

AUDIT COMMITTEE

THURSDAY, 10TH OCTOBER, 2019

Present: Cllr Nick Sharman in the Chair
Cllr Michelle Gregory (Vice-Chair),
Cllr Yvonne Maxwell and Cllr Clare Potter

Officers: Tim Shields, Ajman Ali, Rob Miller,
Michael Honeysett, Michael Sheffield, Dan Paul,
Bruce Devile, Matt Powell

Stuart frith (Mazars)

1 Apologies for Absence

1.1 Apologies for absence were submitted on behalf of Councillors Bell, Odze and Spence.

2 Declarations of Interest

2.1 Councillor Michelle Gregory declared that she was a member of the Board of a Tenants Management Organisation.

3 Minutes of previous meetings on 19th June 2019

3.1 The minutes of the meeting held on 19th June 2019 were agreed as a correct record.

4 Minutes of the special meeting on 24th July 2019

4.1 The minutes of the meeting held on 24th July were agreed as a correct record.

5 Directorate Risk Register Review - Chief Executive

5.1 Tim Shields presented the report. He confirmed that members had been updated on developments around Brexit. Tim Shields reported that the Council's workforce strategy had been through the consultation process and was now proceeding to sign off. Next week's Chief Executive's Roadshow would focus on workforce strategy. In response to a question from Councillor Yvonne Maxwell, Tim Shields reported that if the country left the European Union, funding would continue for some time. The Government had given a commitment to replace this funding when it came to an end. At this stage, the timing and amounts involved was unclear. He reported that Brexit uncertainty impacted on poverty, the economy, productivity, migration and the exchange rate. He confirmed that all efforts were being made to mitigate the current uncertainty brought about by Brexit. The Chair asked if the Council continued to be in a position to provide community outcomes. Tim Shields confirmed that the Council's finances were in a good state with robust risk registers in place and that the Council would be able to achieve its community strategy. He referred to the major risks around

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the increase in building materials costs, including steel and concrete. Tim Shields referred to the fact that the Council's sickness levels had increased with the main symptoms being anxiety, stress and depression, followed by musculoskeletal symptoms. A member led initiative was now underway around mental health in Hackney Council workforce. In response to member questions he told the Committee that flexible working arrangements were in place at the Council.

5.2 Tim Shields told the Committee about the new risks arising from the establishment of new companies, including an energy company, together with the insourcing of contracts. Most of the companies were in the early stages of formation and there would be a need to put in place appropriate governance arrangements. The Chair stressed the need for the Committee to have oversight of the establishment and operation of these companies, ensuring good governance and financial control. Michael Honeysett confirmed that it would be necessary to produce accounts for these companies.

5.3 The Committee thanked Hackney's Emergency Team for their good efforts in relation to flooding at Finsbury Park. In response to member questions, it was noted that the work had been costed and would be recharged.

5.4 The Chair told the Committee that the slowdown in responding to member enquiries had been raised at a recent Scrutiny Committee meeting and stressed that the credibility of members depended on more speedy responses. Tim Shields confirmed that he was aware of the current situation.

5.5 Councillor Gregory referred to the risks around utility companies and the need to have contingencies to support these.

5.6 The Chair asked if the risks associated with the return of the LLDC had been evaluated. Tim Shields confirmed that some of these risks had been evaluated and that there was now a need to consider the next steps to be taken. The Chair asked to be updated this.

RESOLVED:

To note the contents of the report and the Chief Executive's Directorate Risk Register at appendix 1.

6 Update on Agency Staff

6.1 The Chair introduced the report from the 'deep dive' into agency staff working at Hackney Council.

6.2 Rob Miller reported on the experience of the ICT in relation to reducing agency staff, telling the Committee that there were now 17 agency staff working in ICT, a reduction from 44 agency staff in January 2018. He told the Committee that this had come about through changes to the pay structure, the introduction of salary supplements and the promotion of the Council's activities, emphasising its' good brand.

6.3 The Chair asked about efforts made to challenge the use of agency staff and stressed the need to set targets for a reduction. Dan Paul told the Committee that each directorate had been asked to develop a strategy for reducing numbers of

agency staff. The next steps included the development of plans in relation to agency staff. Councillor Gregory emphasised the need to develop clear criteria for employing agency staff at the Council. Dan Paul confirmed that currently a clear rationale had to be given for the employment of agency staff.

RESOLVED:

To endorse the report.

7 Performance Overview

7.1 Ajman Ali told the Committee that there were approximately 1900 people on Universal Credit in the Borough, with 1300 of these in arrears. Additional staff were being appointed to the service to address this, together with mechanisms being put in place to modernise the service. These processes would end in spring 2020. Income collection policy was being reviewed and provision had been made for bad debt. Changes to direct debit arrangements was also being considered. He said that Brexit would put pressure on household budgets and that those on benefits would, in particular, feel these pressures. He went on to report that there would be a 1% increase in Council housing rents next year. In response to a question from Councillor Maxwell, Ajman Ali agreed to circulate figures on numbers of people on universal credit who were in debt.

