Hackney

AUDIT COMMITTEE

WEDNESDAY, 17TH JANUARY, 2018

Present: **Councillors:**

Cllr Nick Sharman in the Chair
Cllr Michelle Gregory, Cllr Robert Chapman,
Cllr Sem Moema and Cllr Carole Williams

Officers: Ian Williams, Kim Wright (for agenda item 6), Michael Sheffield, Julie Sharp, Matthew Powell, Pradeep Wadden, James Newman, Steve Platt (for agenda item 5a) , Ian Rae (for agenda item 5b)

Also in attendance: Mayor Glanville and Councillor Rebecca Rennison

1   Apologies for absence

1.1 Apologies for absence were submitted on behalf of Councillor Brian Bell and Councillor Sem Moema for lateness.

2.   Declarations of Interest

2.1   Councillor Michelle Gregory declared that she currently sat on the Board of a Tenants Management Organisation.

3   Minutes of Previous Meeting

3.1   The minutes of the previous meeting were agreed as a correct record.

4   Mayors Questions

4.1   The Chair welcomed Mayor Glanville to the meeting. He stated that with reduced Government financial support to Local Government there was a need for it to take increased risk in its' operation with audit moving to centre stage. He identified three specific areas which he believed may have a serious impact on the Council as a whole: the introduction of Universal Credit; Commercial risks associated with the Council's development strategy; recycling collection and treatment. Further, he asked the Mayor for his vision of democratic oversight of key generic risk.

4.2 He referred to the negative Local Government Select Committee report on scrutiny and stated that Hackney Council had a good record on scrutiny. The Chair emphasised that there were areas of work that could not be directly attached to directorates of the Council such as the Mayor-led joint Boards and wished for reassurance that there were mechanisms in place to ensure that these were not overlooked.

4.3 Mayor Glanville told the Committee that it had been ten years since he had served on the Audit Committee at a time when the Council was better resourced. He referred to complex contract arrangements with the Hackney Learning Trust and the Hackney Homes at the time and that much had happened since then. He referred to the need for Council policy groups such as the Chair's group to ensure that any areas of work are not overlooked.

4.4 Mayor Glanville stressed that there was a need to look at how the Council embedded scrutiny into policy. Audit and challenge ensured transparency, holding to account and management of risk. He referred to the role of the Council's various Boards in managing projects and that risk management was considered within this. Increased costs and sales values had impacted on these projects. Mayor Glanville confirmed to the Committee that the Council was setting up a Housing Company to allow it to hold Units of housing and that risk management was being developed around this.

4.5 Mayor Glanville went on to speak about Universal Credit stating that the 'Living in Hackney Commission' was currently monitoring this. The Council continued to lobby Government on the initiative and hoped it would learn about the difficulties involved. There were risks for the Council as a landlord in terms of temporary accommodation and the role it played in ensuring that private tenants were not made homeless by their landlords.

4.6 In terms of the North London Waste Authority there had been substantial discussion since the plans had collapsed. Mayor Glanville referred to the challenge as being around the length of decision making.

4.7 Councillor Michelle Gregory asked what the current level of debt was for Council tenants and what plans there were for reducing this debt. She further asked about what support the Council offered to support tenants in paying rents. Deirdre Worrell confirmed that the current level of debt was £4.5 million and that the direction of travel in this regard was static. Mayor Glanville confirmed that the Council wrote to tenants before the roll out of Universal Credit and offered advice on 'ways into work' and advising on benefits claiming rights, etc. He confirmed that Universal credit caused disconnect and that it was necessary to ensure that each part of the organisation communicated effectively with the others to provide an effective service. There was now less discretion in housing payments and the cuts to DHB had stabilised. In response to a question from the Chair the Mayor confirmed that assumptions made in relation to bad debt provision had not materialised. Deirdre Worrell confirmed that the bad debt provision was sufficient. Councillor Rebecca Rennison referred to the three groups of claimants and that there was a different approach for each group.

4.8 Councillor Robert Chapman commented that Audit Committee should address governance and risk issues in relation to multi service projects such as Britannia and asked what the executive's view was on the Committee's role in this. In terms of wider political support he asked how Councillors could contribute to determining appetite to risk. Councillor Michelle Gregory asked about Risk Appetite Statements and that those risks outside the parameters should be highlighted. Councillor Gregory went on to emphasise that the Council should be clearer to the public on risk.

4.9 Mayor Glanville stressed that the Council needed to be better engaged in audit and saw value in having senior officers presenting reports to the Committee on this. He had concerns that there could be a disconnect in how projects were managed and

that there was a need for a shared understanding of risk and a wraparound approach to the management of these projects. He suggested that the Committee could meet more frequently and more often in private and that other members could attend at these meetings. Discussion could also centre on how risk management is developed in large projects such as Britannia. Mayor Glanville confirmed that the Council would only embark on projects where risk issues had been developed, including on housing market changes and Brexit. New ways of financing had been used in the projects such as Kings Court and Colville and these could be extended to projects such as Tesco's and Brittannia.

