Combined Authority.

Ruth Hubbard added that she could not see any difference in the consultation between West Midlands and South Yorkshire and as the consultation was ruled as illegal, she hoped and expected this Committee to express some concern on the matter.

6. ANNUAL STANDARDS REPORT

6.1 The Committee received a report of the General Counsel which highlighted the activities of the Committee and provided details of the outcome of the Standards complaints received from January to December 2023.

6.2 The General Counsel explained that the Committee received this report on an annual basis and thanked the Chair for his foreword.

6.3 The General Counsel thanked Sarah Bennet and Robert Parkinson for assisting him throughout the standards regime process. He also thanked Sarah Hyde and Jay Bell for their administrative assistance as well as Independent Persons David Waxman and Karen Widdowson for assisting him and Members throughout the complaints process. He also thanked Independent Co-opted Member, Alison Howard for her assistance.

6.4 He mentioned that these complaints were confidential therefore the details could not be shared although he gave a summary of the number of complaints and their outcomes over the previous year. They were as follows:

Take No Action (no breach) 6

Withdrawn or Invalid 2

Rejected 6

Informal Resolution 3

Refer to Consideration Sub-Committee with an Investigation 1

Refer to Consideration Sub-Committee without an Investigation 1

Open (in assessment phase) 0

Total 19

6.5 The General Counsel welcomed the two new Independent Persons, Martyn Thorpe and David Irvine and the new Independent Co-opted Member, James Brackley. He raised a special thank you to Independent Person David Waxman for his many years of service and assistance to Monitoring Officers at Sheffield City Council.

David Waxman thanked the General Counsel for his kind words and explained that he has worked with many Monitoring Officers and Councillors over the years and that the experience was really positive. He also thanked Sarah Hyde for her assistance over the years.

6.6 The General Counsel stated that funding from the Local Government Association (LGA) has been successfully obtained in order to fund a more

shaped and diverse Member Development Programme.

- 6.7 The General Counsel thanked Members for their support when continuously reporting to him when there were changes to their Register of Interests.
- 6.8 Members of the Committee asked questions and made comments and the following responses were provided: -
- 6.9 The General Counsel confirmed that Members were updated on the budgeting setting process as and when it progressed although agreed that the Council's budgeting and accounting processes could be made more aware to new Members. Councillor Belbin added that there was a Member Development Working Group ongoing which could look into this and also stated there was CIPFA training available.
- 6.10 The General Counsel confirmed there may have been a slight increase in the number of complaints received over the previous year, although the number of complaints received was not anything unusual compared to previous years.
- 6.11 The General Counsel stated that the training mentioned in the report relating to new Members on the Licensing Committee was not mandatory although it was preferable. He added that there was always a legal advisor present at the meetings to assist Members in their decision-making.
- 6.12 The General Counsel thanked the Member for his comment relating to Members Register of Interests and agreed this could be picked up as part of the training mentioned in order to remind Members of the process.
- 6.13 The General Counsel agreed it would be good for this Committee to send a message to Members, to prioritise training when it was provided. He appreciated Members diaries can be busy therefore Officers could look at repeat training or recording the sessions. Councillor Belbin mentioned again there was a Member Development Working Group looking at how to better deliver training to Members.
- 6.14 **RESOLVED:** That the Committee comments on the report and approves the report for submission to Full Council.

7. FORMAL RESPONSE TO AUDIT (ISA 260) RECOMMENDATIONS

- 7.1 The Committee received a report of the Director of Finance and Commercial Services which provided Members with an update on the progress to consider and implement Ernst & Young's prior year recommendations, following the audit of the Council's 2021/22 Statement of Accounts.
- 7.2 The Finance Manager (Ruth Matheson) explained that the Council's external auditors, Ernst & Young (EY) first presented their 2021/22 Audit Results report in March 2023, then their amended report in September 2023. EY have yet to issue their opinion and whilst the accounts remain open, their 2021/22 Audit

Results report is always subject to further change.

