

## AUDIT COMMITTEE

MONDAY, 27TH JULY, 2020

**Present:**           **Councillors:**

**Cllr Nick Sharman in the Chair  
Cllr Michelle Gregory (Vice-Chair),  
Cllr Brian Bell and Cllr Patrick Spence**

**Officers: Ian Williams, Dawn Carter-McDonald,  
Michael Honeysett, Michael Sheffield, James  
Newman**

### **1. Apologies for absence**

1.1 Apologies for absence were submitted on behalf of Councillor Odze and Potter.

### **2. Declarations of interest**

2.1 Councillor Gregory declared that she as member of a TMO Board.

### **3. Minutes of the previous meeting**

**RESOLVED:** To agree the minutes of the previous meeting.

### **4. Finance Update**

4.1 The Chair introduced the item, stating that the Committee would wish to be assured that that there were no immediate concerns in regard to the Councils' finances and its ability to continue with its activities and that there were plans in place to cope with the complex issues that will arise from budget changes. He said that the Audit Committee should be kept informed of this work and involved in the process. Three areas were to be focused on:

- The position in the current year in regard to the General Fund and the Housing Revenue Account
- Next year's budget and the priorities emerging and numbers of priorities to ascertain the scale of the challenge
- The Executive response and plans put in place to cope with challenges

4.2 Ian Williams presented to the Committee on the overall financial position, as follows:

- A third tranche of government funding amounting to £3.5m for Hackney
- Compensation Scheme announced for loss of income with the first 15% Local Authority's own risk
- Government to amend regulations in order that collection fund deficits in respect of Council tax and business rates can be applied over the following 3 financial years
- An estimated shortfall of approximately 9m in 2020/21 for the General Fund after estimated government support
- Pressure of 8m on the Housing Revenue Account
- Work was ongoing to mitigate shortfalls

4.3 The Chair asked if the amount of £1.9m non-Covid overspend was an additional budget pressure and if it was included in SEND. Ian Williams confirmed that this amount did not include SEND. He told the Committee that the current financial position eroded the Council's ability to be flexible in its activities and tightened the ability to invest. Work was underway to cut back on costs, for example, in the agency spend budget. The Capital Programme was being reviewed also, for instance, looking at slowing down some schemes.

4.4 Councillor Lynch asked for an update on workforce at the Council given current changing circumstances, in particular in relation to redeployment and recruitment. Ian Williams confirmed that the Council was looking at opportunities to repurpose and redefine roles with large numbers of staff working from home. The staff survey demonstrated that many staff considered that they worked more effectively from home. All Call Centres had been consolidated into one. Consideration was being given to how the corporate estates are used. He considered that the Audit Committee could have involvement in the process. Councillor Rebecca Rennison confirmed that staff would be consulted on any staffing changes that were carried out and confirmed the Council's commitment to its staff. She told the Committee that the reporting on the overall financial position was a transparent process. The Council was still learning on this, in particular in relation to the impact on the Council's income and reports back would be made on this.

4.5 Ian Williams told the Committee that work was underway on delegation levels, tightening up on the general control environment.

4.6 The Chair asked that an update on the overall financial position be added to the agenda for the September meeting of the Committee.

**Action: Ian Williams.**

4.7 Ian Williams reported on the medium term forecast:

- There was to be a 2020 spending review to run for three years in relation to revenue spend and four years for capital spend. There were opportunities for the Council to submit representations
- There was to be a call for evidence on the business rate review with a revaluation to better reflect the Covid-19 environment
- Even with an increase in Council tax of 4% the Council would need £32/33m for next year to balance the budget
- Pre-Covid forecast of £13m required
- Fairer funding would be implemented in the next financial year

- People paying Council Tax in cash are now able to get out to do so
- There was improved engagement
- The New Homes bonus will come to an end or be re-focused

4.8 In response to a question from the Chair, Ian Williams reported on the current pressures to the HRA with a deficit of £8m. There had been a loss of rental income and work was ongoing with housing and IT on this. Ian Williams would make a more detailed update on the HRA to the September meeting of the Committee, including on the interface between Universal Credit and rental payments and how any gap will be dealt with.

**Action: Ian Williams**

4.9 Councillor Anna Lynch stated that the evictions scheme would be lifted soon and asked what plans were in place in relation to this. She said that some residents may not have been paying their rent and whether there was capacity to provide emergency homes for these residents. Councillor Rebecca Rennison stated that it was considered that the eviction scheme should be extended for tenants. She said that the Government had set the Local Government housing allowance at 30% of medium rent. The Council could also assist with discretionary housing payments. The Council was encouraging tenants who were struggling to pay their rent to engage with the Council. A campaign was underway to ensure that the housing benefit for the housing rental sector was returned to a level where people could afford to rent in the Borough.

