

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 24 NOVEMBER 2022

Present:

Councillor Galley (in the Chair)

Councillors

Burdess	Hunter	R Scott
Critchley	Roberts	

David Swift, Independent Co-opted Member

In Attendance:

Councillor Mrs Maxine Callow JP, Scrutiny Lead Member

Neil Jack, Chief Executive

Steve Thompson, Director of Resources

John Blackledge, Director of Community and Environmental Services

Tracy Greenhalgh, Head of Audit and Risk

Lorraine Hurst, Head of Democratic Governance

John Greenbank, Democratic Governance Senior Adviser (Scrutiny)

1 DECLARATIONS OF INTEREST

Councillor Burdess declared a personal interest in item 3 of the agenda in respect of any discussions around the Council's wholly-owned companies as she was a Non-Executive Director of Blackpool Transport Services Limited.

Councillor Critchley declared a personal interest in item 3 of the agenda in respect of any discussion around the Council's wholly-owned companies as she was a Non-Executive Director of Blackpool Operating Company Limited.

Councillor Galley declared a personal interest in item 3 of the agenda in respect of any discussion around the Council's wholly-owned companies as he was a Non-Executive Director of Blackpool Entertainment Company Limited and Blackpool Transport Services Limited.

Councillor Jason Roberts declared a personal interest in item 3 of the agenda in respect of any discussion around the Council's wholly-owned companies as he was a Non-Executive Director of Blackpool Airport Operations Limited.

2 MINUTES OF THE LAST MEETING HELD ON 20 OCTOBER 2022

Resolved: To agree that the minutes of the meeting held on 20 October 2022 be signed by the Chair as a true and correct record.

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3 INTERNAL AUDIT FOLLOW-UP - GOVERNANCE OF WHOLLY OWNED COMPANIES

Ms Lorraine Hurst, Head of Democratic Governance, presented a progress report on the recommendations made in the internal audit report of the Governance of Wholly Owned Companies issued on the 30 November 2021. She explained that the audit had been undertaken by Mersey Internal Audit Agency, whom had made 7 recommendations.

It was reported that a new common governance framework for all companies had been agreed by the Shareholder Committee and adopted by the various company boards, along with a number of accompanying governance documents. The Committee raised examples of governance issues in other local authorities and lessons learned from those. Ms Hurst advised that the governance framework had been based on best practice guidance for local authority companies.

The Committee queried, in relation to Recommendation 1, if the companies and Shareholder Committee had sufficient skills to carry out the work in respect of effective risk management. Ms Hurst responded that a rolling training programme had been developed for NEDs and made available to Shareholder Committee members which included the role of audit and management of risk. It was noted that the new Governance Framework included a role-description for Audit Committee Chairs and the skills requirement for the role.

The impact of the Council's overall net risk score by the inclusion of companies on the Strategic Risk Register was raised by members. Ms Tracy Greenhalgh, Head of Audit and Risk, explained that the Council's Audit Committee had a role in monitoring strategic risk and thus oversight of this particular risk, but that implementation of the recommendations made would have a positive impact on the overall risk score.

Members noted the target date of September 2022 in relation to Recommendation 2 and asked that more detail on progress be added. That operating agreements had yet to be put in place for some companies was recognised by Ms Hurst and she agreed that further detail on progress could be included on the tracker, with an amended date for completion. It was noted that a draft Management Services Agreement was being developed that would accompany the service level agreements that were already in place and would be rolled out to all companies in 2023.

The link between the companies' audit committees and the Council's Audit Committee was discussed. Ms Hurst explained that the Governance Framework outlined that each company Strategic Risk Register along with the Chair of Audit report would be reported to the Shareholder Committee on an annual basis and that, in turn the Chair of the Shareholder Committee would report to the Council's Audit Committee on strategic risk across the company group. It was noted that this reporting process had commenced and would be fully embedded during 2023.

Resolved: That the progress against the recommendations of the internal audit of the Governance of Wholly Owned Companies be noted.

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4 STRATEGIC LEISURE ASSETS UPDATE

Mr Lee Frudd, Head of Strategic Leisure Assets, presented a report outlining the details of the framework within which risks associated with the Strategic Leisure Assets Portfolio (SLAP) were managed. He reported that risk within the SLAP were managed, in part, through the Leisure Assets Steering Group. This group sought to monitor the financial performance and risk of assets and consider what support was necessary for them.

Reporting on the relationship between Merlin Entertainment and the Council's members was discussed. Mr Frudd explained that control of Merlin's operation of Council owned assets was through the terms of the contracts between them. In respect of minutes of relationship meetings, these were considered commercially sensitive and so would not be shared, however consideration was being given to how Merlin could report to the Shareholder Committee on the operation of assets. As part of this, monitoring information would be made available to members of the Council.