- 7.3 The Audit Results report listed thirty-one observations, both from 2020/21 and 2021/22. Sixteen open observations related to 2021/22 and of the fifteen observations relating to 2020/21, only three remained open at the end of the 2021/22 audit.
- 7.4 Ruth Matheson explained that the observations identified by EY could be found at Appendix 1 to the report as well as an update as to progress of those observations. Ruth Matheson drew Members attention to the 'red' rated observations which were considered a high risk to the Council. She gave an overview of those red rated observations.
- 7.5 Members of the Committee asked questions and made comments and the following responses were provided: -
- 7.6 Ruth Matheson explained that IFRS 16 was delayed although it will be live from 1 April 2024 and therefore part of the 2024/25 accounts. The Council's asset register is with the supplier Civica, which contains a leasing module that is IFRS 16 compliant, with the system currently being upgraded to their cloud based platform.
- 7.7 The Senior Finance Manager (Clair Sharratt) explained that delays in the audit of one financial year does have an impact on the next financial year end. But that these recommendations from EY were always welcomed as it gave them areas in which they could improve as well as good assurances on the accounts.
- 7.8 Ruth Matheson confirmed that preparation for IFRS 16 as part of the 24/25 accounts is ongoing and don't expect any issues for go live.
- 7.9 Clair Sharratt explained that the majority of the asset valuation process occurs after the year end when indices are available and so it is a tight turnaround. Valuations are based on judgements and views can vary between different valuers. The Council's internal valuers continue to make improvements for example looking at categorisations and how they can group assets better and working with EY in order to meet their valuers expectations.
- 7.10 The Director of Finance and Commercial Services (Philip Gregory) added that in relation to the backlog concerns, the Government had been working on this for a while and had issued a statement in February looking at ways to work through this backlog. The Council's and EY's ambition is to sign off the 2021/22 Statement of Accounts very shortly and to see what progress can be made on the 2022/23 Statement of Accounts, before EY hand over the audit for 2023/24 to KPMG.
- 7.11 Ruth Matheson explained that the accounts are based on CIPFA's guidance for accruals accounting. However, there are instances where estimates are difficult to calculate, and the practice has been to include 12 months of rolling actuals for example March to February for utilities costs.

- 7.12 The Chair summarised the discussion and raised his concerns around some of the valuation issues and corrections reported by EY.
- 7.13 The General Counsel referred to addendum report which was circulated to Members prior to the meeting and published on Council meeting webpages.
- 7.14 The General Counsel explained that CIPFA guidance stated that 'The AGS must be current at the time it is published'. With the general issues in audit that has led to considerable delays this has led to CIPFA issuing the clarification on this point. The Council has undertaken a review to determine if there were 'significant governance issues' that has come to light after the 2021/22 AGS was approved in September 2022 that relate to the period 2021/2022, The review highlighted one further matter to be included. Whilst the original report reflected some issues in relation to people management process, but it was concluded that it did not reflect the position as currently understood around the council's HR policies need for updating, streamlining and review to ensure they are in line with best practice and meet the needs of a modern workforce and employer. The Committee were asked to approve the revised Annual Governance Statement.
- 7.15 Following a question from Co-opted Member James Brackley, The General Counsel explained that the issue relating to HR policies was identified through an internal Council review which was why it was not identified as part of the external auditor's report.
- 7.16 **RESOLVED:** The Audit and Standards Committee (1) notes management's response on progress made to consider and implement Ernst & Young's prior year recommendations; and (2) approves the revised Annual Governance Statement as set out in Appendix 1 of the addendum.

8. WORK PROGRAMME

- 8.1 The Committee considered a report of the General Counsel that outlined the work programme for the remainder of the municipal year. Members were asked to approve the programme and identify any further items for inclusion.
- 8.2 **RESOLVED:** That (1) the work programme be noted; and
(2) the following items be moved on the work programme: -
- Internal Audit Plan 24/25 (From April 2024 to June 2024)
 - Statement of Accounts 2022/23 (From April 2024 to June 2024)
 - Report of those Charged with Governance (ISA 260) (From April 2024 to June 2024)
 - Community Schools Update (From April 2024 to June 2024)

- Update on Improvement Plan and Annual Complaints Report 24/25 (From April 2024 to July 2024)

9. DATES OF FUTURE MEETINGS

- 9.1 It was noted that the next meeting of the Committee will be held on the 25 April 2024.