

Audit Committee

Agenda

Monday 27 November 2023 at 7.00 pm

Main Hall (1st Floor)- 3 Shortlands, Hammersmith, W6 8DA

Watch the meeting live: [youtube.com/hammersmithandfulham](https://www.youtube.com/hammersmithandfulham)

MEMBERSHIP

Administration	Opposition/Independent
Councillor Patrick Walsh (Chair) Councillor Florian Chevoppe-Verdier Councillor Ashok Patel	Councillor Adrian Pascu-Tulbure Councillor David Morton

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Members of the public are welcome to attend, but spaces are limited so please contact debbie.yau@lbhf.gov.uk if you'd like to attend. The building has disabled access.

Date Issued: 17 November 2023
Date Updated: 20 November 2023

Audit Committee Agenda

<u>Item</u>		<u>Pages</u>
1. APOLOGIES FOR ABSENCE		
2. DECLARATIONS OF INTEREST		
	<p>If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.</p> <p>At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.</p> <p>Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.</p> <p>Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.</p>	
3. MINUTES OF THE PREVIOUS MEETING		5 - 12
	<p>To approve the minutes of the previous meeting and to note any outstanding actions.</p>	
4. ANNUAL AUDIT REPORT (VALUE FOR MONEY) 2021/22 AND 2022/23		13 - 64
	<p>This report presents the external auditor's Interim Annual Audit Report concerning the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (commonly known as "Value for Money" reporting). The report covers the financial years 2021/22 and 2022/23.</p>	
5. EXTERNAL AUDITOR PROGRESS AND SECTOR UPDATE		65 - 79
	<p>The following is presented by the external auditor for discussion and noting:</p>	

-External Audit Progress and Sector Update November 2023

- 6. TREASURY MANAGEMENT STRATEGY: MID-YEAR REVIEW 2023/24** 80 - 87
- This report provides an update on the implementation (six months to 30 September 2023) of the 2023/24 Treasury Management Strategy, approved by Council on 23 February 2023 and presents the Treasury Management Strategy 2023/24 mid-year review.
- 7. HOUSING OMBUDSMAN COMPLAINT HANDLING CODE SELF ASSESSMENT** 88 - 116
- Each year the Council is required to publish a self-assessment against the Housing Ombudsman Complaint Handling Code and take it for discussion and approval at an appropriate governance board annually.
- The Council's self-assessment was updated in September 2023 and is now coming to the Audit Committee for approval.
- 8. RISK MANAGEMENT UPDATE** 117 - 131
- The purpose of this report is to provide members of the Audit Committee with an update on risk management across the Council.
- 9. INTERNAL AUDIT PROGRESS REPORT (APRIL TO OCTOBER 2023)** 132 - 139
- This report summarises the status of work included in the 2023/24 Internal Audit Plan as at the end of October 2023. Two audits have been finalised, both of which received positive assurance opinions, with a further six audits at draft report stage.
- The status of audits confirmed for inclusion within the Plan, is shown in Appendix 2.
- 10. CORPORATE ANTI-FRAUD SERVICE HALF-YEAR REPORT (1 APRIL 2023 TO 30 SEPTEMBER 2023)** 140 - 154
- This report provides an account of fraud-related activity during the first half of the financial year to minimise the risk of fraud, bribery and corruption occurring within and against the Council.
- For the period 1 April 2023 and 30 September 2023, the Council identified 235 positive outcomes. The fraud identified has a notional value of over £680,000.
- 11. AUDIT FEES 2023/24** 155 - 159
- This report provides an update on the external audit fees for 2023/24 as set by Public Sector Audit Appointments and the Council's response to the recent consultation on the proposed framework for fees.
- 12. DATE OF NEXT MEETING**
- The next meeting will be held on:
- 11 March 2024

London Borough of Hammersmith & Fulham

Audit Committee Minutes



Tuesday 12 September 2023

PRESENT

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

Other Councillor: Councillor Rowan Ree (Cabinet Member for Finance and Reform)

Officers:

Sukvinder Kalsi (Strategic Director of Finance)

Nicola Ellis (Strategic Director Chief Operating Officer, Corporate Services)

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

James Newman (Assistant Director – Finance)

Chris Harris (Head of Finance)

Moira Mackie (Head of Internal Audit) (attended remotely)

Patrick Rowe (Strategic Finance Manager, Treasury and Pensions)

Sophie Green (Treasury Manager)

Jules Binney (Risk and Assurance Manager)

Debbie Yau (Committee Coordinator)

Guest: Andy Conlan (Grant Thornton)

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

An apology for lateness was received from Councillor Ashok Patel (who entered the meeting at 7:20 pm)

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

The minutes and exempt minutes of the previous meeting held on 26 July 2023 were agreed as an accurate record.

4. **STATEMENT OF ACCOUNTS 2021/22, INCLUDING PENSION FUND ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT AND UPDATE ON 2020/21 ACCOUNTS AND 2022/23 EXTERNAL AUDIT**

Sukvinder Kalsi (Strategic Director of Finance) introduced the 2021/22 Statement of Accounts (SOAs) of the London Borough of Hammersmith & Fulham (LBHF), including the Pension Fund Accounts and Annual Governance Statement for approval.

