

**Minutes of the Finance Board
Thursday 18 May 2023 at 9-11am**

**Minutes of the Finance Board
Council Chambers, Ground Floor Observatory House / Microsoft Teams**

Attendees:

Commissioners:

Sean Nolan – Interim Finance Commissioner

Members:

Cllr Dexter Smith – Leader of the Opposition

Cllr Rob Anderson – Lead for Financial Oversight & Council Assets (remote)

Cllr Wal Chahal Singh (new Lead for Financial Oversight & Council Assets (Conservative, observatory capacity)

Cllr Zaffar Ajaib - Lead for Customer Services, Procurement and Performance (remote)

Officers:

Adele Taylor – Executive Director of Finance and Commercial Services and S151 Officer

Patrick Hayes – Executive Director Housing, property & Planning

Hitesh Jolapara – Interim Deputy Director of Financial Management

Alistair Rush – Financial Management Advisor

Richard West – Executive Director, Place & Communities

Secretariat:

Nasreen Brittain – Executive Assistant to the Commissioners (minutes)

Jamie White – DLUHC – Local Government Interventions (remote)

Apologies:

Gavin Jones – Commissioner (Chair)

Claire Willerton - Chief of Staff to the Commissioners

Stephen Brown, Chief Executive and Head of Paid Services,

Sue Butcher, Executive Director, Children's Services

Cllr Pavitar Mann – Lead for Housing and Planning

Cllr Natasa Pantelic – Lead for Social Care and Public Health

Cllr Nazir Mohammed – Lead for Transport and the Local Environment

Cllr Sabia Akram – Lead for Leisure, Culture & Community Empowerment

Sarah Hayward – ED Strategy & Improvement

Stephen Taylor – Monitoring Officer

Cllr Christine Hulme – Lead for Children's Services, Lifelong Learning and Skills

Marc Gatsby – Executive Director, People - Adults

Sue Butcher – Executive Director, Children's Services

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Minutes

1. Welcome and Declaration of Interests (Sean Nolan)

On an observer Cllr Chahal attended however; Cllr Mann sent her apologies due to technical problems outside her control.. No declarations of interest were expressed.

2. Minutes and Actions of the March Finance Board (Sean Nolan/Nasreen Brittain)

Minutes noted for Finance Board approved. Action log updated. Adele Taylor reported that there had been no update regarding final sign off from Grant Thornton on the final set of accounts for 2018/19, however, there was a meeting scheduled for 31 May where this matter would be discussed. Sean Nolan observed that moving from declined to unqualified opinion status would take a great deal of work and time and he expressed his concern that this was not being sufficiently registered across the wider Council leadership. He felt finance and other areas would require additional dedicated support as a result. He also observed in his opinion that no government would release a Council from Intervention if they were sitting on a continuing series of adverse audit opinions. Sean Nolan shared that since the last meeting he had spoken to the auditors who echoed those reflections but also advised that there were significant technical and valuation issues and not just quality of records informing the current audit status and Adele and the new Finance Commissioner will need to be sighted on these were some valuation issues which Adele Taylor will want to discuss with the auditor. Sean Nolan recommended the new Lead Member for Finance meets with Adele Taylor separately to understand the issues and the position of the external auditors. More generally Adele Taylor reminded everyone that the government was looking at the external audit arrangements for local government and she could provide some links separately if anyone wanted them.

3. Update from April Improvement and Recovery Board (Sean Nolan)

3.1. Sean Nolan focused on the positive improvement journey of the Scrutiny function that had been shared with the April IRB. He felt this reflected well for the Council and was a very positive piece of work.

