

AUDIT COMMITTEE

WEDNESDAY, 22ND APRIL, 2020

UNDER THE CURRENT EMERGENCY ARRANGEMENT THE COMMITTEE WAS HELD
REMOTELY

Present: **Councillors:**

Cllr Nick Sharman in the Chair
Cllr Michelle Gregory (Vice-Chair),
Cllr Patrick Spence, Cllr Yvonne Maxwell and
Cllr Harvey Odze

Officers: Ian Williams, Michael Honeysett, Dawn
Carter-McDonald, Jackie Moylan, Frank
O'Donaghue, Rob Miller, Anne Canning, Michael
Sheffield, Matthew Powell, Bruce Devile

1. Introduction to the remote meeting of Audit Committee

1.1 Dawn Carter-McDonald outlined the legal context for holding remote local Authority meetings, including the recent amendment to the Local Government Act 1972 to facilitate this. She outlined the measures in place to fulfil the related regulations.

1.2 The clerk read from the Committee Protocol, points relating to the management of the remote meeting of the Committee.

2. Apologies for absence

2.1 Apologies for absence were submitted on behalf of Councillor Bell.

3. Declarations of interest

3.1 Councillor Gregory declared that she was a member of a Tenants Management Organisation.

4. Minutes of Previous Meeting

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

5. Covid - 19 Update

5.1 The Chair stated that the contribution of the Audit Committee was to assess risk, measure financial management and performance, ensuring that the Council was achieving value for money. Questions to be asked at this time included whether the Council was setting clear objectives and accounting for and using its resources. He asked if there was an understanding, as far as possible, of the medium and long-term implications of Covid 19 and whether the Council was planning appropriately for these. Further, he asked if Council Departments were examining the new risks.

5.2 Rob Miller referred to the fact that consideration had been given to how the council's governance arrangements were working during the crisis, given the importance of having effective control and democratic oversight. The Council's Management Team and other Senior Managers were meeting regularly, providing for clarity of oversight, linking into Cabinet and the newly established Cabinet Sub-Group. The focus was on collaborative working across services around the needs of residents, including focusing on such areas as vulnerable people, accelerating discharge from hospitals, working with rough sleepers. This was carried out at pace.

5.3 Meetings were being held with trade unions to have a combined response, with a joint statement sent to all staff. Rob Miller referred to staff anxiety at this time, in the crisis. Collaborative working with partners was particularly important in providing social care. He said that the focus was on maintaining key services where possible, referring to effective collaborative work in keeping parks open. New services had been created, including providing food to the isolated.

5.4 Rob Miller referred the Committee to initiatives around:

- Single management arrangements
- Home based working
- Web chat
- Volunteering hub
- Contact had not reduced
- Reduction in wait times
- Customer satisfaction slightly lower
- Emergency repairs only
- Increase in benefits requests
- Work on staff wellbeing

The slides referred to would be circulated.

Action: Rob Miller

5.5 Councillor Harvey Odze asked if staff working from home had been made aware of HRMC £6 tax allowance and whether working from home was in employment contracts. Councillor Odze asked how the lessons currently being learned and new innovations put in place would be incorporated into economising in the following financial year. Ian Williams told the Committee of effective engagement with the Trades Unions on employment issues, including those raised by Councillor Odze, and that the technical detail was being worked through. In relation to building in innovation to future operations, he referred the Committee to the next steps section of the report at section 19.

5.6 Ian Williams introduced the Covid Update/ Financial Performance and Projects report, thanking Council staff, public sector partners, partners in the community and voluntary sector, and citizens of Hackney who had stepped up to the challenge posed by Covid 19. He referred the Committee to a number of issues, including:

- A budget gap of £19m over the planning period
- That timescales were uncertain in relation to the Fairer Funding Review and the spending review
- Financial challenges were being considered
- Hackney's share of the government funding measures was £10.092m. A full announcement of further government additional funding was to be announced on Saturday. Detail was awaited but the working assumption was that the amount would be £7m
- £30 million had been paid out to businesses in the Borough
- New government grant funding for economically vulnerable with Hackney's contribution set at £4.6m
- The need to meet significant pressures across all services
- Immediate impact on procurement
- An increase in transitioning to Universal Credit.