Andy Conlan (Audit Senior Manager, Grant Thornton (GT)) briefed the Committee on the timeline and progress of the audits of the various accounts in 2020/21 and 2021/22 and noted the 2021/22 audit was substantially completed more efficiently with the Council's current Finance team. He then elaborated on the details of a main item remaining outstanding in the 2021/22 audit, i.e., the requirement for an updated triennial actuarial valuation of the net pension fund liability which was calculated by all local governments every three years. He further highlighted the adjustments and disclosure changes identified during the audit which were fewer than those found in the previous audit in 2020/21. The 2021/22 audit also made positive progress in the implementation of prior year recommendations.

Andy Conlon anticipated that after he and Paul Dossett (Key Audit Partner, GT) completed the detailed audit review, they would be able to give an unqualified opinion to the LBHF's 2021/22 SOAs, including the Pension Fund Accounts. The Committee noted that the External Auditor had completed the field work for the Value for Money Auditor's report for both 2020/21 and 2021/22 which, together with the signed SOAs, would be laid before the Full Council in November 2023.

Members noted that the accounts were subject to changes until they were formally signed and in the event of any further changes, it was requested that these be approved by the Chair of the Committee, in consultation with the Director of Finance and any significant changes would be notified to Committee (page 14, para. 4). In response to Councillor Florian Chevoppe-Verdier's concern about the procedures involved, the Chair said that he would consult the Committee on significant changes before he signed the accounts.

ACTION: The Chair/Sukvinder Kalsi

Councillor Adrian Pascu-Tulbure asked about potential solutions to the issues that the External Auditor had in obtaining suitable analyses and populations of debtors and creditors and the need for more resources to complete the required testing (page 359). Andy Conlan clarified that whilst this was an issue identified in the 2020/21 audit findings, the Council's responses in this area were much improved for the 2021/22 process with no problems encountered. Chris Harris (Head of Finance) added that it was caused by the legacy balances brought forward in debtors and creditors listings provided to audit and the management had undertaken housekeeping exercise to review legacy balances which would be carried out regularly going forward.

Councillor Chevoppe-Verdier remarked that while the External Auditor had identified risk associated with Aviva Infrastructure in the Pension Fund Annual Report 2021/22,

the Pension Fund Committee had already taken action to replace it. Separately, he appreciated the Council's ability to deliver an underspend against the budget despite the increasing cost pressures due to the cost-of-living crisis, high inflation and interest rates.

Echoing his appreciation, Councillor Rowan Ree (Cabinet Member for Finance and Reform) commended the hard work and contributions of the officers, in particular those in Finance and Pension teams, in finalising the 2021/22 SOA report. Andy Conlan added that the External Auditor had worked well with both teams in areas such as sample testing and creditor/debtor listings which were carried out in a timely and efficient manner.

Referring to the Government's new proposed backstop publication dates for prior year accounts which remained open, Councillor Ree asked about the impact, if any, on the LBHF's 2022/23 audit. Andy Conlan remarked that GT was looking forward to completing the LBHF's 2022/23 and 2023/24 audits, having been appointed by the Public Sector Audit Appointments (PSAA) to undertake LBHF's audits for the next five-year period from 2023/24. He said that audit fees in the market were going up, enabling investments in the local government audit sector to strengthen and expedite the audit process more efficiently. GT planned to commence the 2022/23 audit in October with the field work done by December 2023. It was expected that the 2022/23 audit report would be signed off before the end of the financial year, i.e. March 2024, provided that no major issues remained unresolved in the process.

The Chair noted with concern that some contractors' performance was below targets for Key Performance Indicators (KPIs) in some areas (page 140). In response, Nicola Ellis (Strategic Director Chief Operating Officer, Corporate Services) highlighted that there was a significant improvement in housing repairs work and constant dialogues with the relevant contractors on their performance to meet the KPIs would continue.

The Chair asked for the reason(s) for delivering the 2021/22 audit faster and better than the last one. Andy Conlan advised that for 2020/21, the pandemic and changes to working from home had disrupted the audit work as it usually took place on site, with face-to-face meetings held between the External Auditor and LBHF's Finance team. Besides, there had been a prolonged shortage of trained auditors in the public sector and a lot of turnovers in the local governments' finance teams. The combined effect had contributed to the substantial delays in the delivery of the local governments' audit findings for 2019/20 and 2020/21. Andy Conlan highlighted that with the adaptation to the current hybrid working, and the strengthening of GT's Audit team and LBHF's Finance team, GT was hence able to complete the 2021/22 audit more efficiently and effectively.

In reply to the Chair's question about the transfer of information between the External Auditor and LBHF, Andy Conlan noted that a digital Audit system called In-flow had been in place for many years and information/files transferred electronically upon audit requests would be uploaded to the system. He further advised that In-flow was enhanced about a year ago which had enabled them to work remotely and bring further efficiency.

RESOLVED

That the Committee:

1. approved the 2021/22 Annual Governance Statement which is included in the Statement of Accounts (Appendix 1).
2. approved the Statement of Accounts for 2021/22, including the Pension Fund Accounts (Appendix 1).
3. noted the content of the external auditor's 'Audit Findings Report' (ISA260), including the auditor's findings, recommendations and the Council's response to those recommendations (Appendix 2).
4. approved the 2021/22 management representation letters (Appendices 3 and 4).
5. approved the Pension Fund Annual Report 2021/22 (Appendix 5).
6. noted that the accounts remain 'unaudited' until final sign-off by the external auditor.
7. delegated authority to the Chair of the Audit Committee, in consultation with the Director of Finance to approve any further adjustments to Appendices 1, 2, 3, 4 and 5 which may be required as part of the completion of the audit work.
8. noted the supplementary updates on the conclusion of the audit of the 2020/21 accounts and publication of the draft 2022/23 accounts and associated appendices.