4.10   Councillor Michelle Gregory stressed the need for the Council to be clearer in its explanation of progress on risk management within the Council. The Mayor told the Committee that there was much work on-going on integrated commissioning and Estate regeneration with associated complex decision making and that the Council needed to explain to the public how decisions are reached.

4.11 Councillor Robert Chapman asked about the impact of any dramatic collapse in property value. He stressed the need for evidence that the mitigation of risk was actually taking place. The Mayor told the Committee that a number of projects had started in the Borough during the last recession and that the Council had benefitted from an increase in house prices. He confirmed that new Units were expensive but of a high quality. The Council could preserve a position and have flexibility because work had been carried out on a phase by phase basis. The Mayor confirmed that the Housing Revenue Account had healthy reserves and that the Council would be able to meet the expectations of residents.

4.12 In summing up the Chair said the discussion had underlined the importance of the Audit Committee's role in identifying areas of risk that present particular political and management challenges to the Council as it became more self-sufficient. These include issues such as devolution (most immediately, the risks arising from combined health and social service provision); use of reserves; role of outsourcing and of the private sector; oversight of joint commissioning boards; alternative income sources; and how best to deal with the Council's greater exposure to commercial risk. There was a consensus that this broader role for the Committee would mean considering new methods of working to complement the fixed quarterly meetings. It would be important to ensure that these initiatives worked alongside and supported the work of the Scrutiny Commissions. The Committee would therefore aim to produce proposals for a programme of review over the next few months, so the new Council is able to consider them early in its term.

5   **Reports back on matters raised at the previous meeting**

a   **Housing Management**

5a.1   Kim Wright introduced the report. Steve Platt referred the Committee to service development work in progress to reduce the numbers of missed repairs appointments together with work in progress to reduce the number of days taken to re-let void properties.

5a.2   The Chair thanked officers for the good report. The Committee stressed the need for targets to be built into work in progress together with recording of when work was completed and mechanisms for gauging tenant dissatisfaction. Further it stressed the need for more up to date performance information on service provision. In

response to a question from the Chair, Steve Platt confirmed that it was hoped to have the new system completely up and running by April 2018.

5a.3 In response to member questions Steve Platt reported that up to date information was produced by 'QlikView' which was used to drill down into performance issues and measuring success. Improvements were being made to the service including sending a text message to the tenant prior to arrival at their property. Mobile working was up and running. Statistics on QlikView were at 95 % performance and access was at 82 % in quarter 4. Steve Platt told the Committee that the aim was to see resident satisfaction improvements. Kim Wright told the Committee that the repairs service would remain under scrutiny.

RESOLVED:

To note the report.

b   **Local Authority Searches**

5b.1 Ian Rae introduced the report updating the Committee on key recommendations from the 2015 Audit of Land Charges relating to the implementation of a new ICT system. Concerns had been raised at the previous meeting of the Committee about the length of time taken to complete local authority searches during house sales and the report sought to answer these concerns. Ian Rae clarified that by November 2017 99% of local authority searches were being processed within the usual 10 days. He reported that the figure for enforcement had decreased dramatically. In response to a question from Councillor Sem Moema he confirmed that costs of enforcements go into the land cost and to the Council and that no one would be asked to pay beyond their means.

RESOLVED:

To note the content of the report with regard to the implementation of a new ICT system for local authority searches in accordance with the recommendations of the 2015 Audit of Land Charges.

c   **Temporary Accommodation**

5c.1   Ian Williams confirmed that the report on temporary accommodation would be circulated with the external audit plan.

6   **Directorate Risk Register Review - Neighbourhoods & Housing**

6.1   Kim Wright introduced the report updating the Committee on the current Risk Register for Neighbourhoods and Housing at January 2018. The report also identified how risks within the Directorate were identified and managed throughout the financial year and the Council's approach to embedding risk. Kim Wright referred to the fact that as a result of Grenfell, the Fire Risk Assessment on pages 36 to 40 had been escalated to the Corporate Risk Register. The risk on contract procurement and management in housing services had increased. This was a marginal increase driven by ongoing investment in the use of the Council's external contractors.

6.2   Councillor Michelle Gregory asked whether fire assessments had been carried out only in the communal areas and how many blocks had internal assessments. Kim

Wright reported that 1083 risk assessments had been carried out on every Block in the Borough with a work programme imminent. Internal assessments had not been carried out. These would form part of a further tranche of work.

6.3   In response to a question from Councillor Robert Chapman on the increase in risk on contract procurement and management in Housing Services Kim Wright agreed to arrange for a private briefing to the Chair on this matter. In response to a question from Councillor Carole Williams on changes in workforce and pay gap Kim Wright would circulate figures.

ACTION: Kim Wright

6.4   The Chair referred to the need for robust monitoring of the Council's contracts.

RESOLVED:

To note the report and the attached risk registers and controls in place.