Ian Williams referred to the costs of Covid 19, including first

- Staff costs
- Service
- ICT and facilities
- Cost of PPE
- Impact on council income, including around parking
- Initial estimate of cost pressure was £11.2m for first three months and £22m for the full year
- Overall finance pressure (GF and HRA) was £36m for first 3 months and £72m for the full year

Ian Williams referred the Committee to the next steps at paragraph 19.1 of the report.

5.7 Councillor Odze asked if any of the Council's staff had been furloughed and whether they were paid at 80% or 100%. Ian Williams confirmed that there was no intention to furlough directly employed council staff.

5.8 Councillor Spence referred to the challenges in receiving compensation around loss of income from car parks and other streams of income. Ian Williams told the Committee that this loss of income posed a real challenge to local authorities and referred to large losses in central London in relation to car parking income. He confirmed that it would be a challenge to claim compensation for car parking income and commercial properties. The Chair said that there would need to be consideration given to implications of this loss of income for the Budget.

5.9 Councillor Gregory asked whether there was mapping of estimated delays in sales on the Council's property portfolio and other income streams and that any mapping should be carried out on a monthly basis. She asked about loss predications to the Council's pension fund and how losses would accumulate and increase. Further, would contractors be paid if not working? In reply, Ian Williams gave the example of Tiger way where almost all properties had been sold. He said that voids costs could arise from

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delays in moving in to these properties. The Finance Team had carried out modelling on this matter. This was an initial analysis. Some capital schemes would not go ahead as quickly as usual at the moment and the Council was engaging with the Contractors to ensure compliance with Public Health England guidance and taking action to mitigate issues around extra costs. Further, contractors had been contacted to stress that the Council wished to engage constructively. In cases where work was not undertaken payment would not be made. Ian Williams told the Committee that the Pensions Committee had received the pension valuation relating to 2019 in March. He reported a significant increase in the equity markets. Pension had a life of 40 years and some liabilities stretched to 80 years. This was being monitored closely. Discussions were to be held with the Chair of Pensions Committee on this matter. The Actuary had not flagged up any issues in relation to the management of the fund and had stated that the sensible level of contributions and stability left the fund in a good position.

5.10 Councillor Potter asked for clarification about the structural reasons for loss of income to the Council. Ian Williams told the Committee that there were a number of moving parts involved. There was a loss of income and an increase in expenditure. 90% of parking income had been lost. There was a challenge in commercial estates. A detailed analysis was being carried out on this. There was a question over whether individuals would be able to pay Council Tax and would have to access the Council Tax Reduction Scheme.

5.11 Councillor Gregory referred to difficulties in accessing the hardship grants and that it was necessary to ensure take up. Ian Williams told the Committee that the hardship grants had been extensively advertised. £500,000 had been added to make more funds available to residents.

5.12 Councillor Rennison told the Committee that arrangements for accessing the fund were now much more flexible and would benefit larger households. Discounts were applied automatically. Non-payment was to be seen as an indicator that an individual was in greater need and this would trigger intervention. The Chair added that the fund would be managed in a new way with clear criteria applied and monitoring. This would be subject to further scrutiny.

It was agreed to provide the Committee with an update on this matter.

Action: Ian Williams

5.13 The Chair said that the Council's reaction to the crisis was inspiring. He said that it would be important to consider how the Council managed in a new way, with plans for alternate scenario and monitoring. He stressed the need to have mechanisms in place to assess performance in new ways, with an emphasis on outcome, with proper accounting in place. The Chair said that there would be a big gap in the medium term with Covid 19, having a permanent impact. Council Income would be especially impacted and there would be a need to consider the implications for the budget. The scrutiny role would be an important part of the future approach and he would discuss with Councillor Gordon ways to work with scrutiny chairs to ensure that political, value for money and financial management issues are raised.