5. RISK ASSESSMENT AND AUDIT PLAN 2022/23

Andy Conlan (Audit Senior Manager, GT) introduced the document which provided an overview of the planned scope and timing of the LBHF's statutory audit and Pension Fund for those charged with governance. He highlighted the auditor reporting delays and the reasons outlined by National Audit Office (page 405), and the New Auditing Standards by International Standards Auditing (ISA) (UK), i.e. ISA 315 and ISA 240 (page 409).

Responding to the Chair's question about value for money of the audit service in view of the proposed increase of the audit fee for 2022/23, David Hughes (Director of Audit, Fraud, Risk and Insurance) noted that the PSAA was responsible for the appointment of local government External Auditors and acceptance of the proposed audit fees. While competition might have driven down the fees, investment to enhance the quality of staff was also essential. In comparing the audit fees for local governments and private companies, he considered that the audit service provided by GT, which was subject to external quality assurance review, was value for money.

In this connection, Councillor Ashok Patel recalled that at the meeting held last year, he had requested to see the other bids for the contract but the information was not yet provided. Andy Conlan pointed out that while all audit fees were publicly available, they were not directly comparable because the scale set by PSAA for each body was different and each had its own historical basis. The Chair urged officers to provide the information requested by Councillor Patel.

ACTION: Sukvinder Kalsi

Replying Councillor Adrian Pascu-Tulbure's enquiry about materiality and reputation, Andy Conlan noted that materiality was a broad concept used in financial statements to indicate significance in decision-making while reputational risk was less of an impact than materiality. It was related more to value for money.

RESOLVED

That the Committee noted the Risk Assessment and Audit Plan 2022/23.

6. TREASURY MANAGEMENT OUTTURN REPORT 2022/23

Patrick Rowe (Strategic Finance Manager, Treasury and Pensions) presented the Council's annual Treasury Management outturn for 2022/23, in accordance with the Council's Treasury management practices. He highlighted that no new borrowing had been undertaken in the 2022/23 financial year. In view of current interest rates, it was prudent to consider the borrowing strategy carefully and utilise the Council's cash balances as far as possible.

Councillor Rowan Ree (Cabinet Member for Finance and Reform) expressed appreciation to the work of the Treasury team in taking no borrowing under a volatile market environment of 14 consecutive Bank Rate increases.

Councillor Florian Chevoppe-Verdier asked about the Treasury Limits and Prudential Indicators. Patrick Rowe responded that they were drawn up in accordance with CIPFA guidance and approved by Full Council. Assessment was carried out on a quarterly basis to ensure that the Treasury function was operating within the limits set in the Treasury Management Strategy with reference to the Capital Strategy.

The Chair asked if there would be an opportunity to re-negotiate for a better interest rate upon maturity of loans. Patrick Rowe remarked that the treasury team would continue the strategy of utilising the cash balances to fund the capital programme as appropriate. Among the broad range of borrowing options available, the authority could access competitive rate from the Public Works Loan Board. For short-term borrowing opportunities, consideration would be given to taking multiple smaller deals over a period of 6 months with different durations to reduce maturity and interest rate risk.

Referring to the recent S114 notice issued by Birmingham Council, Councillor Ashok Patel was concerned about the depletion of the Council's cash balances, highlighting the importance of reserves for emergency situations. Patrick Rowe noted that the

Council's current cash balance totalled £246 million and would be monitored in line with other strategic considerations.

Replying to Councillor Adrian Pascu-Tulbure's question on the optimal level of cash balances, Patrick Rowe suggested that this was subject to other strategic considerations at the time such as yields on investments relative to borrowing costs, and cashflow projections. He suggested that were balances to drop below a threshold of £50 million, officers would carefully consider the cashflow projections over the immediate term and consider taking new borrowing. In this regard, Councillor Ree reminded members that the purpose of Treasury was not serving hedge fund functions. It was prudent to ensure that the Reserve yielded appropriate returns with easily accessible cash when it was needed.

RESOLVED

That the Committee noted the annual Treasury Management Outturn Report for 2022/23.

7. LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN ANNUAL REVIEW LETTER 22/23

Nicola Ellis (Strategic Director Chief Operating Officer, Corporate Services) introduced the report on the Local Government and Social Care Ombudsman (LGSCO) annual review letter 2022/23 which was received in July 2023. The letter provided a summary of the performance of LBHF from April 2022 to March 2023 which had improved when compared to 2021/2022 and was in the top four when compared to all London Boroughs. She further noted that the LGSCO covered majority of council services excluding those under the purview of the Housing Ombudsman who usually published performance data annually in December.

Noting that of the 28 requests investigated by the Ombudsman with decisions issued, 18 of them were upheld (representing 64%), the Chair asked about how were the lessons learnt. Nicola Ellis noted that after receiving the detailed decision from the Ombudsman, discussions were held among staff in the complaint handling and resident experience teams as well as those providing the service in question to see what individual learning could be taken away. The management would generally focus more on decision findings with a view to initiating changes across the Council.

Councillor Ashok Patel considered that 64% of cases being upheld was not impressive and even unacceptable from the commercial sector perspective. Nicola Ellis clarified that among all the services provided by the Council during the period of April 22 – Mar 23, the Ombudsman received 88 cases and 28 of them were investigated with decisions upheld for 18 cases. In reply to Councillor Patel's further enquiry about referring unresolved cases for external review before they reached the Ombudsman, Nicola Ellis noted that the Council had followed the Ombudsman's recommendation for local governments and implemented a 2-stage complaint handling process.

