

# Audit, Pensions and Standards Committee

## Agenda

Wednesday 13 January 2016

7.00 pm

COMMITTEE ROOM 1 - HAMMERSMITH TOWN HALL

### MEMBERSHIP

Administration:	Opposition
Councillor Iain Cassidy (Chair) Councillor Ben Coleman Councillor Adam Connell Councillor PJ Murphy Councillor Guy Vincent	Councillor Michael Adam Councillor Nicholas Botterill Councillor Mark Loveday Councillor Donald Johnson

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Date Issued: 05 January 2016

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<u>Item</u>		<u>Pages</u>
1.	<b>MINUTES OF THE PREVIOUS MEETING</b>	1 - 7
2.	<b>APOLOGIES FOR ABSENCE</b>	
3.	<b>DECLARATIONS OF INTEREST</b> See next page for more detailed information about declarations of interest.	
4.	<b>EXCLUSION OF THE PUBLIC AND PRESS</b> The Committee is invited to resolve, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.	
5.	<b>EXEMPT MINUTES OF THE PREVIOUS MEETING</b>	
6.	<b>MANAGED SERVICES PROGRAMME - OUTSTANDING AUDIT RECOMMENDATIONS</b>	
7.	<b>MANAGED SERVICES PROGRAMME - GATE EXIT REPORT</b>	
8.	<b>INTERNAL AUDIT REPORT ON MANAGED SERVICES</b>	
9.	<b>ANNUAL GOVERNANCE STATEMENT - MANAGED SERVICES ACTION PLAN</b>	
10.	<b>MANAGED SERVICES PROGRAMME TEAM REPORT</b> Report to follow.	
11.	<b>MANAGED SERVICES PROGRAMME - LESSONS LEARNED REVIEW</b>	
12.	<b>LBHF COMMENTS ON LESSONS LEARNED REVIEW</b>	

London Borough of Hammersmith & Fulham

## **Audit, Pensions and Standards Committee Minutes**



**Monday 14 December 2015**

### **PRESENT**

**Committee members:** Councillors Iain Cassidy (Chair), Ben Coleman, Adam Connell, PJ Murphy, Guy Vincent, Michael Adam, Nicholas Botterill, and Mark Loveday

**Other Councillors:** Stephen Cowan, Larry Culhane, and Marcus Ginn

**Officers:** Hitesh Jolapara, Geoff Drake, David Hodgkinson, Matt Butler, Adesuwa Omoregie, Dave McNamara, Steve Miley, Michael Sloniowski, Ed Garcez, Andrew Hyatt, and David Abbott

### **1. MINUTES OF THE PREVIOUS MEETING**

Members requested that officer responses to actions were circulated at least two to three weeks before Committee meetings so that they could be given proper consideration.

#### **RESOLVED**

That the minutes of the meeting held on 15 September 2015 were agreed as a correct record and were signed by the Chair.

### **2. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Donald Johnson.

### **3. DECLARATIONS OF INTEREST**

Councillor PJ Murphy declared a non-pecuniary interest as a Council-appointed Director of the Riverside Studios Trust.

### **4. TREASURY MANAGEMENT - MID-YEAR REVIEW**

David Hodgkinson introduced the report that presented the Council's mid-year treasury position for 2015/16 in accordance with the Council's treasury management practices.

Members suggested there should be greater diversification of investment, noting large sums with both Lloyds Bank and Barclays bank. David Hodgkinson responded that those positions would be reviewed early in the new year, but they were in line with the treasury management strategy.

Members asked for more detail on why the Capital Finance Requirement (CFR) was forecast to increase by so much (£47.89m in 2015/16 vs £58.34m in 2018/19). Officers responded that the movement was relatively modest for the CFR, and that from the opening position there had been significant debt repayment and a major allocation to the school window replacement scheme.

Members questioned why so much money (around £20m) was being allocated to the school window replacement scheme. Officers responded that many of the school buildings were Edwardian or Victorian and the windows were no longer fit for purpose. Unless funding was received from the Education Funding Agency the Council would have to pay for the replacements.

#### **RESOLVED**

To note the Council's borrowing and investment activity up to the 30 September 2015.

### **5. TREASURY MANAGEMENT - STRATEGY REPORT 2016-17**

David Hodgkinson introduced the report that set out the Council's treasury management strategy for 2016/17 and highlighted potential alternative investment arrangements.

Members suggested that a Cabinet Member should have oversight of the detail of the Council's investments in the form of a quarterly health check.

Members asked what the likely impact of interest rate rises was. Officers responded that the Council should be able to capitalise on rises with the current strategy.

