

Audit Committee Minutes

Tuesday 13 September 2022

PRESENT

Committee members: Councillors Patrick Walsh (Chair), Paul Alexander, Florian Chevoppe-Verdier, Adrian Pascu-Tulbure and Ashok Patel

Other Councillors

Councillor Rowan Ree (Cabinet Member for Finance and Reform)

Councillor Alexandra Sanderson (Cabinet Member for Children and Education)

Officers

Sharon Lea (Interim Chief Executive)

David Hughes (Director of Audit, Fraud, Risk and Insurance)

Moira Mackie (Head of internal Audit)

Lisa Redfern (Strategic Director of Social Care)

Jon Pickstone (Strategic Director of Economy)

Mark Lowthian (Director of Housing Transformation)

Phil Triggs (Director of Treasury and Pensions)

Craig Tucker (Head of Finance)

Andre Mark (Head of Finance)

Yvonne Hadlames (Head of Contacts)

David Abbott (Head of Governance)

Guests

Paul Dossett (Grant Thornton)

Death of Queen Elizabeth II

At the start of the meeting, the Chair express the Committee's sadness at the passing of Queen Elizabeth and members observed a minute of silence in her memory.

1. APOLOGIES FOR ABSENCE

Councillor Paul Alexander gave apologies for lateness (he entered the meeting at 7.14pm).

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

Councillor Ashok Patel noted that he had not yet received a copy of the business plan requested at the previous meeting.

ACTION: David Abbott / David Hughes

RESOLVED

The Committee approved the open and exempt minutes of the previous meeting held on 21 June 2022.

4. ANNUAL AUDIT REPORT 2020/21

David Hughes (Director of Audit, Fraud, Risk and Insurance) introduced the report and welcomed Paul Dossett (Grant Thornton) to the meeting.

Paul Dossett presented the Council's 2020/21 Statement of Accounts, including the Pension Fund Accounts and Annual Governance Statement. He noted that Grant Thornton had not identified any significant weaknesses, or made any key recommendations, but had identified twelve opportunities for improvement, which were set out in the report.

Councillor Adrian Pascu-Tulbure, in reference to page 19, asked how confident officers and the auditors were about the assumptions relating to the pay freeze, a limited increase in business rates, and inflation pressures. Andre Mark (Head of Finance) said the Council's medium term financial strategy included contingencies for worst case scenarios. Pay inflation was a concern but the Council had options in the budget to address it.

Councillor Florian Chevoppe-Verdier, in reference to page 17, asked what the methodology and processes were for information review. He also asked if there were examples of cases where information was left out. Paul Dossett said the auditor's role was to consider the arrangements the Council had in place, not deep dive into specific areas. The auditors looked at how reports were brought to committees, whether the information in reports was sufficient for decision-makers. It was not a data sufficiency audit.

Lisa Redfern (Strategic Director of Social Care) added that each Cabinet Member had regular budget update meetings with senior officers, in addition to Cabinet level monthly budget updates. There were also challenge sessions with members and officers as part of the budget setting process. Sharon Lea (Interim Chief Executive) noted all reports followed detailed templates and guidance – governance processes were thorough, and officers were fully transparent with members.

Councillor Chevoppe-Verdier noted the suggestion to reduce the size of the risk register and asked what the suggested scale of the reduction was. Paul Dossett said his view was that the risk register should be around 6 to 10 key issues. David Hughes said he was working with SLT colleagues to review the corporate and

director level registers to ensure SLT had visibility of the key issues in departments.

The Chair asked if a more concise central register risked reducing the ability of SLT to have oversight of risk management at the corporate level. Paul Dossett said their thinking was that the corporate centre was managing too many risks. SLT should manage corporate level risks and departments should manage the risks relevant to them.

Councillor Pascu-Tulbure, in reference to page 39, asked why the unit costs were so high in a number of areas, if there was a plan to get costs down, and what an acceptable benchmark would be. Councillor Rowan Ree (Cabinet Member for Finance and Reform) said benchmarking did not account for H&F's policy choices like free homecare, free meals for school children, and council tax freezes.

Councillor Chevoppe-Verdier asked for more information on the Section 151 Officer referenced in the report. Paul Dossett said it was a statutory role all Councils had, and they provided a risk commentary on the budget setting report. If they considered the Council was about to act illegally by not setting a balanced budget, they had a duty to say that in a Section 114 report.