Councillor Adrian Pascu-Tulbure noted with concern about the increasing trends on the number of full decisions made by the Ombudsman (10 in 2020/21, 17 in 2021/22,

28 in 2022/23) and the number of decisions upheld (7 in 2020/21, 13 in 2021/22 and 18 in 2022/23). Nicola Ellis pointed out that the 2020/21 Decisions were lower as the Ombudsman had stopped accepting complaints for a period during the pandemic. For the same reason, there was a time delay in publishing the decisions. As regards the use of “disappointing” and “concerning” in the Ombudsman’s letter under “Your organisation’s performance” (page 442), Nicola Ellis noted that it referred to the same area of Housing service where improvements were happening at the moment.

Councillor Florian Chevoppe-Verdier agreed that the Ombudsman’s letter had demonstrated that performance of Hammersmith and Fulham Council had improved when compared to 2021/2022 as the recovery from the pandemic entailed a lot of changes such as working from home and hybrid working. Nonetheless, the LBHF was doing a much better job, with 20% less decisions upheld than its neighbours.

In reply to Councillor Paul Alexander’s enquiry about the forecast for the number of cases going through investigations and decisions by the Ombudsman for 2022/23, Nicola Ellis believed that it would be around the same level as in this year. On what could be the differences, she advised that many improvements had been made in respect of complaint handling for services across the Council, particularly for Housing services. Services aimed to resolve complaints early by directing them to the appropriate officers who would respond in a timely manner, avoiding the cases advancing to stage 2 and further to the Ombudsman. She agreed to provide information on the compensation awarded for the 18 upheld cases.

ACTION: Nicola Ellis

Councillor Alexander highlighted that there were different policies in respect of noise-related environmental pollution and some of the noise complaints were handled by the Housing service. Referring to complaints containing noise elements he came across in his casework, he observed that there was a lack of confidence in the Council among residents who might copy in the Ombudsman and/or Members of Parliament for written complaints. Nicola Ellis noted that noise complaints were dealt with by the Environmental Health and Public Protection and some were considered by the Housing Ombudsman if they were part of the landlord’s functions. In general, noise complaints had been identified by the Ombudsman as being an area where they received high levels of complaints across the country but it was not a major issue in the cases referred to the Ombudsman from this borough. Noise complaints would be judged by the Ombudsman against the relevant policies prevailing at that time.

Councillor Alexander remarked that the Environmental service might not be able to deal with complaints about noise and nuisance caused by Council home repairs. In this regard, Nicola Ellis undertook to liaise between the Environment department and Housing services and would provide feedback after the meeting.

ACTION: Nicola Ellis

Noting that the LGSCO would work with the Housing Ombudsman Service to develop a joint complaint handling code that would provide a standard for organisations to work to, Councillor Chevoppe-Verdier asked about the timeline of

consultation. Nicola Ellis said she expected that the consultation for the joint code to be held soon. She advised that the Council had been carrying out self-assessment of the Housing Ombudsman’s complaint handling code as a basis for improvements. The Committee would be briefed in due course on the most recent self-assessment.

ACTION: Nicola Ellis

Councillor Rowan Ree (Cabinet Member for Finance and Reform) considered the Ombudsman’s Annual Letter a good review report in terms of the individual attention given to each case. The information offered transformational insight and valuable opportunities to improve the Council’s approach to complaints.

RESOLVED

That the Committee noted the content of the LGSCO Annual Letter.

8. DATES OF FUTURE MEETINGS

The following dates of future meetings were noted:

- 27 November 2023
- 11 March 2024

Meeting started: 7.02 pm
Meeting ended: 8.16 pm

Chair

Contact officer Debbie Yau
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London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 27/11/2023

Subject: Annual Audit Report (Value for Money) 2021/22 and 2022/23

Report author: Christopher Harris, Head of Corporate Accountancy, Finance Systems and Tax

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

This report presents the external auditor's Interim Annual Audit Report concerning the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (commonly known as "Value for Money" reporting). The report covers the financial years 2021/22 and 2022/23.

RECOMMENDATIONS

1. To note the contents of the "Interim Annual Auditor's Report on Hammersmith and Fulham Council 2021/22 and 2022/23" from Grant Thornton LLP (being the Council's external auditor) (Appendix 1).
-

Wards Affected: All

H&F Values

Our Values	Summary of how this report aligns to the H&F Values
<ul style="list-style-type: none">• Being ruthlessly financially efficient	The Annual Audit Report is a key tool in demonstrating how the Council attains of value for money.

Financial Impact

This report presents the external auditor's Value for Money assessment and is wholly of a financial nature.

Legal Implications

There are no direct legal implications in relation to this report. The External Auditor is required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to verify that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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Background Papers Used in Preparing This Report

None

Interim Annual Audit Report 2021/22 and 2022/23

1. The external auditor is required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to verify that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (commonly known as “value for money” or VFM arrangements).
2. The Code of Audit Practice issued by the National Audit Office (NAO) requires the auditor to report to the Council commentary relating to those proper arrangements.
3. The Council’s external auditor is Grant Thornton LLP.
4. The attached report from Grant Thornton LLP presents both a summary and detailed analysis of their review of the Council’s VFM arrangements including key findings, recommendations and the Council’s response to those recommendations.

LIST OF APPENDICES:

Appendix 1 – Interim Annual Auditor’s Report on Hammersmith and Fulham Council
2021/22 and 2022/23.

