

MINUTES OF AUDIT COMMITTEE MEETING - MONDAY, 30 NOVEMBER 2020

Present:

Councillor Galley (in the Chair)

Councillors

Burdess	Critchley	Mitchell
Collett	Hugo	Roberts

In Attendance:

Mr Neil Jack, Chief Executive

Mr John Blackledge, Director of Community and Environmental Services

Mrs Diane Booth, Director of Children's Services

Mr Alan Cavill, Director of Communications and Regeneration

Mrs Tracy Greenhalgh, Head of Audit and Risk

Mr Adam McKnight, Senior Accountant

Mr Philip Redmond, Chief Accountant

Ms Jeanette Richards, Assistant Director of Children's Services

Mr Steve Thompson, Director of Resources

Ms Karen Tomlinson, Senior Accountant

Mr Mark Towers, Director of Governance and Partnerships

Mrs Elaine Ireland, Senior Democratic Governance Adviser

Ms Nicola Wright, Deloitte

Mr Nick Rayner, Deloitte

Minute's Silence:

In respect of the sad passing of Councillor Peter Callow, former Chair and member of the Audit Committee, a minute's silence was held.

1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

2 MINUTES OF THE LAST MEETING HELD ON 24 SEPTEMBER 2020

The Committee agreed that the minutes of the meeting held on 24 September 2020 be signed by the Chairman as a true and correct record.

3 POST-INSPECTION IMPROVEMENTS AUDIT FOLLOW-UP

Mrs Diane Booth, Director of Children's Services presented a progress report on the recommendations made in the internal audit report of Post-Inspection Improvements which had been issued in November 2019.

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In relation to recommendation R1 'The health memorandum of understanding should be finalised,' Mrs Booth reported that whilst the item was still outstanding, the health memorandum was in development as part of the Youth Offending service improvement plan. She highlighted that time had been taken to review examples of best practice at other local authorities and anticipated completion within the next six weeks.

Recommendations R2 'The future delivery of the Youth Offending Team (YOT) quality audit programme should be considered, including consideration of any linkages to wider Children's Services quality audit,' and R3 'The review and development of the YOT performance dashboard should be finalised,' were reported as being completed. The addition of a new YOT IT system in November 2020 would further support the analysis and reporting of data going forward.

With regards to Recommendation R4 'A YOT workforce development strategy should be completed,' Mrs Booth advised that the strategy was in place and under regular review in line with the wider Children's Services improvement plan, adding that delivery had successfully continued remotely during the pandemic.

In response to Recommendation R5 'The redesigned Children's Social Care performance reporting framework should be implemented,' the Committee was informed that the work was complete and had been implemented, with Mrs Booth advising Committee Members that Children's Social Care had an excellent understanding of performance which would support practice. The Committee was informed that Blackpool Council regularly received positive feedback and requests for advice and support from other local authorities across the North West due to the high quality of data reporting produced by Children's Social Care.

In relation to Recommendation R6 'In accordance with the improvement plan, the strategic Children's and Families partnership should be established and a Children and Young people strategy should be considered,' the Committee was informed that the partnership had been set up and three priority areas for the town had been identified. Mrs Booth outlined these as Literacy, Inclusion and Improving the life chances of all children and young people in Blackpool. She added that the governance arrangements for the boards had now been implemented and embedded.

In response to a question from the Committee on whether assurance could be provided that adequate post-inspection progress was being made, Mrs Booth advised that despite the Inspectorate for Prison and Probation having cancelled all immediate inspection visits until approximately April 2021, the Youth Justice Service had undergone two recent peer reviews from other local authorities which indicated progress was on target in this area.

In relation to the Ofsted findings following the inspection of Children's Services, the Committee was informed that no external validation would be available until Ofsted resumed inspections. Mrs Booth was able to report that the Department for Education Improvement Adviser had provided assurance to the Getting to Good Board that the anticipated 'stocktake' of Children's Social Care would result in positive feedback and she hoped to be in a position to bring an update on the Commissioner's feedback to a future meeting of the Audit Committee.

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In response to a question on any barriers to the delivery of the audit recommendations, Mrs Booth advised that the most challenging aspect was that of strategic partnership working, which had initially been made significantly more difficult due to the Covid-19 restrictions. However, she was pleased to report that a bi-product of the pandemic had been a streamlining of processes between partners which was assisting in improving partnership working going forward.

The Committee noted the report and extended thanks to Mrs Booth and her team for the continuing progress in relation to the Directorate's improvement programme.