Mr Frudd also informed the Committee that the external auditor role for Blackpool Entertainment Company Ltd and the attractions operated by Merlin was undertaken by Smith Craven. In terms of reassurance to the Committee regarding work at these companies, details of performance would be available via the public statement of accounts.

Ms Tracy Greenhalgh, Head of Audit and Risk, added that details of risk controls for the SLAP was included in the Council's strategic risk register. Going forward, the operator would report into the Shareholder Committee who would then provide the necessary reassurance to the Committee.

The framework for the controls in place was discussed with members asking if they were flexible enough to allow change if necessary. Ms Greenhalgh responded that the existing framework was robust and the controls were effective in managing risk as confirmed in the previous audit report in this area. Mr Frudd added that flexibility within the framework to respond to issues that could arise did exist.

Resolved: That the report be noted.

5 STRATEGIC RISK REGISTER DEEP DIVE - COMMERCIAL

The Committee considered a deep dive into the Strategic Risk 'Commercial' which included the sub-risks (a) 'Local Economy fails to recover', (b) 'Tourism economy fails to recover' and (c) 'Supply chain failure (goods and services)'.

a) Local Economy Fails to Recover

Mr Neil Jack, Chief Executive, provided an update in respect of sub-risk (a). He reported that the local economy had recovered well since the Covid-19 pandemic and the Council worked to ensure that it was supported. This work included using local suppliers whenever possible, the adoption of the Joseph Rowntree Foundation Living Wage for all Council and Wholly Owned Company staff, promotion of the Blackpool Airport Enterprise Zone and

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development of infrastructure to support businesses.

Further support for businesses was also provided through business hubs, such as The Edge, which sought to help businesses establish themselves and provide space for them to operate. This work had been secured as part of the Town Fund.

The Council had also established The Platform youth employment and training hub with the Job Centre at Bickerstaffe House. This sought to link young people with employment and training opportunities and had been very successful, with the Council seeking to expand its offer and reach.

Work with the Blackpool and Fylde Coast College (BFCC) was raised by the Committee. It was explained that the Council had a close working relationship with BFCC and that the Council's Assistant Chief Executive, Mr Antony Lockley, was a Board Member at the college. This allowed the Council to influence BFCC's offer and ensure it linked with Council plans. A training centre had also been established with support from BFCC at Bickerstaffe House to deliver health and social care courses in Blackpool.

The Council's relationship with the local Integrated Care Board (ICB) was discussed with Mr Jack informing members that the Council's Director of Adult Services had been appointed to a role with the ICB facilitating a close working relationship based on the locality first model.

Development of the enterprise zone was considered, with the Committee asking if new ideas were being considered in addition to the work outlined in the report. Mr Jack responded that significant green economy projects were planned and underway. Substantial investment in the central leisure quarter project and the development of the Multiversity was planned. He noted that these had not been included in the report as its focus had been on work that had taken place.

The need to address the skills gap in the local economy as part of the mitigation for this sub-risk was discussed. Mr Jack reported that the development of the Multiversity project in the town centre would be important in building skills in Blackpool and retaining them. The Council was also working with BFCC to deliver training with employers and determine what skills were needed in the Blackpool economy so that the educational offer matched it. He acknowledged that failure to address the skills gap was a significant long-term risk and the Committee agreed that a referral should be made to the Council's scrutiny committees to consider if the work planned and taking place was sufficient to meet the challenge posed.

In addition Mr Jack noted that there were also other non-Council partnerships operating in Blackpool to improve business support and employment opportunities.

Measuring productivity in Blackpool was considered, with it being noted that the town was behind the national average. Mr Jack stated that this was in part due to the seasonal economy, low paying jobs and youth unemployment. The key to addressing productivity issues was the improvement of health outcomes for Blackpool residents and national data had shown that better health outcomes had a positive impact on productivity.

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It was noted that health had not been included in the details of the sub-risk in the report, with Ms Greenhalgh, Head of Audit and Risk explaining that health was included in the strategy category of the Strategic Risk Register but would be a key factor in most risks considered by the Committee. The Committee noted this but asked that information on the impact of health factors on risk in future deep dives be highlighted. Ms Greenhalgh responded that the reporting template could be amended to ensure this.

b) Tourism Economy Fails to Recover

Mr Neil Jack, Chief Executive, provided an update in respect of sub-risk (b). He reported that the tourist economy had been severely impacted by the Covid-19 lockdowns with a significant loss of cash by businesses, despite government intervention. Despite this the sector had recovered well, with an extended tourist season and a quick return of popular events. Although some of the recovery was related to the lack of international travel due to Covid restrictions, the Council and partners had invested in future proofing the resort through the new Conference Centre, new hotels and attractions. The importance of moving away from a seasonally dependent economy had also been recognised.