4. Finance Update (Adele Taylor)

4.1 Latest on 22/23 Outturn

The Council was broadly in line with the forecasting at period nine. There was a variance of overspend of around £4.9m but this was broadly in line with earlier outturn forecasts. Alistair Rush commented that SCF were close to finalising their outturn forecast and would be in the same position as reported in period nine. In terms of adults, at period nine there had been agreement to use reserves up to £4m to cover the overspend position. Temporary accommodation appeared under control but further verification work in hand. A review of savings delivered per dept for 2022/3 would be completed as well. Sean Nolan commented that the overspend on social care was £6m and wanted to know whether this was due to continuing overspend pressures, and if so, how it could be resolved in 2023/24. Adele Taylor commented this was the raw overspend figure, and work was being done to reduce costs and spend and they were working with specialised support to achieve this, the results of which would be seen in 2024. The plan for 2023/24 was to improve on the machinery of monitoring this going forward. Also she needed to look at what grants had been properly applied and which had not. She would also look at underspend as well as overspend line by line once the outturn work has been completed to form assurances about extent of ongoing overspend pressures into 2023/24. . Following questions from Sean Nolan, Adele Taylor confirmed she was satisfied with the use £4m of reserves and on the process and transparency for that decision. Sean reflected that the culture had to be converted into setting cash limits for all departments after the central budget contingencies had been distributed, the Council and its departments would then need to operate within the monetary budget that was allocated as there was no further money. Adele Taylor to fully brief the Board on what reserves the Council had but her current view was that they were at a minimum level. This is reviewed on an annual basis. There were some reserves set aside for non-delivery of savings. Overall it has to be remembered that reserves can only be used on a one-off basis. Cllr Chahal and Adele T will go into the risk register and other finance issues

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separately. Sean Nolan commented that best practice is to expose each set of reserves and contingencies and detail their intended purpose and whether they are needed. Cabinet Members should familiarise themselves with this as well. Cllr Anderson pointed out that SCF never met its budget and it's an area where the Council has limited control. A solid focus will need to be kept on this. Adele T recognised that there is a new ED of Children's Services who is very keen to work with Adele T on this. SCF are not holding the process up, it is the Council, Adele T wanted that noted. In terms of SCF they have ended up where it was expected.

4.2 Latest on 'Finance Improvement Plan'

- 4.2.1** There were a number of thematic areas. , getting the basics right, financial governance, financial culture and awareness, medium term planning, transforming financial processes and deep dive projects. Adele was still building the overall improvement plan and did not feel it would be ready for the June Cabinet in light of the recent elections. Sean Nolan emphasised the importance of this activity, it was one of his identified six key elements under 'Financial Practice, Strategy and Resilience' Regular updates would need to be programmed into future Finance Board agendas.
- 4.2.2** Getting the basics right was going to be key. A key narrative that everyone could understand would be essential for future success. At month two all budget allocations should be clear so budget managers would know what they had to work with. Savings had been a big focus for this month. Each saving has a plan behind it on how it would be delivered per month, and then would also do that on an exceptional risk basis.
- 4.2.3** Finalisation of key government grants would all be done by end of period two. Some of the grant returns had been delayed for a number of reasons.
- 4.2.4** Sean reflected that the Commissioners would want to give the Council a broader view of their expectations as the key aims from the Commissioners and indeed as part of that had already outlined the likely expectations under the Financial Practice, strategy and Resilience banner.
- 4.2.5** Regarding governance and decision making, Claire Priest was working on slimming down the amount of information required while balancing governance.
- 4.2.6** Financial culture and awareness underpinned everything. There was a workshop this week with business partners to help them understand the financial situation and goals for the future. Initial training had been scheduled for 7 June and would include expectations for Officers and Members. Cllr Anderson commented that financial culture and awareness was something that had stymied progress where small things could not be signed off due to being in Intervention and larger projects were not progressed as there was a lack of empowerment to
- 4.2.7** Medium term planning was at an early stage. Review of capitalisation direction model and its impact on the medium term plan was planned for early June following outturn. Ultimately the delivery of the medium term plan had to be linked to the corporate plan. Sean Nolan reflected that producing a balanced medium term financial plan consistent with corporate priorities and adequate financial resilience was one if not the most important of the key elements of a finance assurance framework that Commissioners will expect the Council to work towards. The headline expectation is for that to be in place by March 24.
- 4.2.8** Finance Transformation and automation – Alistair Rush has done some work on this area and in particular with Agresso. An Agresso User group has been set up to co-ordinate activity. Previously there had been no single place that key financial system was discussed.
- 4.2.9** Deep dive projects were focused in finance. Debt management covered everything from how income was collected to how debt was managed. This was a key area for Adele Taylor. Purchasing deep dive would also be carried out in due course and would cover how things were purchased,

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minimising duplicate payments. However, there would need to be prioritisation and critical path on these as not all could be done at the same time.