Interim Auditor's Annual Report on Hammersmith & Fulham Council

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2021/22 and 2022/23

November 2023

Final





We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the local authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the local authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive Summary

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the local authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



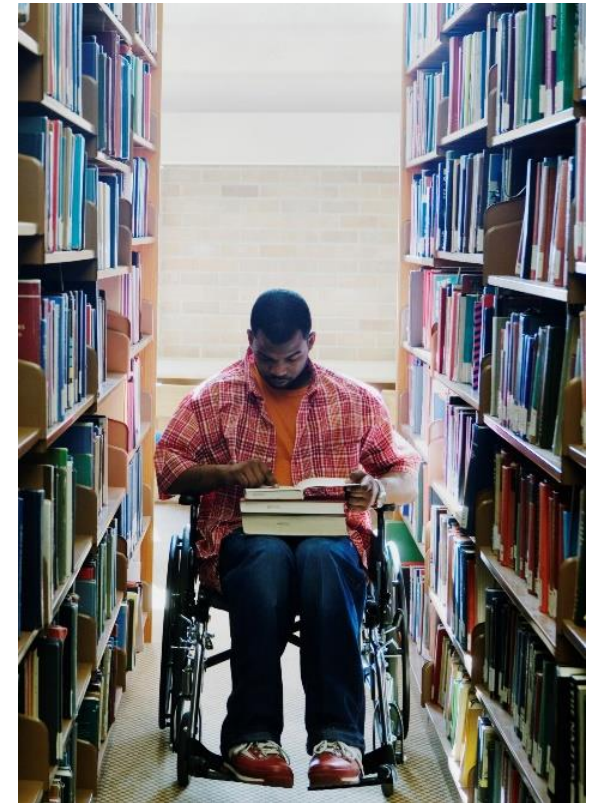
Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the local authority's arrangements in each of these three areas, is set out on pages 15 to 38. Further detail on how we approached our work is included in Appendix B.

Executive summary – Overview



Value for money arrangements and key recommendation

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the local authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report their commentary on the local authority's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the local authority's arrangements for 2021/22 and 2022/23 to ensure our reporting and assurance to the Council is fully up to date. As part of our work, we considered whether there were any risks of significant weakness in the local authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below. This report is interim subject to any issues arising from the 2022/23 financial statements audit.

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Criteria	Direction of travel		Auditor Judgement
	2021/22	2022/23	
Financial sustainability <i>(excluding the Housing Revenue Account)</i>			Generally appropriate arrangements in place with regard to financial sustainability but two improvement recommendations made with regard to savings identification, development and reporting and the capital programme. The Council enjoyed strong performance in 2021/22 and 2022/23. The medium-term financial forecast indicates a challenging position in common with much of local government with regard to savings identification and potential use of reserves. <i>This is excluding the position on the financial sustainability of the Housing Revenue Account (HRA).</i>
Governance			No significant weaknesses in arrangements identified, but three improvement recommendations made relating to risk management, Audit Committee arrangements and the monitoring of Council-owned companies.
Improving economy, efficiency and effectiveness <i>(excluding the service performance in Housing)</i>			Generally sufficient arrangements in place with regard to improving economy, efficiency and effectiveness but two improvement recommendations made. The Council has performed well in key service areas and can point to a number of successes during 2021/22 and 2022/23. <i>This is excluding the service performance in Housing.</i>
Financial sustainability and Improving economy, efficiency and effectiveness Cross-cutting weakness			Significant weakness in Housing (HRA and service performance) Impacting VfM themes: <ul style="list-style-type: none"> ✓ Financial sustainability ✓ Improving economy, efficiency and effectiveness Significant weakness identified in Housing relating to (1) the financial sustainability of the Housing Revenue Account (HRA) and (2) the service performance in Housing. We have issued two key recommendations. See details on pages 7 to 13

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Executive summary



Financial sustainability

The Council was able to deliver a stable financial outturn against the general fund revenue budget in 2021/22 and 2022/23 finishing both years with underspends. Similar to many councils, the medium-term position remains uncertain, with the forecast budget gap proving challenging. However, the Council has a history of strong budget management and a relatively healthy reserves balance. The Council's current savings plan is achievable though requires greater development to meet the medium-term gap.

The Council's debt position is not considered to be a significant risk at the time of writing. The Council is in a promising position in regard to the management of their Dedicated Schools Grant (DSG) deficit. The Council has been compliant with the terms of the Safety Valve agreement and have been systematically reducing the retained deficit on the High Needs Block portion of the DSG deficit.

The Housing Revenue Account (HRA) continues to be a source of significant concern, as we originally noted in our previous Annual Audit Report for 2020/21. For a number of years, the Council has been running a deficit on the HRA, which has eroded HRA reserves, and which is set to continue into 2023/24. Significant efforts have been and are currently being made to move to a sustainable position in this area. We have raised a significant weakness due to the HRA's position and future viability.

Further detail on this issue on pages 7 to 9



Governance

The Council has appropriate risk management arrangements in place for 2021/22 and 2022/23. The Council has an effective internal audit service and Audit Committee arrangements. We have made improvement recommendations relating to risk management and the Audit Committee. The Council has a reasonably good understanding of the companies in which it has an interest although it will be important to continue to strengthen monitoring in this area as we recommended our Annual Audit Report (AAR) for 2020/21.

