

London Borough of Hammersmith & Fulham

Audit, Pensions and Standards Committee

Minutes



Wednesday 20 September 2017

PRESENT

Committee members: Councillors Iain Cassidy (Chair), PJ Murphy, Guy Vincent, David Morton, Michael Adam, Mark Loveday and Donald Johnson

Guests: Jennifer Townsend (KPMG), Karen Wyatt (Executive Headteacher, St. Thomas of Canterbury), and Joanne Breslin (Head of School, St. Thomas of Canterbury)

Officers: Kim Dero (Chief Executive), David Hughes (Director for Audit, Risk, Fraud and Insurance), Mike Sloniowski (Risk Manager), Hitesh Jolapara (Strategic Finance Director), Emily Hill (Head of Corporate Finance), Chris Harris (Chief Accountant), Peter Worth (Director of Pensions and Treasury), Nick Austin (Director for Environmental Health), Jane Martin (Director for Property Services), Jo Rowlands (Lead Director for Regeneration, Planning, and Housing), Michael Hainge (Commercial Director), Mike Boyle (Director for Commissioning, Adult Social Care), Lisa Redfern (Director for Adult Social Care), Dave McNamara (Director of Finance and Resources, Children's Services), and David Abbott (Scrutiny Manager)

1. MINUTES OF THE PREVIOUS MEETING

Kim Dero (Chief Executive) noted that an update on Housing Health and Safety Checks actions from the previous meeting was attached as Appendix 1 to the minutes. She added that the Senior Leadership Team was also in attendance to answer any questions the Committee had on the risk register or any other items.

Councillor Guy Vincent asked for updates on the six actions from the minutes of the previous meeting.

- Action 1 (page 1) – Councillor PJ Murphy had repeatedly requested information on the proportion of absenteeism caused by stress within the organisation. Nick Austin (Director for Environmental Health) said a response would be circulated.
- Action 2 (page 6) – Councillor Michael Adam had asked how much money had been recovered from business rates relief for vacant properties fraud. David Hughes (Director for Audit, Risk, Fraud and Insurance) said a response would be circulated.
- Action 3 (page 8) – St. Thomas of Canterbury final audit report to be deferred to the September meeting and the Headteacher and Chair of Governors to be invited. This action had been completed.

- Action(s) 4 (page 9) – Councillor Loveday had asked a number of technical questions about the Service Charges 2016-17 final audit report. David Hughes said a response would be circulated.
- Action 5 (page 11) – Councillor Mark Loveday had asked for the risk registers to be reviewed and updated. Mike Sloniowski (Risk Manager) said officers had completed a thorough review of the corporate and departmental risk registers and there was an agenda item dedicated to this later in the meeting.
- Action 6 (page 12) – This action was for the Chief Executive to look again at risk management and take a more strategic view of the issues. Kim Dero said the risk registers had been reviewed and updated and she had asked the Senior Leadership Team to attend the meeting to answer the Committee’s questions.

ACTION(S) 1: Nick Austin, David Hughes

Councillor Mark Loveday asked why the update on Health and Safety Checks at Appendix 1 of the minutes hadn’t included an update on legionella and asbestos checks despite previous reports of backlogs. Jane Martin (Director for Property Services) said the water / legionella checks were now up to date. Gradient, the Council’s consultant, had reviewed asbestos management compliance, and with the recently employed asbestos manager, were working to deliver the improvement action plan by March 2018. The Committee requested a more substantive report on progress with the health and safety checks for the December meeting.

ACTION 2: Jane Martin

Councillor Guy Vincent asked if there was a timetable for the implementation of the borough’s new £20m fire safety strategy – ‘Fire Safety Plus’. Kim Dero said officers were currently costing the proposed capital works, from sprinklers in tower blocks to remedial works in low-rises. Appointments for electrical PAT testing and inspections of whitegoods and fire doors had been booked to visit properties where residents had requested them. The Council’s aim with the programme was to go beyond the minimum standards for fire safety to ensure resident’s safety. A report on the final costings would go to Full Council for approval shortly.