Action: Ajman Ali

7.2 In response to Councillor Gregory, Ajman Ali confirmed that the cost of temporary accommodation provision was £11 million net. Councillor Gregory expressed concern that at present individuals in temporary accommodation, on universal credit and in debt were not eligible to apply for council housing. Ajman Ali agreed to ensure that this was considered as part of the review of the Council's allocations policy.

Action: Ajman Ali

7.3 Councillor Yvonne Maxwell asked how the target in relation to household waste was set and whether there were plans to increase this target. Bruce Devile reported that this was a complex calculation based on data and stress levels.

7.4 Dan Paul reported that there had been an increase in sickness levels with a significant increase in long term sickness. The most common illnesses were now anxiety, stress and depression. Directors and Group Management teams now had access to detailed real time data on sickness with the ability to analyse the figures in detail. This was an area of significant focus for managers and would be a part of the upcoming Workforce Strategy. The Chair asked for a more detailed report back on sickness levels with reduction targets, together with feedback on the effectiveness of the sickness data system, currently in place.

Action: Dan Paul

7.5 Councillor Gregory asked about any patterns of sickness relating to working in the Hackney Service Centre, given the levels of noise experienced at that location. Dan Paul agreed to give consideration to an assessment on this.

Action: Dan Paul

7.6 Yvonne Maxwell asked about what action was being taken in relation to the employee stress levels. Dan Paul confirmed that it was management responsibility to ensure proper risk assessments in this regard. Councillor Potter queried whether austerity was a contributing factor in the increase in levels of sickness at the Council.

RESOLVED:

To note the performance indicators at appendix 1, the Risk Management Scorecard at appendix 2, together with the current capital monitoring update at appendix 3.

8 Corporate RIPA Policy Review

8.1 Michael Sheffield introduced the report. The report presented the revised corporate policy on the use of surveillance and communications data powers as authorised under the Regulation of Investigatory Powers Act (RIPA) 2000 and the newly enacted Investigatory Powers Act (IPA) 2016. The Committee noted the summary of key changes to the revised policy including in relation to:

- Guidance is provided on when access to social media records may constitute activity that is governable by RIPA
- The introduction of the Investigatory Powers Act
- Changes to the list of key RIPA officers to reflect updated structures and personnel who have cause to use surveillance and communications data powers.

8.2 Michael Sheffield told the Committee that the powers could be used in cases of tenancy fraud and anti-social behaviour. He confirmed that the RIPA and IPA powers would be drawn on only in cases of serious crime where the law allows.

8.3 The Chair asked about the extent of the usage of these powers. Michael Sheffield confirmed that the RIPA powers would only be drawn on as a last resort and there that there no expectation at this time that usage would be markedly different from recent years. IPA powers were specifically not seen as a tool of last resort so there was a higher expectation that applications for these powers might be made.

RESOLVED:

To approve the revised corporate surveillance and communications data policy and the procedure at appendix 1.

9 Treasury Management Update

9.1 Michael Honeysett introduced the treasury management outturn report and the actual prudential indicators for 2018/19 for the Audit Committee. This set out the background for treasury management activity over the previous financial year, confirming compliance with treasury limits and prudential indicators. The Committee also received a quarterly update on treasury management activity for the period June 2019 to August 2019.

9.2 Michael Honeysett reported an increase in the gross borrowing requirement with a large increase in net borrowing since 2017. Investment levels had increased due to the long-term borrowing from the Public Works Local Board in respect of the Council's

capital programme. The Committee noted that the Council's investment vehicle offered a good level of security and increased diversification for the Council's portfolio, whilst achieving a reasonable yield.

RESOLVED:

To note the report.

10 Audit & Anti Fraud Quarterly Progress Report

10.1 Michael Sheffield introduced the report on the performance of the Audit and Anti-Fraud Service, the areas of work undertaken, and information on current developments in Internal Audit and Anti-Fraud as well as statistical information about the work of the investigations teams. Michael Sheffield reported that:

- Estimated savings arising from enquiries was £2,254,153
- In relation to the 2019/20 Audit Plan, 37 assignments had been completed or were in progress
- During the reporting period, 11 reviews were completed from the 2018/19 Audit Plan
- 17 % of audits completed in the reporting period resulted in a 'Limited' or 'No assurance' rating, compared to 26% in the previous year
- Of the 320 'medium' priority recommendations followed up, 85% were assessed as implemented and 8% partially implemented
- During the period April to August 2019 a total of 39 tenancies had been recovered by the TFT compared to 23 in the previous year
- 28 housing applications had been cancelled following TFT review
- 5 Right to Buy applications were cancelled following investigation

RESOLVED:

To note and the Audit and Anti Fraud's progress and performance to 30 September.

11 Work Programme

RESOLVED:

To note the work programme.

12 Any other business that in the opinion of the chair is urgent

12.1 The Chair reported that he had met with relevant officers to discuss Contract In-sourcing and that a draft paper would be produced with a meeting towards the end of the month.

13 Date of the next meeting of the Committee - 15th January 2020

13.1 Noted that the next meeting would be on 15th January.

Duration of the meeting: 6:30 – 8:45 pm

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Chair at the meeting on
Thursday, 10 October 2019