5.14 Ian Williams told the Committee that an accounting mechanism had been developed early, whereby all items of spend that were Covid 19 related could be identified.

5.15. Mayor Glanville thanked the Committee for persevering and paid tribute to scrutiny chairs.

RESOLVED to note

1. The impact of COVID 19 on the financial position of the Council
2. The approach to 20/21 accounts

6. Financial Performance and Projections

Considered under item 5

7. Performance Report

7.1 The Committee noted the updated 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. It provided an updated set of key performance indicators along with an update on risk management with a Corporate Scorecard, together with commentary on the Council's risk approach. The report also set out the latest capital programme monitoring with some enhanced analysis of the variances to budget.

7.2 The Chair emphasised the need at this time to develop a new performance framework to assess performance in such areas as tackling hardship, homeless, etc. It was noted that the Council's data team was currently working on this.

RESOLVED to note the performance indicators presented in appendix 1, the Risk Management Scorecard in appendix 2 and the current capital monitoring update in appendix 3

8. Directorate Risk Register - Children Adults and Community Health

8.1 The Chair asked about how the Council was adapting to the current circumstances in adjusting risk profiling.

8.2 Anne Canning thanked staff across the Council, Partners and the Community for their work during the crisis, together with the support of members of Council. Anne Canning referred to the increase in risk as a result of the current public health crisis brought about by COVID19 and highlighted two risks areas, increased because of the current lack of lines of sight. These were:

- Safeguarding with the current pressures on families
- To ensure the continuity of respect and appropriate care to the most vulnerable in the Borough

Children and Families

8.3 Anne Canning told the Committee of the current increase in demand, referring to universal credit and austerity. Referrals had decreased significantly across all council services. Social Workers were working to maintain contact with the families that were known to them in the Borough, emphasising that those in need should access services. Further, a lot of work was carried out by Children and Families and the HLT to ensure

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that there was engagement with families, with constructive conversations. She said that austerity had put a lot of pressure on families with further impact from Covid 19.

Following the downgrading to 'requires improvement' by Ofsted a focused implementation plan had been put in place, with Council Member oversight. Work continued on this to address children's safeguarding.

Hackney Learning Trust

8.4 Anne Canning reported that some issues had been downgraded by the government in the current circumstances, with initiatives around the National Funding Formula put on hold. She reported that the Council had received a three-year settlement. SEND funding continued to be an area of concern, with features such as the requirement for demand locally.

Risk continued in relation to how the council housed transport vehicles. Work continued on programme delivery with implementation anticipated in September.

Safeguarding considerations for those pupils in unregistered schools continued to be a risk. The service did all it could to support children who were home educated and worked to have better processes in place to identify and support these children.

Public Health

8.5 Risk in this demand led area focused on uncontrolled increases in sexual activity spends and uneven access to services. Work was underway to mitigate this, with co-ordination across London.

Adult Services

8.6 Anne Canning referred to significant financial risk in the area of Adults Services. Safe care during the crisis was a much-discussed subject in the media. There were four care homes in the Borough and the Council delivered care to fourteen 'Housing with Care' settings. There was Council support in securing PPE and health support to go into settings where issues arise. There were concerns that workforce and provision within the provider market would be sufficient to meet growing demand.

In relation to Covid 19, systems were in place to communicate with high and medium risk families or vulnerable adults. There was a joint endeavour across all services to ensure that the service was provided as efficiently as possible. Teachers were liaising with pupils and attendance was improving. There was much work to support this with liaison with health colleagues to ensure as much joined up work as possible. Much of the service was delivered at distance, by phone or video conferencing. Anne Canning said that in the light of experience, consideration would be given to how these services are provided post Covid 19.