4.3 Latest on the specific 23/24 budget monitoring processes and early risk assessments

4.3.1 Budget monitoring meetings were currently being scheduled.

4.3.2 Alistair Rush updated that in terms of preparation for delivering budget monitoring for 23/24, strategic managers and business managers would be talking through this with staff. There were still issues to be resolved. However, the message was to manage and monitor what was **actual** rather than waiting for everything to be resolved. Formal monitoring would begin in period two, end of May. Also as part of CLT development, would move to a point where EDs were presenting on their own areas. Each Director now have been sent a copy of their budget for 23/24 and SFM's attending management team meetings. First monitoring of budget from Period 2 (so closes on the last day of May). Regular budget monitoring both internally but also reporting to committees and members throughout the whole year.

4.3.3 Savings – there will be a tracker for these linked to a metric. Will begin to develop a rag rating as well. Ownership and explicit accountability would be built into this process going forward. Hitesh Jolapara commented the budget would be what was the agreed, approved, and allocated budget. If the budget changed, would need to go through due process, i.e. through CLT, then Cabinet and finally Scrutiny as well. Sean Nolan entirely agreed with this process. Adele Taylor reflected there had been a lot of emerging things last year, this year she wanted to minimise that as much as possible. Therefore people should have far more accountability. Reassurance was given to the board that this work was being done. Cllr Anderson also concurred with both Adele Taylor and Hitesh Jolapara.

4.3.4 Sean Nolan wanted assurance that the machinery was in place which would produce a sound monitoring product and an early assessment of any problems in year-end. Could not overstate the importance enough both politically and professionally to get this right and for the culture on finance accountability to be enhanced and enforced.

4.3.5 Senior and key capacity building in the finance function. Some new interim staff were no shows which had been very disappointing, but there was more incoming resource which would be utilised. Adele Taylor was reaching out to other S.151s to get advice and guidance as well. Permanent recruitment was now live for the two Deputy Director S151 posts, and a good response had been received, which was positive. Adele Taylor was hopeful that a good outcome would follow as a result. Agencies were not being use for these recruitments. A complete review of the Agency supply chain was being undertaken to ensure fit for purpose. A review of all advertising streams for permanent position adverts was also being conducted. The end goal was to reach target audiences through optimisation and be in control of the adverts and process. An initial review of the recruitment process had been completed and bottlenecks and blockers had been identified and proposals were being considered for changes.

4.3.6 Some success had been seen in procurement; and two appointments were currently in progress. The work done by Claire Priest in this area was acknowledged. Sean Nolan pointed out that ensuring adequate finance capacity in key areas was a significant risk to the Council and therefore regular updates to the Board would need to be made.

5. Internal Audit – follow up on the key issues raised in the key Internal Audit report (to the previous meeting) (Adele Taylor)

5.1 The focus was on actions that had not been progressed. Adele Taylor and the Monitoring Officer would work to get these actions completed. Over the last month there had been good progress. We are in a period of transition where the internal audit had been brought in-house. Adele Taylor had also met with RSM lead and a draft summary had been provided by them to the direction of travel of key financial systems audits

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for the period 2016/17-2022/23. Concern was there were a lot in draft. The key was to understand whether recommendations from internal audit would impact or make a difference to getting to the delivery and assurance. This was an area of focus for the team.

- 5.2 Actions completed as at end of April number 155 or 47 per cent of the total due with a further 10 or 3 per cent not yet due. A concerted effort was being made by CLT to close the remaining 162 actions that were overdue. Further updates to be given at next Board.
- 5.3 Slide 10 contained a draft summary provided by RSM to the direction of travel of key financial systems audits for the period 2016/17-2022/23.
- 5.4 Business rates had seen reasonable progress in the follow up and were expected to improve for 2023/24.
- 5.5 Sean Nolan made the point that to have the Council's core financial accounting systems contain 'minimum' or 'partial' assurance was very poor. The Finance Commissioner reflected that the picture needed to improve and do so within a reasonable timeline. Others within the Council outside of Internal Audit needed to apply the correct practices in order to achieve this.