Councillor Guy Vincent welcomed the strategy and investment in fire safety – he asked if there was a timeline for the implementation of such an ambitious programme. Jane Martin said fire safety check visits were by request - so far there had been 107 calls and 82 visits. The bulk of the investment would be spent on the installation of sprinklers in tower blocks.

Councillor Mark Loveday noted it was strange that the costs hadn’t yet been finalised but the Council had already announced they would be spending £20m on the programme. Councillor Donald Johnson then asked what was included in the programme. Kim Dero said officers had done initial costings but detailed work was ongoing. Jo Rowlands (Lead Director for Regeneration, Planning, and Housing) added that the £20m figure was based on estimated unit costs for sprinklers and other improvements in the borough’s highest tower blocks. The tower blocks would be upgraded in the first year of the programme and remedial works in low rises would be done in the second. A fully costed programme would be available within the next two months.

Councillor PJ Murphy noted that there had been 107 Fire Safety Plus enquiries from residents – he then asked how many units there were in the borough in total. Jo Rowlands said there were around 14,000 units in total. She added that information on Fire Safety Plus had only been sent to residents in tower blocks so far. Councillor Murphy asked for an updated engagement strategy to come to the next meeting.

ACTION 3: Jane Martin

Jo Rowlands informed the Committee that there was a new section of the website devoted to fire safety. Councillor Murphy thought people responded better to knocks on doors and advised that officers shouldn't just rely on websites to get the message out. Jo Rowlands noted that there had been a two-week walk through of blocks in August where fire safety was raised with residents. There was also a training programme for caretakers.

Councillor Michael Adam asked how the £20m investment in fire Safety Plus would be funded – was it new money or reallocations? Jo Rowlands said £10m would be taken from reserves and 10m would be taken from an existing programme that wasn't yet allocated.

Councillor Michael Adam noted that strategic communications had been discussed in relation to risk at the previous meeting and asked for an update. Mike Sloniowski said the Council had spoken to crisis management trainers and had put together lessons learned from Grenfell Tower and the recent Parsons Green terror incident. This work was being carried forward by the emergency planning team. Councillor Adam said it would be useful for the Committee to have more detail on that work because strategic communications was a priority issue – if an authority lost control of the public narrative no one would listen to anything else they said.

Kim Dero said a comprehensive report on lessons learned would be going to the Council's Policy and Accountability Committees. She added that there was also work ongoing to build up community resilience in the borough. An event had been held the previous evening with members of the community and local organisations to share learning and listen to their feedback. She also commended our communications team for their comprehensive approach to the Parsons Green terror incident – releasing clear statements and updates regularly throughout the day.

Councillor PJ Murphy asked that any lessons learned report had to consider the response of RBKC as well as H&F's response. There was valuable learning to be taken from what they did well, and where they failed. Kim Dero advised the Committee that officers couldn't bring that information to members due to the ongoing public enquiry and criminal investigation. Councillor Murphy noted that inquiries and investigations could take years and the plain facts of the response were already in the public domain. Councillor Mark Loveday added that he would be concerned if the Committee was not able to scrutinise the response to the Parsons Green incident. Kim Dero said there would be a full report on the Parsons Green incident that would not hold back on any detail.

RESOLVED

The minutes of the meeting held on 21 June 2017 were approved and signed by the Chair.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Vivienne Lukey and Nicholas Botterill.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. STATEMENT OF ACCOUNTS 2016-17

Hitesh Jolapara (Strategic Finance Director) presented the report on the Council's Statement of Accounts, including the Pension Fund Accounts, for 2016/17 and the external auditor's (KPMG) draft opinion on the accounts. Hitesh Jolapara tabled an addendum which set out minor adjustments to the accounts which had been agreed with the auditor.