Anne Canning told the Committee of the very good working with the Health Services at all levels and the Community. Some initiatives, such as the integrated health and care programme had accelerated. There had been a concerted effort around transfers out of hospital.

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The Council was making all effort to keep staff safe, delivering on PPE as recommended by the Public Health England. Work was on going on developing access to testing for frontline staff for eligible workers.

8.7 The Chair referred to the fact that the service was running some very high-risk services and asked if it was at a dangerous financial level. He said that the links with the health service had been wanted for some time and asked how these current developments and gains resulting from the crisis could be built into future service provision.

Anne Canning told the Committee that Finance colleagues across London had risen to the financial challenge to moderate this risk and that there had been outreach to services with tight budget models. In regard to agency staff for care homes, organisations were conscious of the crisis and wished to have a joint endeavour to provide the service safely. She said, so far there had not been a resource issue.

Anne Canning said that it was apparent what could be achieved when partners work together and acknowledged the need to maintain these improvements after the crisis.

8.8 Councillor Margaret Gordon asked about the impact of Covid 19 on SEND children who now had to be educated at home without the same level of educational intervention and what measures would be in place following the crisis in regard to these children's education. Anne Canning told the Committee that these children received a high level of support from schools and that in being at home they would not receive the same level of intervention and that work would have to be undertaken to mitigate this, following the current crisis.

8.9 Councillor Spence asked how Public Health's role in the present circumstances and what involvement they would have in contact tracing. The Chair asked if the Council was preparing for checking frontline staff. Anne Canning told the Committee that the Public Health Team had completely realigned to assist services across the Council to provide services safely. All Council communication had Public Health involvement.

8.10 Councillor Harvey Odze asked about the availability of PPE for staff and whether it was in line with Public Health England advice or above this. Anne Canning told the Committee that a Working Group had been set up to look at this issue and confirmed that repositories had been set up to access PPE and that work was on-going to commission sufficient levels of PPE. Emergency procedures were in place to secure this Equipment. Spend on this was monitored. Anne Canning confirmed that the Council adhered to Public Health guidance on PPE and that the Council services confirmed that sufficient PPE was available.

8.11 Councillor Kennedy confirmed that £900,000 had so far been spent on PPE, although this has built up a reasonable stock centrally for distribution as required. ASC providers will in future be required to pay for any supplies provided by the Council given we have agreed a 10% increase on rates. Further to this the Council were now part of the West London Alliance procurement framework. Hackney was the lead borough for the North East region consisting of seven boroughs. Hackney's first six week order via this framework amounted to just £10k for the first six weeks, owing to stock it had accumulated already through its own previous arrangements.

8.12 Councillor Kennedy told the Committee that following consultation with the CCG it now appeared that there were doubts in regard to the Stratford testing centre going ahead. The Chair stressed that local involvement in testing and contact tracing was

crucial and raised concerns at having a testing centre that required car access. Anne Canning told the Committee that there were developments in testing through the development of a mobile testing unit in the borough.

8.13 The Committee thanked Anne Canning and her team for their good work at this time.

RESOLVED to note the contents of the risk register and the attached risk registers and controls in place.

9. Directorate Risk Register - Finance and Resources

9.1 Ian Williams introduced the report updating the Committee on the current Finance and Corporate Resources Directorate Risk Register of the Council as at April 2020. 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.

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

10. Treasury Management Update

10.1 Michael Honeysett introduced the fourth of the treasury management reports relating to the financial year 2019/20 for the Audit Committee. The report set out the background for treasury management activity from January 2020 to March 2020 and the action taken during this period. Michael Honeysett told the Committee that there were to be no changes to the treasury management strategy. He stressed the need to stay as cash light as possible, monitoring income. He confirmed that in the current circumstances it was not now possible to short term borrow from other local authorities. 15m had been borrowed from the PWLB on a medium term basis. The Council ran internal borrowing as far as possible and there was headroom in the HRA credit ceiling.