We note that although significant progress has been made in implementing improvement recommendations from our AAR for 2020/21 (presented to the Council in September 2022), a number of areas remain a work in progress. In addition to strengthening the financial position of the HRA and the monitoring of Commercial companies and joint ventures. Recommendations not yet fully completed include improvements to the reporting of capital outturn, monitoring performance against Council's new corporate objectives, the development of a data quality strategy, and establishing a register of key partnerships. We have re-iterated these recommendations at the end of the key findings section of this report and continue to consider it important that the Council implements audit recommendations on a timely basis.

We have not found a significant weakness in the Council's governance arrangements with regard to their ability to secure value for money.



Improving economy, efficiency and effectiveness

The Council enjoyed positive service performance during 2021/22 and 2022/23 and can point to a number of successes (for example, in adult social care, temporary accommodation and the Youth Offending Service).

Overall, we consider that, with the exception of the Housing service, the Council has adequate arrangements to safeguard value for money in regard to performance management, procurement and partnership working. A number of the outstanding prior-year recommendations mentioned under governance above relate to this theme, including in regard to corporate performance management.

The issues within the Housing service give rise to a significant weakness in this area. We note that action has been taken during our reporting period and into 2023/24 to remedy several of the weaknesses in this area.

Further detail on this issue on pages 10 to 13



Hammersmith and Fulham Pension Fund

We have also considered the Value for Money of the Council administered pension fund and found this to continue to deliver effective performance across the themes of Financial Sustainability, Governance and Economy, Efficiency and Effectiveness.

Executive summary

The Housing Revenue Account (HRA)

Significant Weakness (Financial Sustainability)

The Housing Revenue Account (HRA) contains solely the costs arising from the management and maintenance of the Council's housing stock, funded by income from tenant rents and service charges, leaseholder service charges, commercial property rents and other housing-related activities. It is a ring-fenced account and the Council is required under statute to account separately for local authority housing provision. The HRA is a statutory account that contains all expenditure and income on the provision of Council housing for rent. It is kept entirely separate from the General Fund.

At 2021/22 budget setting, the Council approved the four-year Housing (HRA) Programme of £247.6m for the period 2021/22 to 2024/25. The HRA programme for 2021/22 totalled £74.2m. Housing capital expenditure for 2021/22 totalled £55.58m. The outturn compared to budget represents an £18.82m variance which equates to 25% of the original budget. During 2021/22, the Housing Revenue Account made drawdown balances of £1.997m. This was £2.376m less than budgeted.

At 2022/23 budget setting, the Council planned a gross capital programme for the HRA of £77.7m. Housing capital expenditure for 2022/23 totalled £65.8m. The outturn compared to budget position represents a £11.9m underspend which equates to 15% of the original budget.

As per 2022/23 outturn report, the Council drew down £5.54m from the Housing Revenue Account general balance which was lower than the projected £6.33m. The Council planned to make £3.85m savings on the Housing Revenue Account and this was fully achieved in 2022/23.

The closing balance for 2022/23 on the HRA was £10m with associated Earmarked Reserves of £11m. This reflects a budgeted use of reserves during 2022/23. Gross anticipated spend on the HRA programme for 2023/24 is £117.1m.

The key issue appears to be that the HRA has not generated sufficient operating surpluses over a number of years, impacting reserves. The latest Savills annual HRA report (which only goes up to 31/03/21 due to the lateness of so many local authority accounts for 2021/22) showed Hammersmith & Fulham to be only generating an operating surplus of 1.53%.

This compares to London and national averages of 16% and 22.1% respectively. The surplus available to service debt is therefore negligible, giving an interest cover ratio of just 0.14 – this compares with London and national averages of 1.66 and 1.75 respectively.

From 2019/20 to 2022/23 the Council's Housing Revenue Account (HRA) has incurred deficits. Operating surpluses (or deficits) have not been sufficient to cover the loan interest on existing HRA loans. Net deficits have had to be covered by the HRA general reserve. As a result of several years of deficits and other calls on the reserve, the level of reserves has dwindled considerably.

The HRA General Reserve has diminished significantly over the last few years, falling almost by two thirds in over three years (see table below). This coupled with the financial performance of the HRA: a £4.4m deficit in 2022/23 and a projected £1.4m in deficit in 2023/24 adds to the significant concern surrounding the financial arrangements of the HRA. The continuing deficits and failure to generating operating surpluses to finance the diminishing reserves (alongside the poor operational performance discussed in the 3Es section) has led us to find a significant weakness in the Council's arrangements to secure value for money, only relating the sustainability of the HRA.

HRA (general) reserve	
31/03/2021	£17.6m
31/03/2022	£15.6m
31/03/2023	£10.0m (draft)
31/03/2024	£6.7m (budgeted)

Source: HRA budget paper for 2023/24

The HRA budget for 2023/24 contemplates a net deficit of £1.4m after allowing for some £1.1m in savings not specifically identified at the time the budget was set. In addition to covering this deficit, the budget also contemplates that £2.2m from the HRA general reserve will be used to fund works designed to alleviate damp and mould issues in LBHF council tenant's homes.

Executive summary

The budget paper projects that at 31 March 2024, the HRA general reserve balance will have fallen to £6.7m and that this represents a mere one and a half month's HRA expenditure. To compound matters, the net deficit for 2022/23 forecast at the time that the budget for 2023/24 was set was £0.3m less than the actual deficit recorded in the draft financial statements for 2022/23.

The effect is that, based on current projections, at 31 March 2024 the balance on the HRA general reserve will have reduced by almost two-thirds over the previous three years.

At this rate of attrition, the HRA general reserve could be perilously close to being overdrawn by 31 March 2025. Under legislative provisions, the HRA is a ring-fenced account and cannot be subsidised by the Council's general fund.