Jennifer Townsend (KPMG) informed the Committee that they intended to issue an unqualified audit opinion on the Authority's financial statements and the Pension Fund's financial statements, within the deadline of 30 September 2017.

Jennifer Townsend noted that they had identified the following five key risks – but after investigation no significant issues were found:

- Valuation of Property, Plant, and Equipment (PPE)
- Conditional Grant Income
- Managed Services
- Pension liability including assumptions and having regard to the potential for significant changes arising from the LGPS Triennial Valuation
- Valuation of Pension Fund Assets (Pension Fund)

Councillor Michael Adam expressed concerns about the reduction in reserves from £90m to £82m in just one year. Emily Hill (Head of Corporate Finance) responded that the money had been used for one-off and invest to save schemes, some of the significant ones being IT infrastructure costs, LED street lighting to save electricity costs, new pay and display parking machines, and Adult Social Care transformation programmes. These also funded one-off costs in relation to the managed services programme.

Councillor Michael Adam asked if officers had a projection of what further releases from reserves would be required over the next three to four years. He asked where officers saw the level of reserves stabilising. Hitesh Jolapara said that work was being undertaken as part of the medium term financial strategy process and information would be available in the Council's budget papers produced at the end of the year.

Councillor PJ Murphy noted that KPMG's report was positive but asked if there were things the Council should be sensitive to over the next year. Jennifer

Townsend said the 'value for money' consideration would become harder – and new risks were likely to emerge from any transition of managed services.

Councillor Guy Vincent noted the figure under Contingent Liabilities (page 58 of the report) of £10m and asked if it related to several smaller claims or one large claim. Hitesh Jolapara said it related to a single claim.

Councillor Guy Vincent noted that there were an increasing number of Business Rates write-offs (Page 74 of the report). He asked if this was a pattern or if, for example, one large business had won an appeal. Hitesh Jolapara said that there was no specific factor involved in this and write-offs could vary one year to the next.

Councillor Guy Vincent questioned why the Housing Revenue Account dwelling revaluation had moved. Emily Hill noted that the housing stock was revalued every year – the previous year had seen an upward revaluation but 2016-17 saw a downward revaluation. It was also noted that the valuation of the Council's Housing Stock was subject to a 'social housing factor' provided by the CLG

Councillor Donald Johnson asked if there was a risk around developers' contributions (Section 106 and CIL) with the cooling economic climate. Jo Rowlands said there wasn't any less of an appetite to develop projects but developers were being more cautious and taking longer to consider their options.

RESOLVED

1. To note the content of the auditor's 'Report to those Charged with Governance (ISA260)' (Appendix 2) stating that the accounts will receive an unqualified opinion, the Council has an adequate internal control environment and has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.
2. To note the auditor's findings, recommendations and the Council's response to those recommendations as set out in the Report to those Charged with Governance (ISA260).
3. To approve the management representation letter (Appendix 3 of the report).
4. To approve the Statement of Accounts for 2016/17, including the Pension Fund Accounts (Appendix 1 of the report).
5. To approve the Annual Governance Statement which is included in the Statement of Accounts.
6. To approve the Pension Fund Annual Report 2016/17 (Appendix 4 of the report).

5. INTERNAL AUDIT QUARTERLY REPORT

David Hughes (Director for Audit, Fraud, Risk and Insurance) presented the report that summarised internal audit activity during the period 1 April to 30 June 2017. The issues highlighted in the report were discussed under the relevant audit report items (6 to 9).

RESOLVED

That the Committee noted the contents of the report.

6. AUDIT REPORT - ST. THOMAS OF CANTERBURY PRIMARY SCHOOL 2016-17

Dave McNamara (Director of Finance and Resources, Children's Services) introduced the report – noting that the Headteacher at the time of the audit had been away for an extended period due to maternity leave and the school had been through a period of changes that had contributed to the issues found in the report. A new permanent Executive Headteacher, Karen Wyatt, was now in place and had attended the meeting with the Head of School, Joanne Breslin, to answer the Committee's questions.