Employment opportunities for young people in the tourist economy was discussed. Mr Jack reported that it had been recognised that such opportunities needed to be made available and that work with partners to highlight what was available was taking place. The example of Merlin Entertainments was raised, with Mr Jack explaining that employing an individual in Blackpool could lead to them having the opportunity across the world as part of their leisure portfolio.

c) Supply Chain Failure (Goods and Services)

Mr John Blackledge, Director of Community and Environmental Services, provided an update in respect of sub-risk (c). He highlighted Waste Services as a significant part of the sub-risk, explaining that as a collection and disposal authority the Council experienced constant demand to manage waste in Blackpool.

In order to address these risks therefore the Council had sought to undertake more waste work internally. Part-ownership of two processing plants meant that the Council could plan more easily to increase sustainability by controlling how operations took place. Plans to convert some waste into fuel and use food waste in energy generation were also outlined. In addition to this Mr Blackledge informed members that the ending of the landfill contract in 2025 presented a significant challenge to what Blackpool did with its waste.

Training to encourage waste prevention and reduction was discussed, with Mr Blackledge reporting that Blackpool Waste Services Ltd had employed staff to engage with communities on waste creation. This also included highlighting what could be recycled and how residents could contribute.

Mr Blackledge added that it was expected that this work would have a positive impact of the sub-risks net score going forward.

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Mr Steve Thompson, Director of Resources provided an update in respect of risks to the supply chain. It was reported that procurement cost the Council £200m annually, representing a significant portion of its expenditure. He informed the Committee that a number of global circumstances meant however that some risks were beyond the Council's control. For example, the British departure from the European Union and Covid had increase the costs of imports, while the war in the Ukraine had caused fuel costs to rise and Avian Flu had resulted in food prices increasing.

Although the Council had a Procurement team Mr Thompson informed members that its role was not to managing every procurement contract. Instead its role was to support the specialist services which operated the contracts and ensure consistency across departments and contractors complied with the Council's values. He also reported that as part of this role the Procurement team would be delivering training to other departments. The Council would also be developing a Contracts Register that would allow the Procurement team oversight of all Council contracts and their management.

The risk to the Council of suppliers leaving the market was raised, with Mr Thompson advising that a business could sometimes go out of business without warning. This was mitigated by ensuring that before agreements were signed with suppliers robust due-diligence had taken place.

In respect of training on contract management the Committee queried if some departments had under performed. Mr Thompson explained that the training would initially target areas where it was needed the most. It was added that Adult Services had been an area where this had been the case, however work by the Quality Assurance Team to address issues had taken place to ensure services provided quality.

Resolved:

1. That the update be noted;
2. That the issue of work to address the employment and skills gap within Blackpool's local economy be referred to scrutiny; and
3. That an additional box be added to the Strategic Risk Register – Deep Dive template to allow health risk to be highlighted in future reports.

6 CIPFA POSITION STATEMENT: COMPLIANCE REPORT

Ms Lorraine Hurst, Head of Democratic Governance and Ms Tracy Greenhalgh, Head of Audit and Risk, presented CIPFA Position Statement 2022. The report provided details of the Council's progress to ensure compliance against these principles set out. These principles included the purpose of an Audit Committee, ensuring it is independent and effective, and has oversight of financial, governance and risk arrangements.

Ms Hurst reported upon progress made against the principles in the statement and remaining areas for development including more frequent reporting by the Audit Chair to full Council, a mid-year update to Committee on the Strategic Risk Register, wider involvement of members of the Executive at Audit Committee meetings and consideration

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of further reports where external inspections had been carried out.

Progress monitoring of the areas for development was discussed, with Ms Greenhalgh informing members that monitoring could be undertaken by the Committee. It was noted that an annual session with audit members was also held to discuss work taking place and ongoing issues could be reported to the Chair and Vice-Chair through their regular briefings.

The opinion of the external auditor, Deloitte, was sought by the Committee, regarding compliance with the statement with Mr Stuart Kenny, External Auditor, responding that they considered the details in the report a fair reflection of the work of the Audit Committee. He added that Blackpool's Committee provided an effective audit function and was regarded as performing well with no concern being expressed.

Resolved: That the report be noted.

7 AUDIT COMMITTEE ACTION TRACKER

The Committee gave consideration to the updated Action Tracker.

Resolved: To note the Action Tracker.

8 DATE OF NEXT MEETING

The date and time of the next meeting was confirmed as Thursday, 19 January 2023 at 6pm.

Chairman

(The meeting ended at 7.50pm)

Any queries regarding these minutes, please contact:
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