4 STRATEGIC RISK REGISTER - ECONOMY AND DEPRIVATION

The Committee considered a progress report outlining the individual risks identified within the Strategic Risk – Unsustainable Local Economy and Increased Deprivation.

Mr Alan Cavill, Director of Communications and Regeneration provided an overview of the sub-risk 'Increased deprivation and unemployment.' He summarised the existing controls and mitigations as outlined within the progress report and noted that the additional government restrictions implemented as part of second national lockdown had impacted heavily on Blackpool's hospitality industry. He informed the Committee of the newly-launched Discretionary Grant Fund which would assist businesses that had not automatically been eligible for other Covid business grant support.

In acknowledging the impact of Covid-19 on the town's retail sector, the Committee questioned whether the Council would be able to make a significantly positive impact with regards to employment for young people in the post-Covid environment. Mr Cavill highlighted the employment opportunities arising from the leisure and tourism industry within the town and suggested that experiential services could not be adequately recreated online and as such remained popular with consumers and visitors. With specific reference to retail, Mr Cavill informed the Committee that the Council was supporting colleagues at the Houndshell retail centre, with future development plans to include a cinema and restaurants thereby not relying solely upon retail.

Mr Cavill reported that the Blackpool Enterprise Zone continued to progress, with the arrival of the transatlantic cable in October 2020 heralding a great opportunity for the area. He stated that Blackpool was a town with a strong digital economy and that the successful establishment of one business would then lead to other companies moving to the area, bringing with them employment opportunities for local and young people. The Committee was pleased to be informed that the Council planned to launch its newly-developed Digital Strategy.

With regards to the employment opportunities resulting from the Enterprise Zone, the Committee questioned whether the area was reaching saturation point or if space remained for additional investors. Mr Cavill advised that although some space for further investment remained, a planning application had been submitted in relation to the eastern end of the site which aimed to open up an additional 38 hectares to the area, which could ultimately result in a further 1500-2000 jobs.

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The Committee was supportive of the Council's decision to pay the Foundation Living Wage (FLW) to all its employees, including colleagues at the Council's wholly owned companies, but requested that the option of widening the scheme across all employers in Blackpool be explored. Mr Neil Jack, Chief Executive advised that whilst the Council was able to insist on the FLW for its own employees, there was not currently the facility to expand this to include all employers across the town.

Mr Alan Cavill provided an overview of the sub-risk 'Large, poor quality private rented sector in inner Blackpool continues to drive transience and deprivation.' He outlined the beneficial work in progress via Blackpool Housing Company (BHC) in the provision of better quality private rented housing as well as the delivery of new Council homes. In addition, Mr Cavill informed Committee Members of the successful application from BHC for its subsidiary Lumen Housing to be granted Registered Provider status, which would lead to increased funding opportunities for the provision of better quality housing.

The Committee sought further details of the implementation of the selective licensing scheme, aimed at regulating private sector housing in Blackpool. Mr John Blackledge, Director of Community and Environmental Services reported that as of October 2020, 1653 properties had applied for a licence and explained that the scheme was introduced to enable landlords to receive a discount if their properties were of a higher standard, free from category one hazards and had all management safety documentation in place. Members were informed that investigations were underway to ensure that all properties which claimed to be actually meeting the required standards as well as work to determine what legal action could be taken against landlords who failed to meet the agreed standard. In response to a further question from the Committee, Mr Blackledge confirmed that the scheme included supported housing properties and he acknowledged that some residents were not receiving the support they were entitled to. A multi-agency approach would be taken in order to tackle the issue and Mr Blackledge suggested that updates be reported back to the Audit Committee every six months.

The Committee raised concerns over the possibility of a large number of guest houses flooding the property market and being available for purchase at low cost. Mr Blackledge advised that adherence to planning restrictions would hinder this from occurring, with Mr Cavill highlighting that BHC was also supporting the utilisation of available properties to provide good quality housing in the town.

Mr Blackledge provided an overview of the sub-risk 'Lack of appropriate transport infrastructure,' identifying that due to its innovative approach via 'Project Amber', the Council had been successful in its bid to receive £4.5 million challenge funding to invest in the highways network. He explained that the project aimed to invest in roads which had been identified as falling into the amber category to avoid them reaching further disrepair and reaching category red. He further reported that improvements to cycling and pedestrian routes had been identified as a government priority and as such would also be considered when reviewing the highway network and infrastructure.