Councillor Guy Vincent asked the school's representatives if they had found the audit a useful process and if the issues found in the report now resolved. Joanne Breslin, Head of School, said they did find the audit useful and all recommendations in the report had now been implemented.

Councillor PJ Murphy thanked the school's representatives for attending. With reference to page 310 of the agenda, he asked for some background on the additional payments to the Headteacher. He also asked if the school was now obtaining the correct references for new starters. Joanne Breslin responded that the systems at the school were far more stringent now and they were making sure all background checks were being carried out on new staff. Councillor Murphy asked if a teacher had been hired today but didn't have a reference – would they be allowed to start? Karen Wyatt, Executive Headteacher, said they would only be allowed to start if they had an up to date DBS check and at least one reference. In answer to Councillor Murphy's questions about additional payments – Joanne Breslin said the payments were because the Headteacher had reached the top of their pay-scale but continued to get increments. The additional payments had been agreed with the school's governors.

Councillor Donald Johnson asked if the Governing Body acknowledged responsibility for the issues raised in the report. Karen Wyatt said they had, and a number of processes had been put in place in response to the audit. Joanne Breslin said there would be a skills audit of the governors and training offered where necessary.

Dave McNamara noted that officers would put together a summary of areas where there were consistent failings in schools.

Councillor PJ Murphy asked if there was sufficient challenge and robustness to the processes in the school and the governing body. Karen Wyatt said she had only been in the role for a couple of weeks but the audit did flag several systems issues that needed to be addressed. There were areas that the governing body still needed to work on. Councillor Murphy noted that it may be a cultural issue – systems exposed those weaknesses. Joanne Breslin added that the Chair of Governors had recently resigned and new Foundation Governors had been appointed so there was an opportunity for a newly invigorated governing body to take on these challenges.

Councillor Mark Loveday noted that having the Executive Headteacher and Head of School attend the Committee showed they were serious about the issues raised by the audit. He asked if there was anything they felt the Council could do to support the school – additional training for example. Karen Wyatt said they would benefit from more specific training for governors – particularly around financial controls and sign-off.

The Chair noted that he recently became a school governor and found that other governors were very negative about the audit process. Karen Wyatt said the report showed that auditors were asking the right questions – but said it was a common view amongst colleagues that auditors found it difficult to understand the school environment. David Hughes said that was helpful feedback and he would take it seriously – auditors needed to be pragmatic when doing their assessments. Councillor Donald Johnson suggested the Council asked its external auditor, KPMG, to do some skills sharing with local governors as part of their social responsibility contribution.

7. AUDIT REPORT - ADULT SOCIAL CARE CONTRACT MANAGEMENT - ELGIN CLOSE RESOURCE CENTRE

Mike Boyle (Director for Commissioning, Adult Social Care) and Lisa Redfern (Director for Adult Social Care) introduced the findings of the internal audit of the management of the Elgin Close Resource Centre contract with Notting Hill Housing Trust. Elgin Close Resource Centre was an H&F led contract that had been provided by Notting Hill Housing Trust since 2005. The centre provides personal care support, financial advice and support, practical and social support, catering, and respite care. Mike Boyle explained that this was an historic contract with little or no paperwork in place. Officers had been working to rectify this and a draft specification was now in place.

Councillor Michael Adam asked how a significant six figure sum could be paid out to provider each year without a contract. Mike Boyle replied that there had been a contract but over a period of time, with changes in software etc. it had been lost. A contract plan had been put in place though and would be on the Council's capital sourcing system. The provision was a vibrant, active service that was providing value for money – there just wasn't a robust audit trail in place.

Councillor Michael Adam asked on what basis were the provider changing the price of the contract year to year. Shouldn't that process have triggered contract checks? Michael Hainge (Commercial Director) said processes were in place but they weren't followed. The Council's procurement and contract management functions were currently devolved to departments – but that setup wasn't providing sufficient outcomes. There were plans to address that through a dedicated commercial function. Mike Boyle added that robust arrangements were now in place and officers would be reporting on all existing contracts to the Cabinet Member for Adult Social Care and Health in October.