4.10 Ian Williams told the Committee that there was much uncertainty in relation to the revised medium term forecast beyond the next financial year.

- Key policy initiatives were emanating from Central Government and work was required in relation to health and social care.
- It was likely that fairer funding would be phased in.
- Consideration was being given to the impact of the collection fund deficit
- Even with a 4% increase in Council Tax, the yield from it may be lower than it was expected to collect for the current financial year
- Income streams continued and substantial money was being collected
- Significant sums were being received from Central Government
- £85m liquid cash from various investments
- Continuing to look at sources of borrowing as required

4.11 Ian Williams reported on next steps:

- Work was underway on the use of agency staff
- Review of vacant posts
- Repurposing roles, if necessary
- Reviewing capital schemes
- Bearing down on expenditure forecasts to mitigate loss of income.
- The importance of having staff and residents engagement
- Positive work on finance was being carried out the Audit/ Scrutiny/ Executive Working Group

4.12 The Chair reported that he was reassured on the cash position of the Council and that steps had been taken to ensure that there were no immediate issues around solvency. He said that further deeper needs had been uncovered with less resources

available. He referred to the importance of the Audit/ Executive oversight into the medium term financial position.

4.13 Councillor Rennison confirmed the importance of working with Audit and Scrutiny on the Council's financial position identifying any issues earlier on and having effective oversight of the budget position. The priority was to do what benefits resident the most.

**RESOLVED:** To note the update on the Council's financial position.

## **5. Audit of accounts update (Verbal)**

5.1 Ian Williams told the Committee of the challenges for the external audit process in the current year. Weekly meetings were being held with the External Auditors who aimed to substantially complete work on the audit of accounts by mid-august. Ian Williams reported a focus on the impact of Covid-19 on the Council's finances. The auditors would have to be satisfied that the organisation would be a going concern a year from the date of the audit. The audit was progressing well with a special Audit Committee in September to sign off the statement of accounts.

5.2 Councillor Gregory stated that the potential reduction in valuations would occur in the next financial year and would the reduction be factored into next year's accounts.

5.2 Michael Honeysett told the Committee that the work around valuations of property and equipment was impacted by Covid-19, extending the time taken to complete the audit. He said that any reductions in valuations would be likely to impact the new financial year rather than the current year, although this is an area of increased audit focus. The likely reduction in the value of assets would be factored into next year's accounts.

5.3 Councillor Brian Bell stated that there was anecdotal evidence that some members of staff were taking early retirement because they were unhappy with the current working arrangements. He asked if a lot of requests for early retirement were being received. Ian Williams told the committee that the voluntary retirement scheme had been carried out in the previous year, with a number of staff taking voluntary redundancy. He said the option was available but with consequent reductions in entitlement. Ian Williams reported that that had been no significant increase in requests for early retirement.

5.4 Lucy Nutley (Mazars) told the Committee that it had not been possible to complete the audit of accounts in time as work on valuations of property and equipment was taking longer in the circumstances of the Pandemic. Remote working was not proving as effective. Further, in relation to the material liability on the London Pension Fund (LPF), the London Pensions Fund would not be able to give an assurance on this until mid to late august. Lucy Nutley thanked staff for their work on the accounts, stating that they were a good set of accounts and that Mazars had limited comments.

**RESOLVED:** To note the update on the completion of the statement of accounts.

**6. Capital Programme Deep Dive Review - Terms of Reference (To Follow)**

6.1 The Chair told the Committee that the oversight of Council Capital had uncovered that the various ways that some of the estimates were calculated and oversight of programmes needed consideration. He said that Capital was now a very substantial part of the Council's activities and as it moved into more high risk areas, both in regard to expenditure and borrowing, there was a need to manage this in a closer way.

6.2 Ian Williams told the Committee that the proposal was to carry out a number of pieces of work to develop a better understanding of how some of the departmental forecasts are made and how best practice is applied to the development of forecasts. It would develop an understanding of the different types of capital programmes the Council had. Participants in the process had been identified from across all of the Council's activities.

**RESOLVED:** To agree the terms of reference for the Capital budget deep dive.

**7. Any other business that in the opinion of the chair is urgent**

7.1 There was no other urgent business.

**Duration of the meeting: 6:30 – 7:45**

Chair at the meeting on  
Monday, 27 July 2020