With regards to the Fylde Coast rail infrastructure, the Committee asked for an update on

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the anticipated improvements to the rail connection to London. Mr Cavill reported that scheduled disruption to the west coast rail line by Network Rail had been announced which would affect routes at weekends throughout 2021 which he anticipated would impact significantly on leisure visitors to Blackpool. The disruption to services would negatively impact Avanti's marketing strategy for rail use during that time, with Mr Cavill advising that post-Covid marketing of rail use would be cautiously launched in January 2021.

The Committee sought information on the proposed Fleetwood tramway extension, with Mr Cavill advising that frequent tram services to Blackpool North would allow more accessible rail travel to London from the area. The question was raised of whether the tram extension would hinder better connections to Preston, with Mr Cavill confirming that the passing loop could be utilised for either tram or rail extension, so would therefore be beneficial for both cases.

Mrs Diane Booth, Director of Children's Services provided an update in relation to the sub-risk 'Lack of educational attainment/appropriate training to meet the needs of the economy.' She outlined the mitigations and controls in place to reduce the sub-risk, explaining that the risk score had remained unchanged due to the full impact of the pandemic on pupils not yet being clear. Mrs Booth made reference to the forthcoming Literacy Strategy, highlighting that this would be a 'cradle to grave' strategy that would aim to capture all age groups.

The Committee questioned whether employers had been involved in undertaking a skills analysis to identify any gaps in employment need. Mrs Booth reported that the Opportunity Area Board had undertaken a significant piece of work looking at employment skills, with the findings fed back to schools in order to impact on careers advice offered to pupils.

The Committee agreed:

1. To receive an update in relation to the implementation of the selective licensing scheme after a period of six months; and
2. To request an update on the sub-risk 'Lack of educational attainment/appropriate training to meet the needs of the economy,' after a period of 12 months.

5 ANNUAL GOVERNANCE STATEMENT 2019/2020

Mr Mark Towers, Director of Governance and Partnerships presented the Annual Governance Statement 2019/2020, explaining that the governance framework incorporated into the report had been in place at Blackpool Council for the year ended 31 March 2020. He noted that the Annual Governance Statement (AGS) would ordinarily have been considered by the Audit Committee earlier in the year in conjunction with the presentation of the Statement of Accounts, but its presentation had been delayed in line with the amended deadline for the approval of the Council's accounts.

The Committee invited the Leader of the Council to identify which of the actions as included within the AGS would be most beneficial to her and the Council. Councillor Lynn Williams, Leader of the Council summarised the key areas, which included the delivery of the channel shift agenda to improve accessibility to residents and reduce demand on Council resources.

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Councillor Williams also identified partnership working as a key beneficial area, as well as procurement and the improvements implemented to Overview and Scrutiny following recommendations following a peer review. She also made reference to the forthcoming Big Thank You which was being extended to all staff to thank them for their efforts since March 2020, in relation in particular to the Covid-19 response.

The Committee requested more specific target dates for the completion of actions, with Mr Towers confirming that the AGS would return to the usual schedule of the mid-term review in March 2021 and the annual report coming to the Committee in July 2021. As such, he advised that updated target dates would be included in those reports and he anticipated that the end of year target dates would be reported on as part of the next Annual Governance statement in July 2021.

The Committee agreed:

1. To approve the Annual Governance Statement 2019/2020; and
2. To invite the Leader of the Council to present an update on the Annual Governance Statement at a future meeting of the Audit Committee.

6 RISK SERVICES QUARTER TWO REPORT

Mrs Tracy Greenhalgh, Head of Audit and Risk provided the Committee with a summary of the work completed by Risk Services in quarter two of the 2020/2021 financial year. She reported a pleasing improvement on the completion of risk registers, with 98 per cent having been updated. In relation to the percentage of the audit plan completed, Mrs Greenhalgh advised that although progress was behind schedule this was as a result of the diversion of internal audit resources in response to the demands of the pandemic. She reported that the revised target of 70 per cent would provide sufficient assurance to the Council.

The Committee sought clarification around the performance data showing the percentages of agreed Council employees who had completed mandatory fraud awareness training, noting that the Communications and Regeneration directorate had achieved only 56 per cent. Members questioned if any plans were in place aimed at improving this figure. Mr Alan Cavill, Director of Communications and Regeneration advised that due to the high percentage of temporary seasonal staff within the directorate, this led to difficulties in ensuring all staff completed the training. He acknowledged that due to the nature of the seasonal roles, fraud awareness training was particularly relevant to many of the employees and as such Mr Cavill assured the Committee that efforts would be made to improve compliance. He noted that approximately a third of employees across the directorate were employed on temporary contracts and as such suggested that a target of 70 per cent would be more achievable.