Councillor Chevoppe-Verdier asked what proportion of boroughs had set up partnership registers. Paul Dossett said he was not sure, but it was good practice as it provided clarity, particularly for members to allow them to scrutinise and challenge.

Councillor Chevoppe-Verdier noted the report referred to Contract Assurance Board, but it was not a public board and asked why. David Hughes explained that it was an internal officer board to review procurement reports to ensure all matters had been considered and it complied with procurement requirements.

Councillor Chevoppe-Verdier asked officers to consider whether the papers for the board should be made public.

ACTION: David Hughes

The Chair asked, in reference to recommendation 12, if officers were content the Council remained compliant with its legal obligations around procurement. David Hughes said they were and internal meetings like Contract Assurance Board gave assurance.

Councillor Pascu-Tulbure, noting the Government funding the Council received in the form of Covid grants, asked officers to comment on the negotiations mentioned in the report. David Hughes said the audit team assisted with payment of grants to businesses. They followed the pre and post payment checks the Government recommended and worked with Government on recovery where necessary. H&F had robust process for managing the payment of grants.

Councillor Chevoppe-Verdier asked about the two documents noted as missing in the report – the People Strategy and the Housing Transformation Programme. Sharon Lea said the Council did have a published People Strategy which included achievements such as reducing the agency bill by £12m and increasing the number

of apprentices. David Hughes noted that it had been sent to an auditor, but it coincided with a period of absence and wasn't included in the final report. Members asked for the final report to be updated to reflect that. Jon Pickstone said Housing would engage with Grant Thornton and send the Housing Transformation Programme to them.

ACTION: Jon Pickstone / Paul Dossett

Councillor Chevoppe-Verdier asked why the Commercial Revenue Committee had not met. Councillor Ree noted that the committee was convened on an ad hoc basis but had not met since the election. Commercial revenue issues were discussed regularly in Cabinet.

RESOLVED

The Committee noted the content of the external auditor's 'Annual Audit Report 2020/21', including the auditor's findings, recommendations, and the Council's response to those recommendations.

5. TREASURY MANAGEMENT OUTTURN REPORT 2021/22

Phil Triggs (Director of Treasury and Pensions) presented the report on the Council's annual Treasury Management outturn for 2021/22. He noted that cash remained steady throughout the financial year with balances increasing from £297.4m at 31st March 2021 to £328.9m at 31st March 2022 and no new borrowing was undertaken during the 2021/22 financial year.

Councillor Florian Chevoppe-Verdier asked if the Council had any investment in supra-national banks that had been affected by the war in Ukraine. Phil Triggs confirmed that the Council had not invested with supra-national entities during that period.

Councillor Chevoppe-Verdier asked what the level of inflation officers expected in light of the new energy package announced by the Government. Phil Triggs said a recent Goldman Sachs forecast showed expected inflation of below 11 percent.

Councillor Ashok Patel asked for a breakdown of the counterparty investments Phil Triggs said they had used The Australia and New Zealand Banking Group, The Debt Management Office, Goldman Sachs Bank, and Lloyds Bank. And in terms of money market funds they used Morgan Stanley, Aberdeen, BNP Paribas, Goldman Sachs Sterling Liquid Reserve, Blackrock Sterling Liquidity Fund, Heritage Fund Insight Liquidity Sterling, and Federated Prime Rate Sterling (all AAA rated).

The Chair asked if the Council would incur costs for early repayment of debt. Phil Triggs confirmed it would. The Public Works Loan Board made it very expensive to reschedule debt because the premiums were prohibitively high but that may change, and officers kept watch to take advantage of any future opportunities.

Councillor Rowan Ree noted that, as the Country entered a difficult financial situation, the Council was in a stronger position because of the good work of Phil Triggs and his team and thanked them for their efforts.

RESOLVED

The Committee noted the annual Treasury Management Outturn Report for 2021/22.

6. LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN ANNUAL REVIEW LETTER 21/22 AND HOUSING OMBUDSMAN MALADMINISTRATION FINDINGS

David Hughes (Director of Audit, Fraud, Risk and Insurance) and Yvonne Hadlames (Head of Contacts) introduced the report on the Local Government and Social Care Ombudsman (LGSO) Annual Review Letter and the findings of maladministration by the Housing Ombudsman in 2020/21.