Councillor Guy Vincent asked how many other contracts in Adult Social Care of a similar scale had these issues. Mike Boyle said there were now robust processes in place – all contracts were being looked at and reported to the Cabinet Member.

Councillor Vincent asked that officers shared detail of those contracts with the Committee.

ACTION 4: Mike Boyle

Councillor Vincent also noted that the implementation deadline for all seven of the recommendations in the report had passed. Mike Boyle explained that all of the recommendations were contingent on having a formal contract signed – a meeting to finalise the contract was scheduled next week. The Committee asked for an update once the contract was signed and all recommendations implemented.

ACTION 5: Mike Boyle

8. AUDIT REPORT - PROCUREMENT COMPLIANCE - COMMUNITY EQUIPMENT FRAMEWORK

Mike Boyle (Director for Commissioning, Adult Social Care) introduced the report and recommendations of the internal audit of procurement compliance related to the procurement of a framework agreement for community equipment for vulnerable adults. The equipment was ordered by professionals in Adult Social Care and Health on behalf of clients and supports enabling people to live in their own homes for longer. Mike Boyle reported that all recommendations had been accepted and had been implemented. The Committee noted the report.

9. AUDIT REPORT - AGRESSO PAYROLL REVIEW

Mark Grimley (Director for HR) introduced the report and recommendations of the review of the payroll service under the Managed Service contract with BT. The objective of the payroll audit was to provide a level of assurance to the participating councils that key payroll controls were operating effectively. He noted that the issues raised by the audit were familiar to members following the Managed Services Programme and said all issues were ongoing pending continuing discussions with BT. A strategic improvement board had been set up, leading to some service enhancements. The Committee noted the report.

10. AUDIT REPORT - PENSIONS ADMINISTRATION

Mark Grimley (Director for HR) introduced the report and recommendations of the audit of pensions administration. He noted that a new pension administration contract with Surrey County Council began in April 2015, and the live operational service started on 1 September 2015. The client function for the service was undertaken by officers within HR – a shared service between RBKC and LBHF. Mark Grimley noted that the issues raised were again around BT Managed Services, though there had been improvements over time.

Councillor PJ Murphy noted that he had contacted Surrey County Council about a pensions issue and they were very helpful and efficient.

11. ANNUAL CORPORATE HEALTH AND SAFETY REPORT 2016-17

Nick Austin (Lead Director for Environmental Services) presented the report that summarised the safety performance of the Council for the year April 2016 to March

2017 and the aims of the Corporate Health and Safety Team for the year ahead. He noted that during this period the Council was not subject to any Health and Safety Executive prosecutions, prohibition, or improvement notices – but was subject to 11 deficiency notices and three enforcement notices from the London Fire Brigade for housing deficiencies. 1500 working days were lost due to stress related absence, accounting for 14 percent of total lost days.

Nick Austin said the key areas of risk were in compliance areas – particularly housing – and to that end the Chief Executive had formed a strategic level compliance group with an operational group underneath.

Councillor Guy Vincent asked what actions were being taken in response to the worrying trend of increasing violence against staff. Nick Austin noted that the service had been working hard to improve reporting of incidents, including lower level incidents – which may explain the increase over last year's figures. Incidents were taken seriously though and specific safety committees had been set up for affected services to look at what actions should be taken.

The Chair noted that there was a member of public who had been barred from the Town Hall and even arrested on occasion but they kept being allowed in – security staff didn't seem to be aware of them. Nick Austin said he would look into this.

Councillor PJ Murphy asked to see what actions had been put in place in response to the stress related absence figures – and a trend analysis of the issue. He noted that previous requests for information on this topic had been ignored and questioned how seriously officers were taking it. Nick Austin apologised for the delay in responding to the action and said officers did take the Committee's concerns seriously.