The Committee questioned whether the reported corporate fraud statistics provided an accurate reflection of fraud in Blackpool, as well as seeking clarification over the reported figures for General Financial Fraud and NFI 2018. Mrs Greenhalgh confirmed that in her opinion the reported figures provided an accurate picture of fraud and explained that the NFI figure related to the National Fraud Initiative and included fraud or error resulting from

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data matched against other Local Authorities. With regards to the reported figure of £89,200 for General Financial Fraud, Mrs Greenhalgh advised that any type of fraud which fell outside the standard fraud categories would be reported within the general category.

Mrs Greenhalgh informed the Committee that the results from the Chartered Institute of Public Finance and Accounting (CIPFA) benchmarking exercise, as well as the recently launched Fighting Fraud Strategy would both be reported to future meetings of the Committee.

The Committee considered the quarter two performance and summary tables which outlined the internal audit reports and findings for the period. An 'Inadequate' assurance statement had been issued in relation to the review of CCTV which Mrs Greenhalgh advised was as a result of the concerns identified regarding the provision of cameras previously purchased and maintained via ward budgets; the robustness of the inventory and the need to obtain procurement advice for the CCTV development project.

Mr John Blackledge, Director of Community and Environmental Services reported that CCTV was a challenging area which had previously experienced underinvestment. He outlined the response to the audit's findings which included an exercise to remove or replace redundant or non-functioning equipment to be undertaken; a full assessment of the condition of all CCTV signage; an exercise to undertake a full survey of the current CCTV provision in order to update the inventory; advice to be sought from the Procurement team regarding the tender of all aspects of the CCTV project; an appropriately experienced dedicated project manager to be resourced to ensure that the CCTV project would be effectively managed; advice from the Information Governance Team to be obtained regarding a Data Protection Impact Assessment which would incorporate changes to be made to the CCTV provision as part of the project and the possibility of providing neighbouring local authorities with CCTV provision would be explored. Mr Blackledge acknowledged the scale of the project and advised that work would span a period of 18 months. Due to the amount of work involved, the Committee agreed to make a recommendation to the Tourism, Economy and Communities Scrutiny Committee to offer support and assistance to the CCTV review.

The Committee sought further clarification around the issue of the pursuit of Traffic Regulation Orders as identified within the audit of Parking Services, asking specifically about the potential consequences of not bringing them up to date. Mr Blackledge advised that a full cost benefit analysis was to be undertaken to determine the benefits and consequences, the results of which he would report back to a future meeting of the Committee.

The Committee noted that the liability claim reports indicated good performance and questioned whether a sufficiently robust financial plan was in place to protect against any future increase in claims. Mrs Greenhalgh acknowledged the possibility of insurance claims rising and as such the Council's insurance reserves and levels of exposure were regularly reviewed in conjunction with the Director of Resources.

The Committee agreed:

1. To recommend that the Tourism, Economy and Communities Scrutiny Committee consider assisting in the review of CCTV across Blackpool; and

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2. To receive an update report on the cost analysis findings of Traffic Regulation Orders at a future meeting of the Committee.

7 STATEMENT OF ACCOUNTS 2019/2020 UPDATE

Ms Nicola Wright, Audit and Assurance Partner, Deloitte presented an interim report in relation to the 2020 external audit of the Council. She advised the Committee that Deloitte was not yet in a position to sign the Statement of Accounts, stating that as the audit had been carried out remotely due to the pandemic restrictions in place a number of challenges had arisen in completing the work. A further barrier in the completion of the audit was cited as workload capacity, of both the Council's finance team and the external auditors.

Ms Wright identified that good progress had been made and drew Members' attention to the outstanding areas as reported, updating the Committee to advise that the pension liabilities query had now been resolved. She summarised the difficulties encountered with regards to queries around capital accounting, noting that work was still outstanding in a number of the identified areas. Furthermore, Ms Wright advised that additional work had been required as a direct result of Covid-19, namely the examination of whether the pandemic had impacted the valuation of certain assets, in particular the value and expected revenue from a number of the Council's subsidiary companies. Of particular concern to Deloitte was the inclusion of material uncertainty clauses which had been added by the Council's valuers to their year-end valuations and as a result Ms Wright explained that an 'emphasis of matter' statement would be included within the audit opinion. The area of long-term debtors was also highlighted as requiring further exploration, with Ms Wright reporting that additional assurance had been sought regarding the Council's assessment of the recoverability of outstanding loans.