10.2 Michael Honeysett told the Committee that the aim was to close the accounts by May 2020. However, this would depend on some issues around valuations. The Auditors were aiming to complete Annual Accounts by July. Lucy Nutley confirmed this timetable, subject to staff availability. She told the Committee that liaison was underway around land and buildings valuations and pension's valuations.

RESOLVED to note the quarterly update on Treasury Management.

11. Audit and Anti Fraud Progress Report

11.1 Michael Sheffield introduced the report asking the Committee to consider the performance of the Audit and Anti-Fraud Service, 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 investigations teams. Michael Sheffield told the Committee that at present there were no proven instances of fraud directly arising from Covid19 support measures.

RESOLVED to note the Audit and Anti-Fraud's progress and performance to 31 March 2020.

12. Review of Whistle Blowing

12.1 Michael Sheffield introduced the report summarising the Council's corporate arrangements on whistleblowing and providing the Committee with an update on the cases received in 2019/20. He told the Committee that the number of whistle blowing referrals remained low as a percentage of all fraud referrals.

RESOLVED to note the summary of the Council's corporate arrangements for whistle blowing, with cases received in 2019/20

13. Audit Committee Annual Report

13.1 The Committee considered the report detailing the role of the Audit Committee and summarising the key activities and achievements in 2019/20 that demonstrated how the Committee had fulfilled this role effectively and to measure consistency with the guidance issued by the Public Sector Internal Audit Standards and other statutory requirements.

RESOLVED to note the Annual Report of the Audit Committee set out at appendix 1.

14. Annual Audit Plan 2020/21

14.2 Michael Sheffield told the Committee that information on this was drawn from a number of sources such as the budget, transactions carried out, proposed changes to governance arrangements, issues arising from horizon scanning, counter fraud and risk. Areas such as climate change, governance of companies and residential care had also been included.

14.3 Michael Sheffield told the Committee that all audit staff were on standby to be redeployed to essential services. There was contingency in the plan to cover this situation. At present audits continued to be carried out. The Chair asked to be kept updated on this.

Action: Michael Sheffield

14.4 Councillor Maxwell asked how the current crisis would be integrated into the Plan. Michael Sheffield told the Committee that the plan was subject to change and that there was flexibility in this regard with some audits dropping out and the opportunity to add others that arise.

RESOLVED to approve the proposed Internal Annual Plan 2020/21 and the key performance measures

15. Work Programme

15.1 The Committee considered the work programme for the Audit Committee.

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Councillor Odze considered that in the current circumstances and given the long period up to the October meeting that an additional meeting of the Committee should be added. The Chair agreed the need to scrutinize the current situation arising from Covid-19, whether it is through a formal meeting or a deep dive. Further, there would now need to be flexibility around the work programme and he would consult with Ian Williams on this.

RESOLVED to note the work programme of the Audit Committee.

16. Any other business that the chair considers urgent - Report on Insourcing Contracts

16.1 The Chair introduced the report, referring to the fact that the Council had a strong in-house team and that this gave resilience during the crisis. He stressed the need to have proper processes in place to facilitate insourcing and said that there were robust ways to do this. There remained an issue in regard to work on the performance assessment and review.

16.2 Councillor Gregory referred to the vulnerability of agency staff and the importance of direct employment on a permanent basis.

16.3 Rotimi Ajilore told the Committee that agency staff were working as normally and continued to be paid during the pandemic and that there was no furloughing of these staff. He stated that support was being provided to suppliers and providers and work was underway across London to support GLL. He stated that some services would be insourced but that some would not, given the structure and complexity of these contracts.

16.4 Councillor Odze stressed the need to take into account religious holidays when arranging meetings to ensure attendance.

16.5 The Chair thanked Rotimi for his work in producing the report on insourcing of contracts.

RESOLVED to note the activities undertaken so far to review the corporate approach taken to making insourcing decisions in the authority and to agree the next steps as set out in section 5 of the report.

Duration of the meeting: 6.30 – 9:00

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