In April 2022, the Council raised rents by 1.5% when the maximum allowable amount was 4.1%. During the year, the Council made the unprecedented step of making a supplementary rent increase in November of 4.1% which brings the average increase of rent for 2022/23 a total 3.1%. Given that the cap allowable was 4.1%, the Council have lost out on 1% of rent receivable due to the decision not to raise rents by 4.1% at the beginning of the year. This equates to approximately £0.6m. In 2023/24, the Council have raised rents by the maximum allowable amount of 7.0%. However, it is important to note that due to the decision not to raise rents by the maximum allowable amount in 2022/23, this has a compounding impact on the base from which the Council can raise rents for future years and therefore means that the loss is carried forward into future years. This is particularly important to note considering the concerns surrounding the financial sustainability of the HRA.

The 2023/24 budget paper talks about the Council having an appetite to borrow more to fund several statutory and other promised commitments including:

- Build 3,000 homes (950 on site currently)
- Retrofit homes to reduce carbon footprint
- Address safety issues (including damp and mould)
- Invest in existing stock components to improve 'decency'

Although LBHF's HRA has the capacity to raise further debt, it does not currently have the ability to service additional interest payments arising from new borrowing. Due to negligible operating surpluses, LBHF's HRA cannot cover existing interest charges as it has to cover deficits from the HRA general reserve.

We understand that the Council has a 40-year financial business plan for the HRA, utilising market leading financial modelling software. A robust financial model is essential in managing the Council's housing portfolio and especially so during these challenging times where the financial sustainability of the HRA is in question. However, any financial model is only as good as the assumptions and data that it is based on, especially stock condition data.

Key recommendations (KR1)



Financial sustainability

Key Recommendation 1

Housing Revenue Account

- We recommend that the Council takes urgent steps to return the HRA to making operating surpluses sufficient to cover existing borrowing requirements and to start building up HRA general reserve balances.
- We recommend that the Council sets a target level of minimum HRA general reserve balances, expressed as a number of month's HRA expenditure and aims to meet this target in a specified number of years.
- Within the constraints of the maximum rent increases allowed by the Regulator of Social Housing for social rents, HRA income should cover cost increases as far as possible and this should be reflected in non-regulatory fee increases
- We recommend that this financial model is used to demonstrate plans for returning the HRA to a position of financial sustainability and to demonstrate how both legally required works and new build aspirations might be funded and paid for. We would expect the financial business plan to allow reporting of various scenarios and for projections to be supported by extensive sensitivity analysis and stress testing.
- We recommend that a comprehensive exercise is undertaken to improve the quality of stock condition survey data. If all team members visiting homes are involved in validating existing records and updating stock condition data, this will give rise to a sense of ownership and increase confidence in the stock condition survey data amongst team members. This needs to be supported by appropriate technology.

Why/impact

The key issues surrounding the HRA can be summarised in the following:

- Operating surpluses** - From 2019/20 to 2022/23 the Council's Housing Revenue Account (HRA) has incurred deficits. Operating surpluses (or deficits) have not been sufficient to cover the loan interest on existing HRA loans. Net deficits have had to be covered by the HRA general reserve. As a result of several years of deficits and other calls on the reserve, the level of reserves has dwindled considerably.
- Diminishing reserves** - The budget paper projects that at 31 March 2024, the HRA general reserve balance will have fallen to £6.7m and that this represents a mere one and a half month's HRA expenditure. To compound matters, the net deficit for 2022/23 forecast at the time that the budget for 2023/24 was set was £0.3m less than the actual deficit recorded in the draft financial statements for 2022/23. The effect is that, based on current projections, at 31 March 2024 the balance on the HRA general reserve will have reduced by almost two-thirds over the previous three years.

Management Comments

- A number of steps were implemented during 2022/23 to deal with the base deficit of £4.1m (this included a rent increase of 3.1% and actioned in 2 stages in April 2022 and November 2022) and rent increase of 7% from April 2023 (in line with the cap). In addition, the full recovery of costs for service charges was implemented from November 2022. This together with other actions allowed the base deficit to be reduced from £4.1m to £1.4m in 2023/24. It is expected that full cost recovery of service charges and the maximum rent cap increases will be applied in the foreseeable future.
- The current financial strategy is that a minimum HRA balance of £5m will be maintained (this is in addition to other provisions for arrears of almost 80% and earmarked reserves e.g water commission refunds). The level of balances are estimated at about 6% of all rent/service charge income (or considerably more with regard to controllable repairs/operational spend excluding financing charges). The Council would welcome your observations on the minimum balance based on your national work.
- See response to 1a (this was implemented from November 2022). The Council has also implemented the 5% flexibility since April 2019 on relets.
- The work is substantially complete and will be reported to Cabinet in February 2024 as part of the report on the HRA Budget for 2024/25 (this will include sensitivity analysis). The Council's view is that the financial plans should be developed for a five year rolling basis (beyond that, they become spurious given the considerable uncertainties on macro economic and national rent policy matters).
- This is in progress (more than 25% has been completed) and is expected to be completed in the next 2 years. This will be used to inform capital investment decisions and other long term stock option/sustainability decisions (including disposal, demolition, modernisation).

Executive Summary

Service performance in Housing

Significant Weakness (Economy, Efficiency and Effectiveness)

Hammersmith and Fulham own approximately 11,000 dwellings which are rented out to residents.

