

Exceptional Finance Board held on Wednesday 26 June 2024 1-2pm – Minutes

Present:

Attendees:

Commissioners:

Denise Murray Finance Commissioner, Chair

Members:

Cllr Dexter Smith – Leader with responsibility for Improvement and Recovery
Cllr Wal Chahal Deputy Leader and Lead for Financial Oversight & Council Assets

Officers:

Will Tuckley, Interim Chief Executive and Head of Paid Services
Sue Butcher – Executive Director Children’s Services and Chief Executive Slough Children’s Services
Marc Gadsby – Executive Director People and Adult Services
Annabel Scholes – Interim Executive Director of Finance and Commercial Services (S151 Officer)

Secretariat:

Nasreen Brittain – Executive Assistant to the Commissioners (minutes)

Also Present:

Andrew Merritt-Morling Programme Manager
Deemple Brain Programme Manager
Dave McNamara – Interim Finance Director
Peter Hopkins – Property Director John Hickson Finance Lead
Marcus Richards - EY Corporate Finance Practice
Stephen Menzies – Interim Director of Digital and Technology
Alex Pilgerstorfer – Finance Business Partner
Mike Smith – Head of Financial Governance

Not In Attendance:

Gavin Jones, Lead Commissioner; Ged Curran, Commissioner;
Cllr Pavitar Mann – Labour Group Leader, Tessa Lindfield – Director of Public Health;
Mandy Brown - Chief of Staff to the Commissioners; Chris Holme – Head of Financial Governance, Patrick Hayes – Executive Director Housing, Property & Planning, Sukdave Ghuman, Monitoring Officer

Minutes

1. Welcome and Introductions and Declarations of Interest

None.

2. Declarations of Interest:

No declarations of interest.

3. Minutes

No minutes to approve at this Board.

**8. Finance Update: Refresh rolling MTFS and CS Outline Plan: (Annabel Scholes)
*Sensitive and Commercially Confidential Papers***

8.1 P2 Monitor is considered as part of the MTFS refresh. C.£15m pressure remains in-year which needs to be addressed.

8.2 The budget gap in 24/25 starts at £50m then apply CD and previously agreed savings to reduce the gap to c.£15m. Annabel very pleased with the work done with all CLT looking at options of how to address in-year, one-off and ongoing, pressures. Can find c.£10m of mitigations thus far, however, want to be clear due diligence still required and this needs to be put into the context of how demand is affecting the Authority. The September report will make the in-year challenge clearer and where the Authority will be in the coming years and the planned approach to fill the gap.

8.3 Annabel said they were reviewing the ECP process and documentation available. They were also capturing very good data through the TOM work. HR will also take a proposal to CLT, looking at all the structures, move away from reliance on interim resource. Also discussed at CLT was the non-essential spend and how much of the gap can be controlled by reducing non-essential spend. Annabel felt more positive overall.

Denise said the narrative and comms needed to be clear about the planned approach to deliver a balanced in year budget. The scale of the challenge rolls forward into the next financial year with a starting point for 25/26 of a £17m budget gap, if the reductions and efficiencies cannot be made in a sustainable way. The balance sheet review work has had an impact on reserves, reducing the availability to bridge overspends in 24/25, which makes delivery all the more critical.

8.4 MTFS Process and Plan: Denise sought clarity on the proposed public consultation (including HRA and Schools), engagement with scrutiny and internal party groups. Annabel responded this was all part of the work with the TOM. Agreed to do some targeted topics and everything will be with Scrutiny involved. November cabinet will have TOM and all the other budget proposals. Expectation is to launch consultation in November.

8.5 Denise recommended the planning be more succinct with comms team support, need to plan the timing of the party group engagements, public consultations, reflecting different statutory timelines for schools, council tax schemes, tenants

HRA and the TOM to ensure relevant forums are consulted and appropriate residents and business engagement.

- 8.6 Annabel said school's forum and workplan discussion took place last week. There was also a new Chair from September. For party Group engagement, confidential briefings will be planned to cover this.