The following officers also attended for the item:

- Lisa Redfern (Strategic Director of Social Care)
- Jon Pickstone (Strategic Director of Economy)
- Mark Lowthian (Director of Housing Transformation)

Councillor Adrian Pascu-Tulbure asked what could be done to prioritise cases where people had died as it was so important to get it right for families. Yvonne Hadlames said the team had put robust processes in place for when those cases came in. A link officer would contact the family and offer extra support. They were also trialling a new risk assessment template to help coordinate across multiple services.

Lisa Redfern noted that for Social Care the period covered Covid and the demand and volume of referrals was huge. The department had tightened up its systems and practice, and closed the loopholes that allowed these cases to happen. She noted that Social Care had put together a chart of learning record and said she could circulate it to members for information.

ACTION: Lisa Redfern

Sharon Lea (Interim Chief Executive) noted that the Council's approach to dealing with complaints at stage 1 and stage 2 was fundamental. The Strategic Leadership Team had been focused on those complaints, including interrogating them at management team level if they go to the Ombudsman. Yvonne Hadlames noted that a new quality assurance tool was about to go live that would help officers assess and review complaints.

Councillor Ashok Patel, noting the case of a Social Care provider that failed to notify the Council of a complaint, asked if the Council was still working with the provider. Lisa Redfern said it was a serious issue and was picked up with them as part of the contract monitoring process.

Councillor Florian Chevoppe-Verdier, in reference to page 60, asked why the Ombudsman was not required to publish a housing letter. David Hughes said he would check.

ACTION: David Hughes

The Chair asked why Social Care did not have any stage 2 complaints. Lisa Redfern said her team ensured complaints were resolved early. Staff were clear that they were not allowed to go over time on responses. Yvonne Hadlames noted that people could go to the Ombudsman at any time or stage of the process.

The Chair asked if Ombudsman cases incurred costs. Yvonne Hadlames said there was no charge but the Ombudsman could order the Council to give compensation in some cases.

Councillor Patel asked why the recommendation for 'Economy - Allocations & Lettings case number 20013155' was N/A despite it having the highest amount of compensation. Yvonne Hadlames said she would find out.

ACTION: Yvonne Hadlames

Councillor Chevoppe-Verdier asked why the Ombudsman stopped accepting complaints during the pandemic. Lisa Redfern said it was not clear what the rationale was.

Councillor Paul Alexander asked if there was a new set of expected repair timescales for tenants. He noted it used to be in the tenants handbook but no longer appeared there. Jon Pickstone said repairs were categorised based on their level of urgency. He noted the Council had invested a lot in call centres and its aftercare team. There was an issue with the timeliness of one of our contractors and they were working on that but the number of complaints over the past 6 months had been falling.

Councillor Alexander asked how many of the complaints were still live by time they reached the Ombudsman. He also asked what plans there were for staff training and actions to improve resident satisfaction in the repairs service. Mark Lowthian said there was a cultural necessity to treat residents with respect and capture issues on first contact and resolve them quickly. The main drivers for resolving that was around contractor performance. There had been issues including late delivery by one contractor and there had been some poor management of more complex repairs. The team had been focused on resolving complaints at first stage and since then there had been a 68% reduction in stage 2 complaints.

Jon Pickstone added that a lot was down to planned preventative maintenance. Work on damp and mould had reduced the number of leaks complaints for example. The team had also improved out of hours service at weekends and provided empathy training to ensure customer service improved.

Councillor Chevoppe-Verdier noted that members would appreciate more details in future reports (around the reason for delay for example).

The Chair asked what the average length of time for stage 2 to be reviewed was. Yvonne Hadlames said 20 working days is target. It had been significantly longer in the past but that target was now being met. Complaints were regularly reported to directorates and SLT to ensure they were kept on track.

Councillor Alexander, in reference to housing repairs, asked if the person dealing with the complaint had the freedom to contact a repairs manager directly to get it resolved. Yvonne Hadlames said the complaints team worked closely with the repairs team and could prioritise sensitive cases. Where necessary she would escalate cases to managers and contractors.

Sharon Lea added that issues did go straight to the repairs team. The corporate team worked on behalf of residents. She noted that the pandemic had created a backlog due to access issues and furloughed contractors, but the service was investing in a major transformation across housing to address the problem. She said officers would keep members updated on the work.