#### **RESOLVED**

- That approval is given to the future borrowing and investment strategies as outlined in this report and that the Director for Finance be authorised to arrange the Council's cash flow, borrowing and investments in 2016/17.
- In relation to the Council's overall borrowing for the financial year, to note the comments and the Prudential Indicators as set out in this report and the four year capital programme 2016/17 to 2019/20.
- That approval is given to pay the Housing Revenue Account (HRA) investment income on unapplied HRA receipts and other HRA cash balances calculated at the average rate of interest (approximately 0.60% p.a.) earned on temporary investments throughout the year with effect from 1 April 2015.

## **6. ANNUAL AUDIT LETTER 2014-15**

Hitesh Jolapara, introduced the report and informed members that KPMG, the Council's external auditor, had issued their Annual Audit Letter. The letter confirms that the Council's 2014/15 accounts received an unqualified opinion on 18 September 2015 and the audit was certified as concluded. The letter also summarises the findings of the audit which were previously presented to the Committee in September 2015.

### **RESOLVED**

To note the contents of the Auditor's letter.

## **7. RIVERSIDE STUDIOS AND QUEENS WHARF**

The Chair noted that William Burdett-Coutts, a Director of the Riverside Trust and Chairman of Riverside TV Studios Limited, had been invited to the meeting but was unable to attend. His response to the Chair would be circulated outside of the meeting.

Officers presented the report and informed members that the Riverside Trust had advised the Council that there was a considerable funding shortage in re-providing the Riverside Studios facility in full as agreed when the current redevelopment was completed and that they were seeking a loan from financial institutions to deliver on that commitment. The report set out the background to the planning permission granted in January 2014. It sought a steer from members to ensure that the expected public planning gain and community benefits from the development were achieved in full.

Members noted that up to 40 percent affordable housing (estimated to be worth in the region of £25m) had been waived by the Council at the time of the planning application, with the public monies resulting from planning gain used instead to ensure development of the community arts and entertainment facility. The full re-provision of the facility was now considered to be under-funded by the Riverside Trust. Officers informed members that viability appraisal submitted in support of the planning application attached no revenue stream to capitalise in respect of the arts and entertainment facility scheme.

Members asked if the original multi-purpose television studios and theatre spaces were fit for purpose. Officers responded that the Riverside Trust had advised officers and the Theatre Trust that the studios were past their useful life and needed redevelopment. Revenue from renting out the studio spaces to television companies had helped support the arts activity.

Members asked if officers visited other similar studio spaces to determine how they compared. Officers responded that they had and at the time the Council believed a new and improved community arts and entertainment facility would be a positive addition to the borough. The Council's external consultant had verified all development costs that had gone into the application's financial viability appraisal.

Members asked if it was usual for public money to be provided to a private company, with regards to the renovation of the studio spaces. Officers responded that the Riverside Trust was a registered charity and that they were continuing to provide the same service as they had before; renting space to television and theatre companies and holding community arts provision.

Members asked if officers felt the developer's viability appraisal presented an accurate reflection of current market values. Officers responded that they considered the application's viability appraisal to have underestimated likely sales values of the residential element and they negotiated for significantly higher sales values. Given the higher than predicted house price growth from 2013 onwards, the properties are now being advertised for higher prices than those agreed at the time of the application assessment. Officers noted that the Council had, in recent years, started to use far more varied techniques to challenge and robustly test the methodology and impacts that are used by applicants in their financial viability appraisals.

Members asked if any Section 106 obligations or planning conditions had been breached by the developer. Officers responded that there had been no breaches of the Section 106 agreement but there were some outstanding planning conditions that officers were investigating.

#### **RESOLVED**

- That the committee be presented with the viability assessment and the Council's appraisal of that document avoiding disclosure of information that may be considered commercially sensitive.
- That the committee be presented with a schedule of the planning and Section 106 obligations stating which have been complied with and which have not, with detail on any that may have been breached, including options for enforcement.
- That officers seek confirmation and details on why the £7m capped figure may not be sufficient to fully fit out the new Riverside Studios space.
- That the Chair of the Riverside Trust be invited to attend the meeting.

### **8. RISK MANAGEMENT IN ADULT SOCIAL CARE**

The report was deferred to the next scheduled meeting of the Committee in March 2016. The Chair asked for a formal explanation from the Executive Director for Adult Social Care as to why the report had been deferred.

#### **RESOLVED**

That the report be deferred to the meeting scheduled for the 22 March 2016.

### **9. INTERNAL AUDIT - QUARTERLY REPORT**

Geoff Drake introduced the report that summarised internal audit activity between July and September 2015.