9. Finance Update: Finance Improvement Plan 24/25: (Annabel Scholes)

- 9.1 Finance improvement plan. Thanked Deemle Brain for her involvement in this area.
- 9.2 Best value requirements and CIPFA FM Code picked up and mapped against tasks. List of high-level actions and rag analysis undertaken. Executive summary showed direction of travel. Using this to form the basis of appraisals with the team.
- 9.3 Reflection is that there was very little that is green in the rag table. Progress is being made and positive direction of travel in some areas. Of the 34 tasks direction of travel for 11 was positive, 10 negative and 13 unchanged. Going forward, sometimes there will be very little change in the headlines as there are a number of underpinning tasks and there may be some individual setbacks, against a backdrop of improvements.
- 9.4 Denise thanked Annabel for the reporting, and the new format which showed a more honest reflection of the situation. Agreed that the nature of many of the task meant that will remain amber for some time. More important was the direction of travel. Denise sought clarity on the amber assessment of skills, capability and capacity. A constant theme across the organisation was a lack of capacity and capability and over reliance on interim resource.
- These have been based on the set of skills currently in the organisation. HR was looking at the workforce data for a report in September. Annabel felt the use of interims would remain a medium-term issue. Will understood this perspective, and broadly agreed. However, needed to be able to do the assessment and take account of the skills the organisation has. The programme of moving the entire organisation onto a permanent footing, was going to take time. Contact Centre for example, now had all permanent staff. There were, however, some pockets where focus was still needed to get to the point where the correct structure was in place. Making sure this programme was progressing was vital to give assurance to DLUHC and Commissioners. Denise recognised the challenges which will also need to be viewed in the context of living within your means, appropriate transition plans with smooth handovers, so processes and strategies were not restarted, and pace of improvements impacted.
- 9.5 CIPFA financial management code: a self-assessment needs to be completed, what was the proposed approach for 23/24? Reference to areas of non-compliance, should ideally have been referred to in the AGS. (annual governance statement). Annabel confirmed this would be done and she would pick up with Chris Holme on the timings. It was noted that the assessment should also be subject to internal audit.

10. 24/25 Internal Audit Overview: (Mike Smith)

- 10.1 A Maturity Assessment was prepared shortly after joining the Council utilising the IIA standard framework / model. The outcome indicated a low level of maturity with many of the core elements missing.
- 10.2 Internal audit functions can add significant value within an organisation. However, it was felt there was some immaturity on the understanding of the function of internal audit and a lack of IA compliance. The organisation needs to think of where it wants to get to with internal audit, e.g. just the basics or high performing function. It would require increase resources and a lot of support to build a strong IA function. The current baseline provides the opportunity to transform an immature internal audit function to one that aligns with current best practice and is capable of delivering significant value to the Council. Independence of internal audit is also key and there are some issues still to be resolved to ensure

independence is not impaired.

10.3 Internal audit plan was produced by previous Internal Auditor. Information used to inform the plan was not available and senior officers questioned whether it included the appropriate audits. Mike's suggestion was a rolling plan going forward with shortcomings fixable by adopting a risk-based approach.

10.4 Denise thanked Mike for the initial assessment and given he is new to the organisation wanted to provide context: the IA assurance function had only recently been brought back in-house. Needed to build a new assurance team and this has proved challenging with market conditions, coupled with HIA churn and needing to have the HIA at the right level in the organisation. Following the recent maturity assessment a resource plan is required to ensure appropriate resources and skills are available and improvement plan to deliver the objectives of the function. This assessment has solely focused on the assurance function and current assessment is required in terms of counter fraud and investigations.

Mike responded the team was very small, with only three non-qualified auditors, which was not enough for the size and complexity of the organisation. Have brought experienced interim staff in but would also like to grow your own and use graduates who could be developed. Counter fraud team not yet assessed in the initial report.

10.5 Level of assurance: Denise stated the need for sufficient resources to cover areas such as those outlined in the annual governance statement and key risk including as appropriate those in the CRR. Mike indicated that a resource plan was being developed, approach supported by Audit Committee but need to be agreed by the council. Don't want to be in a position to not be able to deliver due to lack of resources.

10.6 Strategic direction: are we looking for a 'good enough' assurance function or a team that can be proactive in terms of embedded assurance and will provide good insight. The Council will be reliant on an effective, robust, internal audit function as a key line of defence and if not, internal this would need to be commissioned. Will Tuckley said this would need to be done in stages. Share the assessment more broadly that showed a modest state of play in the function. Good discussions had been had about the value of effective internal audit function. However, need to provide the leadership to support this. Will was in favour of the rolling programme. The organisation's appetite to risk would also need to be looked at. Have aspirations above 'good enough' but in the first instance need to get 'good enough' and build from there. Denise agreed and reminded the Board that the Directions included improvements to ensure an effective internal audit function is in place in the Council, that reflects best practice.

10.7 Impaired independence: Denise is keen to ensure that the independence of the function is not impaired and asked Mike to provide an outline to the statutory officers of where he perceived issues to be that could result in the functions independence being at risk of being impaired and how these issues could be addressed to prevent that. Mike responded that he would aim to do so after the statutory officers meeting. Denise said this needed to be done as a priority.