ACTION 6: Nick Austin

Councillor Michael Adam asked what was the average number of sick days per employee. Mark Grimley said it was 6.8 days – higher than the national average but around the public sector average. He added that longer term issues / conditions tended to drive the figures. Councillor David Morton asked what the rate of staff turnover was. Mark Grimley said turnover was 12 percent, which was similar to other councils.

The Chair requested another report in 6 months that covered issues that had taken place since the annual report was finalised, such as Grenfell and Parsons Green.

ACTION 7: Nick Austin

RESOLVED

That the Committee reviewed and commented on the organisational health and safety performance.

12. RISK MANAGEMENT UPDATE

Mike Sloniowski (Risk Manager) introduced the report that updated the Committee on risk management within the Council, and presented the corporate and service risk registers for consideration.

Councillor Mark Loveday noted that the King Street Regeneration item on page 426 of the agenda said the entry was confidential because of commercial negotiations – but the entry in the exempt agenda doesn't mention commercial processes. Mike Sloniowski said that was a mistake and the item should have been placed on the open agenda.

ACTION 8: David Abbott

Mike Sloniowski noted that at the previous meeting the Committee had asked officers to review and refresh the risk registers. He assured members that there had been a thorough review led by the Chief Executive and the Senior Leadership Team and that work was presented in the appendices to the report.

Councillor Guy Vincent commented that it was good to see how seriously the Chief Executive was taking the issue of risk management and raising its profile within the organisation. Recent events have shown how important it could be. He asked why recruitment and retention had been added to the corporate risk register (page 475 of the agenda). Mark Grimley said the risk related to change management, the Moving On agenda, and uncertainty around pay in the public sector generally. Some key areas of the business had a relatively small talent pool – social work for example. This coupled with the turnover rate and the projected retirement schedule meant there was a significant amount of work to do to ensure the Council had the right staff for its ambitious change programme. Councillor Vincent asked what solutions officers had to those problems. Mark Grimley said workforce planning had already started, recruitment processes would be redesigned, and a new people strategy would be put in place – part of the 'best employers' scheme.

Councillor Donald Johnson asked what the current satisfaction level was amongst staff. Mark Grimley said he could provide the figure outside the meeting but the general themes were that staff were satisfied with their managers and teams – but dissatisfied with Managed Services, IT, and buildings.

Councillor PJ Murphy asked if officers had looked at the number of EU citizens employed by the Council and the potential impact of Brexit. There had already been a significant drop in recruitment within the NHS – was the Council expecting the same impact? Mark Grimley said he could share those figures with members outside the meeting – the Council was exposed in some key areas.

ACTION 9: Mark Grimley

Councillor Mark Loveday asked why there were no figures attached to the risk around the King Street regeneration project despite it being scored as a 'high risk'. Jo Rowlands said figures could be provided outside the meeting. Councillor Loveday asked for the maximum and likely exposure to the Council.

ACTION 10: Jo Rowlands / Maureen McDonald Khan

Councillor Mark Loveday noted that he couldn't identify the dissolution of the tri-borough arrangements as a risk on the corporate register. Kim Dero explained that it was in the register but was referred to as 'Moving On' – the Council's term for the project. She added that shared services would continue in a number of areas while others would become sovereign again. Councillor Loveday felt, despite the

differing terminology used, the risks of disaggregation had still not been clearly identified and asked that more detail be added. Councillor Loveday also asked that the risk register and extract dashboard have consistent numbering for easier cross-reference.

ACTION(S) 11: David Hughes

RESOLVED

That the Committee reviewed and considered the contents of the Corporate and Service Risk Registers.

13. DATE OF NEXT MEETING

The next meeting was scheduled for 6 December 2017.

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. RISK MANAGEMENT UPDATE - EXEMPT ELEMENTS

The report was noted.

Meeting started: 7.00 pm
Meeting ended: 9.50 pm

Chair

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