6. Asset Sales Progress Against Receipt Target (Pat Hayes)

- 6.1 Pat Haynes presented a draft high level monitor of asset sales as requested by the interim finance commissioner. He outlined that it was work in progress but would be refined to reflect a rag risk rating in the sales profile being forecast and a refined high level monitor would be reported regularly to the Board. He reported there were some significant general risks, both internal and external. Internal risks were a lack of digital and paper records. A data audit had been requested. Paper records had now been collated into one place. However, there were issues around covenants (amongst other things) for asset sales that were not evident prior to getting the asset papers together. The shape of the property team was also an issue as capacity issues continued. Avison Young had replaced their lead person at the Council's request. Challenges on the legal side also continued as the current external provider does not have the required expertise, so were looking at using alternative providers who could be more responsive. Market challenges also continued to have an impact, such as Covid and the Ukraine War, and this was particularly acute in the retail sector.
- 6.2 Sean Nolan commented that assurance on sales performance had been requested in an easily digestible format and that before the meeting was a good but work in progress. He felt this kind of reporting was of enormous importance to the Council and the Leadership. Pat Hayes reported that the final value of receipts for 2022 was £213m and the monitor would be updated to reflect this. What this was telling us about the target for 2024 was that things were heading in the right direction to meet the overall asset sales goal. The challenge was phasing the sales so as not to overwhelm the market and maintain interest. Operational assets came into this piece as well. A detailed estate strategy was now being produced, which the Council had not had before now. The goal was for all budgets for properties to be held centrally. Adele Taylor commented that some dedicated resource was being brought in to deal with proper record keeping. Sean Nolan commented that overall this was a strategically important piece of information. This would therefore be part of the Finance Board agenda and be included for regular reporting.

Action: Nasreen Brittain to include Asset Sales Progress Against Receipt Target on Finance Board agenda as a standing item with a 10 minute duration time.

- 6.3 Cllr Smith asked about records risk. Pat Hayes responded that considerable time had been spent with staff to find all the paper records for each asset the Council owned. Nothing had been digitalised as it ought to have been and this had negatively impacted on the timeframe for sales. Digitalisation had yet not begun because there was still more work to be done with the records. Sean Nolan reflected this was very poor practice in a property function and was not usual.

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6.4 Transformation Strategy for Property: (Pat Hayes).

- 6.4.1 The service starts from a low base. Key drivers were financial, capital receipts, revenue reductions (property and service), support new operating model, legacy portfolio, service, control, reliability, and compliance.
- 6.4.2 There had been a £370,000 saving on rationalisation of the staffing team. Needed to establish a proper Council Service Estate where a centralised point for addressing problems could be accessed. There was scope to develop a strong function.
- 6.4.3 The wider objective was to have a proper data driven function, which would allow staff to make evidence based decisions. Establish a Corporate Landlord function. Have a smaller, more manageable portfolio which could be shared and be more efficient and better in quality. Longer term the goal was to enable the Council to work more effectively with its property portfolio. Cllr Anderson commented that the Corporate Landlord Model was recommended some time ago, and while it was adopted; it was not actually implemented. So, this would need to be monitored closely if it was going to be successfully adopted and implemented in the future.
- 6.4.4 Sean Nolan had requested this information to be reported because the Council had started from such a very poor position. However, the work produced was recognised as the basis of improvement plan. The Corporate Landlord piece could be done with a degree of focus and needed to be imposed if necessary.

7. Dedicated Schools Grant Safety Valve – any updates (Adele Taylor/Sue Butcher)

a. Update on any Finance issues re SCF/SBC Interface (Sue Butcher)

No update due to time restrictions and Sue Butcher's absence. Will be on the agenda for the meeting in June for Sue Butcher to provide an updated report.

8 AOB

- 8.1** 10.1. Sean Nolan advised that a new Finance Commissioner should be announced and starting hopefully within the next week or so. In his handover discussions with the prospective appointment, he had shared the 6 key elements of the Finance part of a broader assurance framework and felt confident that the new commissioner would want to continue with them in the main.
- 8.2** 10.2. Going forward Sean hoped there could be more advance clarity on future agenda planning for this Board and as a result an expectation on offices that updates and reports to the Board can come in good time.
- 8.3** 10.3. Finally, Sean wished Members, officers and indeed the whole Council the very best for the future.

The meeting closed at 11am.