10.8 Annual audit plan: Denise reminded the Board that the 24/25 plan was endorsed by CLT and approved by the March Committee with the relevant assurances from Officers. Changes to the approach and plan will need to be referred back to the committee for consideration, with clarity provided on why this is no longer credible, adequacy of the coverage and that there is sufficient resources, knowledge and skills, to achieve the recommended revised plan.

Mike responded that he was taking advice on this issue.

10.9 Next steps: Mike said the audit system currently being used was not fit for purpose and was not being used since it was invested in. Denise said it was vital to understand what the issue is with the current system, given recent investment, any configuration changes that could be implemented to improve it and then what the milestones will be should a decision be made to move away from it.

1. **Actions: Mike to develop a resource plan for 24/25 to ensure appropriate resources and skills are available to deliver the objectives of the function.**
2. **Actions: Mike; In addition to assurance assessment a further assessment to be undertaken and overview provided to the Board of the counter fraud and investigations areas of the IA function.**
3. **Action: Mike to provide an outline to the statutory officers of where he perceives issues to be, that could result in the functions independence being impaired and how these issues could be addressed to prevent that.**
4. **Action: Mike to provide an overview of the issues with the new internal audit system, any configuration changes that could be implemented to improve it and the key milestones should a decision be made to move away from the system.**

11. Internal Audit Monthly Actions: (Mike Smith)

- 11.1 List of the overdue audit recommendations. Can act as a barometer of how seriously the organisation takes audits. Feedback from EDs was the recommendations were not entirely appropriate. Mike very pleased all EDs were committed to clearing all outstanding recommendations by end September 2024. Hoping to work with them to close as many as possible in the coming months.
- 11.2 Denise said these recommendations were not new and had been tracked for in excess of a year. There had been plenty of opportunity to review and recalibrate as required. Even the high risk recommendations appeared relatively straight forward and could be implemented quickly, and some could have been superseded given the time that it's taken. there are still 48 medium and low risk attributed to 21/22 that have still not been implemented. CLT need to do a round of focused targeted reviews of outstanding recommendations and recalibrate or implement the necessary actions. Mike said this was what was discussed and felt the EDs were taking it seriously. Outcome: clear intention to have all outstanding recommendations cleared by end September. And where can't be cleared, need to do a review and a recalibration and do risk assessment.

Action: Mike to continue to monitor progress with the intention that EDs will have all prior years outstanding recommendations cleared by end September, or recalibration supported by a risk assessment.

12. Risk Management Update: (Mike Smith)

- 12.1 The paper was brief. The corporate risk register had been reviewed and identified a number of issues, such as scoring of inherent risk, some managers did not understand the methodology and an approved risk appetite statement was not available. Discussed at CLT and agreed Mike would draft one for approval at audit and corporate governance committee. Doing a slightly revised risk register template, identifying risk champions and training them. This will lead to a more robust risk management function.
- 12.2 Resource remains a challenge and hiring experienced personnel is expensive. Mike to develop a strategy for this.

- 12.3 Denise thanked Mike and said his reflections were valuable. Recognised the requirement to recalibrate risk for 24/25 including risk tolerance and framework but was, however, still anticipating a final 23/24 Q4 risk report, which would be built on and enhanced as you transition into 24/25, as opposed to starting the whole process again with no continuity and bridge from one year to the next.
- 12.4 Mike responded that working back to finalise something for 23/24 would be very difficult due to lack of corporate memory and would be difficult to resource items and retrofit. Denise asked for greater consideration to be given to the approach and the resources required for workshops etc to recalibrate the service up to corporate risk registers and framework for 24/25 and roll out training. Mike said this was on the agenda for tomorrow's meeting with statutory officers.
- 12.5 Denise asked officers to give some consideration to common risks across subsidiaries and how they were being captured, overseen and reported: Sue Butcher said she had similar risks but no joined up approach to date. They have their own Company risk register and feed those risks into the corporate risk register. However, they don't have the read across or join up. Sue Butcher agreed to join Mike Smith for a meeting to discuss this issue. Denise agreed this needed to happen with companies' risk registers aligned and common risks such as H&S, Cyber, Fraud etc appropriately managed..

Action: Mike to produce a risk management resource plan and overview of the action plan for 24/25

Denise thanked Mike for his honest reflections and the work to date. Whilst it was disappointing to have to refresh and address so many areas within the function, felt a spotlight had been shone on key issues and it was the right approach.

13. AOB

- 13.1 None.

The Meeting opened at 1pm and closed at Meeting closed 2.01pm

Date of next meeting: Thursday 18 July 10am in the Council Chambers.

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