Councillor Patel asked if an independent informal arbitration stage could be explored. Sharon Lea said it would be considered. Councillor Chevoppe-Verdier noted concern about adding more complexity and more stages to an already complex process.

ACTION: Yvonne Hadlames

Councillor Chevoppe-Verdier asked if there was a timeline of when residents were followed up with on repairs issues. Sharon Lea said soon after a repair they were phoned to see if the service met their expectations. Councillor Chevoppe-Verdier suggested there was an opportunity to reduce stress on the complaints system if residents were made aware there would be a follow-up call. Sharon Lea said complaints gave the Council useful information and she did not want to discourage that at present.

RESOLVED

1. The Committee noted the content of the review letter.
2. The Committee noted the findings of maladministration by the Housing Ombudsman.

CHANGE OF AGENDA ORDER

Members agreed to move Item 7 to the end of the agenda to allow discussion of exempt information related to the Disrepairs Audit to take place if required.

7. RISK MANAGEMENT HIGHLIGHT REPORT

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the update on risk management across the Council.

Councillor Adrian Pascu-Tulbure asked for more information on Risk 18 and the Housing Ombudsman's severe maladministration finding. Jon Pickstone said officers had been arranging support for the tenant and were working to ensure it did not happen again. They would be going back to the Ombudsman on all points. Sharon Lea added that the issue had been a roof repair and window repair but the roof was not repaired to the correct standard which had caused damp. The Council had given

heartfelt apologies to the tenant and was paying compensation. The tenant was satisfied with the actions taken.

Councillor Paul Alexander asked for more information on how the Council managed standards across a diverse housing stock. Sharon Lea said compliance standards had been exceeded on fire safety but in general work was completed to current building standards. Repairs were overseen by surveyors and a sample of them were inspected to ensure the quality was consistent.

Councillor Ashok Patel said in Sands End Ward housing repairs were a common source of common complaints. He had received reports of workmen not showing up and a general lack of communication from the Council. Jon Pickstone apologised and noted similar issues had been raised by other Councillors. Officers were working hard to improve customer service. The contractor responsible had invested more resources to improve and officers had seen the impact of that. The service took residents feedback seriously and they were clear with contractors about the standards expected.

Councillor Paul Alexander said there was a long list of issues reported by residents. He noted that the first responder needed to be able to capture all of the issues so they could be dealt with in a timely manner. Jon Pickstone agreed and said officers were working with one of the contractors on their information management system to ensure they got it right.

Councillor Chevoppe-Verdier suggested Risk 14 should be reworded to, 'Failure to deliver the Civic Campus Programme on time'. David Hughes said he would take the suggestion away for consideration.

ACTION: David Hughes

Councillor Pascu-Tulbure asked what the mitigations for Risk 20 (Social Care overspend) were. Lisa Redfern said there were budget challenges because of premature hospital discharges. During and post-Covid people were coming home from hospital with a high level of need – effectively requiring hospital care at home. To combat this, officers were lobbying the NHS to pay for 'Discharge to Assess'. Some other boroughs were already getting money to do this. In addition, the service was working with the market and looking at how to improve commissioning and contracting. Though this was difficult due to care reforms which had led to big increases in costs. Andre Mark noted that this was an issue across the country. Councils were hoping the new Local Government Financial Settlement would include some additional Social Care support.

Recommendations

1. The Committee noted the report.

8. DATES OF FUTURE MEETINGS

To note the dates of future meetings:

- 23 November 2022

- 13 March 2023

9. EXCLUSION OF THE PUBLIC AND PRESS (IF REQUIRED)

RESOLVED

The Committee resolved, 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.

10. INTERNAL AUDIT UPDATE

Moira Mackie (Head of internal Audit) presented the report which summarised the status of work included in the 2022/23 Internal Audit Plan as at the end of August 2022. She noted that eight audits had been finalised, three of which had been given a Substantial assurance opinion, four received Satisfactory assurance and one Limited assurance.

Councillor Florian Chevoppe-Verdier noted that the scale of assurance was not clear in the appendix. David Hughes said there were four levels which, from lowest to highest, were 'Nil assurance', 'Limited assurance', 'Satisfactory', and 'Substantial'.

RESOLVED

The Committee noted the report.

Meeting started: 7.04 pm
Meeting ended: 10.00 pm

Chair

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