### **Children's Services Audit Recommendations**

Dave McNamara, Director of Finance for Children's Services, attended the meeting at members' request to discuss previously outstanding audit recommendations related to guidance for schools on operational leases for office equipment.

Members asked why it had taken so long to implement the recommendations. Dave McNamara responded that the recommendations were originally part of larger project that had been delayed. Due to concerns raised by the Committee, the recommendations had been implemented separately to that piece of work. A question remained over whether it was in the Dave McNamara's remit to approve the leases as part of their role. Dave McNamara's view was that it was solely the role of the school and the governance body. Schools currently had responsibility for all of their own procurement.

### **Multi-User Logins, Mobile Device Security, and Cloud Computing**

Members asked why audit recommendations had not been implemented within the deadline. Ed Garcez, Chief Information Officer, responded that because IT systems were spread across all areas of the Council, and often commissioned without IT's involvement, it was not always clear who had responsibility. He suggested that the audit report clearly denoted a single named officer to avoid similar issues in future.

Geoff Drake noted that Audit were currently reviewing their information sharing arrangements and would take that suggestion on board. Members asked that this issue was resolved by the next meeting.

### **RESOLVED**

That the Committee note the contents of the report.

## **10. RISK MANAGEMENT HIGHLIGHT REPORT**

Michael Sloniowski introduced the report that provided the Committee with an update of the current status of strategic risks identified for 2015-16.

Members asked for an update at the next meeting on Risk 3 – Management of the Better Care Fund. Members also asked for an update by email on Risk 6 – Business Reliance.

**ACTION: Michael Sloniowski**

Members noted that the risk profile of the organisation appeared to be worrying, with every indicator higher than the relevant target risk. Officers responded that there was considerable action being undertaken to improve the risk profile over time. It was also noted that a number of risks were related to potential upcoming budget reductions.

Members asked for risk comparisons with other boroughs. Officers agreed to bring comparison data, being assessed as part of the External Auditors (KPMG) review, back to the Committee once available.

**ACTION: Michael Sloniowski**

## **RESOLVED**

- That the Committee note that the quarterly review of strategic risks faced by the Council has been undertaken by Hammersmith and Fulham Business Board.
- That the Committee consider these risks and corresponding mitigations in the register for appropriateness, attached as Appendix 1.

### **11. CORPORATE ANTI-FRAUD SERVICE REPORT - 1 APRIL TO 30 SEPTEMBER 2015**

Andrew Hyatt introduced the report that provided an account of anti-fraud related activity undertaken between April and September 2015.

Members welcomed the report and the positive work contained within it and asked what areas officers considered to be the areas for focus next year. Andrew Hyatt responded that they were hoping to make strides in proactive work, using immigration and mortality data to match across number of services including payroll, residential care, and personal budgets. The end of year report would highlight a number of these proactive exercises.

Members asked why officers anonymised convictions within the reports. Andrew Hyatt responded that they were following guidance for local authorities stating that conviction information could not be held on a public sector website for more than four weeks. Members noted that convictions were publicised through the Council's communications department.

## **RESOLVED**

That the Committee note the fraud work undertaken during the year 1 April 2015 to 30 September 2015.

### **12. EXTERNAL AUDIT - OUTSTANDING RECOMMENDATIONS AND ANNUAL GOVERNANCE STATEMENT ACTION PLAN**

Geoff Drake introduced the report that summarises progress on implementing recommendations arising from the External Audit Report 2014/15 and the Annual Governance Statement.

## **RESOLVED**

That the Committee noted the contents of the report.

### **13. DATES OF FUTURE MEETINGS**

The next meeting of the Committee was scheduled for 13 January 2016.



**14. EXCLUSION OF THE PUBLIC AND PRESS**

**RESOLVED**

That under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

**15. EXEMPT MINUTES OF THE PREVIOUS MEETING**

**RESOLVED**

That the exempt minutes of the meeting held on 15 September 2015 were agreed as a correct record and were signed by the Chair.

**16. INTERNAL AUDIT - MULTIPLE LOG-INS (EXEMPT)**

Members considered the Internal Audit report on Multiple Log-Ins.

**17. INTERNAL AUDIT - FOSTERING AND ADOPTION (EXEMPT)**

Members considered the Internal Audit review of the Fostering and Adoption Service.

**18. INTERNAL AUDIT - COMMERCIAL WASTE OPERATIONS (EXEMPT)**

Members considered the Internal Audit review of Commercial Waste Operations.

Meeting started: 7.00 pm  
Meeting ended: 10.15 pm

Chair .....

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