Ms Wright identified the four areas of significant risk as Completeness of accrued expenditure; Property valuations; Pension liabilities and Management override of controls and provided a summary of the findings in relation to each area.

In relation to the Value for Money (VfM) external audit opinion, Ms Wright reported on the risks identified and advised that due to the Ofsted inspection rating of 'Inadequate' received by Children's Services following its inspection in 2018, a significant VfM risk had been identified over the delivery of the improvements required. She went on to note that monitoring reports had acknowledged the progress made by the Council in reshaping its Children's Services but that a number of areas still required improvement.

Mr Steve Thompson, Director of Resources acknowledged that the audit was currently a work in progress and agreed with Ms Wright's assertion that 2020 had been a difficult year which had been reflected in the government's delay of the accounting deadline from July 2020 to November 2020. He reported that despite these difficulties, the draft statement of accounts as prepared by the Council had been completed in accordance with the original timetable. In response to the concerns raised regarding the Council's financial sustainability, Mr Thompson informed the Committee that financial reports had been prepared and made publicly available at month two and that this data had included details of the Council's eight wholly owned companies in addition to the Council's direct financial reporting. With regards

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to the issues raised of property valuations, equipment and pension liabilities, Mr Thompson identified that additional services had been commissioned from independent professional valuers, yet despite these assurances the audit continued to raise ongoing questions over valuations.

The Committee questioned whether the external audit team would have sufficient resources to complete its work in order to meet the reporting deadline for the next Audit Committee meeting on 21 January 2021. Ms Wright responded to advise that due to the Christmas break and the need for colleagues to take leave during that period, the audit timetable would need to be reviewed to accommodate such absences. She highlighted that a number of issues still needed to be concluded before the audit could be completed and that her team would be working with the Council to endeavour to finalise the accounts as soon as possible. In response to a question over whether a cut off point for audit queries would be agreed, Ms Wright advised that whilst the audit needed to be undertaken in a timely manner it was a priority for the work to be completed to a high quality to ensure that the accounts were true and fair.

With regard to the VfM risk relating to the Ofsted findings, the Committee questioned whether the Commissioner's feedback would be taken into consideration by the external auditors when forming the opinion and whether other local and national evidence would be included in the audit. Ms Wright acknowledged that Children's Services was a challenging area to review as part of the audit and clarified that the guidance around the VfM opinion focused upon publicly available information about the service, citing the Ofsted inspection as an example. Until such a time as a re-inspection had been undertaken, Ms Wright stated that the associated risk of the original findings could not be removed.

The Committee queried whether the delays in the completion of the audit would result in any financial consequences affecting the agreed fee to Deloitte. Ms Wright advised that due to the additional procedures and the increased volume of work an increase in cost would be inevitable. Initial discussions had been held with Mr Thompson and Ms Wright suggested that further discussions be held with Members of the Audit Committee also in attendance. The Committee raised concerns over the potential increase to the external audit fee, noting that the longer the work continued, the greater the anticipated increase would be. Clarification was sought of the precise work that had been undertaken to warrant the additional days. Ms Wright reported that a detailed record of all work undertaken was maintained in order to ensure that all additional fees could be evidenced.

Further questions were raised regarding the Council's employment of a professional valuation service, with Members questioning whether this was a worthwhile expense if the external auditors did not accept the figures provided by them. Ms Wright identified the valuations as a worthwhile starting point but advised that the external auditors would continue to question and challenge the methods used to reach the valuation figures as part of the audit process.

In relation to the role of the Audit Committee, Ms Wright was asked to identify any core areas of concern that the external auditors wished to make Members aware of. One such area raised by Ms Wright was whether the Council's finance team had capacity to

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appropriately review the capital accounting function so that issues could be potentially identified and rectified prior to being reviewed as part of the audit. In addition, she advised that robust internal work around valuations and assets would be beneficial.

Committee Members offered to attend any additional meetings required to help ensure that the January 2021 deadline could be achieved, a suggestion which was welcomed by Ms Wright.

8 DATE OF NEXT MEETING

The date and time of the next meeting of the Committee was noted as 21 January 2021, commencing at 6pm.

Chairman

(The meeting ended at 8.07pm)

Any queries regarding these minutes, please contact:
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