7   Corporate Risk Register

7.1   Matthew Powell introduced the report updating the Committee on the current Corporate Risk Register of the Council as at January 2018. The report also identified how risks within the Council were identified and managed throughout the financial year and the Council's approach to embedding risk management. Matthew Powell told the Committee that most risks had not changed, however five new risks had been added as follows:

- Hackney Learning Trust related risks, impact of government reforms, SEND funding and serious safeguarding failure in a school
- Safeguarding Families
- Fire Safety
- Integrated Commissioning
- Management of Pensions Data

7.2   The Committee noted the difficulties in relation to integrated commissioning in bringing together different organisational cultures and developing governance and that the matter would be taken forward with Corporate Management Team and members of the Integrated Commissioning Board.

7.3   The Committee noted that there were changes to SEND funding arrangements with an increase in complex cases and demand. Lobbying with London Councils continued. It was noted that this was increasingly becoming a national issue and related in part to how schools were funded.

7.4   Councillor Robert Chapman commented on improvement in the performance of the Council's investments. Ian Williams told the Committee that this stood at 83 %, up from 71 %.

7.5   The Committee noted continuing difficulties with the payroll system and the need to improve self-reporting. An update would be provided to the next meeting of the Committee.

ACTION: Ian Williams

7.6   In response to a question from Councillor Robert Chapman, Ian William reported that there was no direct contract with 'Carillion'. He would circulate a briefing on this. He told the Committee that the Hackney procurement process had regard to the financial health of contracting firms and he raised the question of whether this financial health should continue to be monitored together with considering the company's culture, overall pay gap and key performance indicators.

7.7   Councillor Michelle Gregory made the suggestion that the requirement to produce company's accounts each year be made a provision of contracts.

RESOLVED:

To note the contents of the report and the attached risk registers and controls in place.

8   Treasury Management Update

8.1   Ian Williams introduced the half year treasury activity report for 2017/18 outlining the detailed update on the treasury activity for the first six months of the financial year and the Q3 treasury activity update for the period October 2017 to December 2017.

RESOLVED:

To note the report

9   Treasury Management Strategy 2018/19

9.1   Ian Williams introduced the report outlining the Annual Treasury Strategy for 2018/19 for the Audit Committee, setting out the expected treasury operations for the financial year 2018/19. Ian Williams confirmed, in response to Councillor Chapman's question that there had been no change in policy on risk in the treasury management function and that the Council was complying. He was content to arrange sessions on this area for Councillors.

RESOLVED:

To approve the draft Treasury Management Strategy 2018/19 to 2020/21 for submission to Council subject to Capital programme updates with delegated powers to the Group Director of Finance and Corporate Resources to approve the final Treasury Management Strategy for submission to Council.

10   Audit & Anti Fraud Quarterly Progress Report

10.1   Michael Sheffield introduced the report outlining performance of the Audit & Anti-Fraud Service up to the end of December 2017, the areas of work undertaken, and the information on current developments in Internal Audit and Anti-Fraud together with statistical information about the work of the investigation teams. Michael Sheffield reported that 70 % of the original plan on internal audit work was either in progress or had been completed, up from 30% from the previous meeting. He reported a reduction in numbers in relation to tenancy fraud. The Tenancy Fraud Team was now at full compliment. A dedicated legal resource now existed for fraud with external legal providers. The current caseload comprises 300 active cases.

10.2 The Committee noted the concerns arising from audit work at some of the TMOs and that action plans had been agreed. If a 'no assurance' audit report is issued, efforts are made to check on progress with implementing recommendations and additional support and advice is provided to the TMO to put in place a robust control and governance framework.

11   Performance Overview

11.1   Ian Williams introduced the report providing an updated set of reports that were selected to be reviewed by the Audit Committee on a regular basis as part of the Committee's overview of the Council's performance. The report also provided an updated set of key performance indicators along with an update on risk management with a Corporate Scorecard (summarising the highest risks to the organisation as a whole), and some accompanying commentary on the Council's approach. The report also set out the latest capital programme monitoring with some enhanced analysis of the variances to budget.

11.2   Councillor Robert Chapman referred to the 2017/18 Quarter 2 Capital OFP and whether the Council over-programmed on this. Ian Williams confirmed that delays in schemes needed clearer and greater interaction with capital profiles.

11.3   The Chair emphasised the need for having the latest figures on performance indicators and to consider appetite for risk.

11.4   Ian Williams suggested holding a presentation for members on 'QlikView'.

RESOLVED:

1. To note the performance indicators presented in Appendix 1 and the Risk Management Scorecard in Appendix 2 to the report.

2. To note the current capital monitoring updates in Appendix 3.

12   Work Programme

RESOLVED:

To note the report

13   Any other business that the Chair considers urgent

There was no other urgent business

Duration of meeting: 6:30 – 09:30