We note that the Housing service has been underperforming at Hammersmith & Fulham for some time now. During 2021/22 and 2022/23, the service continued to struggle under the conditions enforced by COVID and the subsequent repairs and maintenance backlog that it created. At present, the service is reporting underperformance in repairs, low resident satisfaction, a backlog of repairs, complaints and capacity issues. The performance data shows that the main patch contractors are struggling to meet contractually agreed targets and new work is continuing to add additional strain on existing repair capacity. The Council is simultaneously concerned about cases being reported through the Housing Ombudsman have been increasing, including those citing maladministration. The Housing Ombudsman is an independent agent of the UK government responsible for investigating complaints from residents under relevant approved housing schemes, such as those entered into by the Council.

In 2021/22, Hammersmith & Fulham was noted by the Housing Ombudsman to have the highest number of maladministration findings for damp and mould per 10,000 homes.

In February 2023, the Housing Ombudsman found severe maladministration for Hammersmith & Fulham's response to repairs on windows where there were safety concerns, and a roof leak which led to the resident reporting fire safety issues. The finding represents a failure to deliver a minimum core standard of service. The Council took 18 months to repair unsafe and rotting windows and during this time there was a lack of reasonable management or communication with the tenants.

In May 2023, a similar case occurred where the Council was ordered to pay residents £18,000 in compensation after significant failings led to one resident living in damp and mould for four years. The Ombudsman made seven findings of severe maladministration against the Council for various repair failings. Complaints handling was noted as delayed and protracted and 'severely inadequate.' In the same month, the Housing Ombudsman launched 'wide-ranging' investigation into H&F Council following string of failures.

We are aware that the Ombudsman is currently investigating whether its handling of complaints and repairs is indicative of a wider problem. The regulator noted a high number of high or medium risk cases concerning the landlord and 12 findings of maladministration since April 2022.

In terms of Ombudsman's findings and in comparison to other London Boroughs, it is apparent that the arrangements to deliver value for money in the housing service have not been adequate in the period under review.

Hammersmith & Fulham has the third highest number of complaint handling failure determinations made, in comparison to other London Boroughs:

Southwark	60 determinations	53,579 properties
Westminster	34 determinations	11,824 properties
Hammersmith & Fulham	33 determinations	16,983 properties

Hammersmith & Fulham also has had the second highest number of maladministration and partial maladministration decisions:

Southwark	25 maladministration findings	42% of determinations made
Hammersmith & Fulham	24 maladministration findings	72% of determinations made

The Council's performance has impacted residents health and wellbeing and has caused reputational damage to the authority. The performance could indicate systemic failure. The Council has said it is reforming its housing repairs service, including successfully exiting an underfunded 10-year maintenance contract in 2019.

The Council recognises the historic failings in its management of complaints and repairs in its ageing housing stock. Directorate leadership are emphasizing the importance of reducing the number of complaints escalating to the Ombudsman including maintaining an open line of communication with tenants and learning from complaints, to improve services and improve responses to complaints. The Council is in the process of applying its learnings in complaints handling through collaborative working across departments, a full review of all currently open cases with the Ombudsman, early identification of risks and efforts to reduce the numbers of overdue complaints.

Executive Summary

In July 2023, the Council launched a housing repairs improvement plan in a bid to tackle the shortfalls identified in the repair services and complaints management. The plan includes the establishment of a Housing Hub to streamline repairs, complaint-handling and broader housing issues under one umbrella. The plan also introduces a feature known as 'Home MOT' to provide additional home services to ensure homes remain fully function and fit for purpose.

The Council noted that several external factors contributed to the repairs backlog, including the COVID-19 pandemic and associated lockdowns and the unexpected departure of key contractors, which has fuelled an excessive number of repair requests. The Council has committed to investing £600m over the next ten years to repair and enhance homes. The leadership team will also be strengthened with new senior housing specialists and additional contractors and surveyors. The Council has also established a corporate housing taskforce and dedicated resolution team to deal with all cases that reach the Housing Ombudsman. The plan focuses on creating a 'resident-centric' approach to ensure vulnerabilities are identified and responses tailored appropriately.

Since 2021, a Housing Transformation Programme has been in place at the authority. The purpose of the Transformation Programme is to deliver an integrated housing management system which allows H&F to deliver housing services more efficiently, introduce more automation, and join up data to provide a better understanding of demand and residents needs. A key objective is to become a digital landlord, delivering significant channel shift and establish a single contact centre (a Housing Hub) for the majority of housing landlord related service requests. The programme will also enable officers to operate in agile, mobile roles supported by the latest technology interacting with residents on our estates, with a consolidated back-office and specialist functions.

We note that the improvement programme has been running for two years now and its objectives are being updated to reflect current business priorities for the Housing Service. These will be incorporated into the new combined Service Improvement Plan. Each delivery in the programme is being reviewed to establish if it supports improvements to the Repairs Service and reduce complaints.

The programme has delivered some key successes including:

- The transfer of the Housing Management System to the Cloud, streamlining interfaces and removing a dependency on a bespoke code;
- The move toward becoming a Digital Landlord with resident portals designed to give residents better access to services
- The transfer of the Asset Management database from an external system into the integrated Housing Management System
- Future proofing the Rents and Service Charges processes and technical configuration on the Cloud
- The move toward an integrated system has progressed with the inclusion of new processes for Disrepair Case Management.

The performance of the Housing Service points us toward the conclusion that there was a significant weakness in the Council's arrangements in this area due to the failure to maintain a minimum service standard. However, we recognise that it is important to note that Hammersmith & Fulham are directing effort toward improving and ameliorating the service and appear to have the appropriate architecture in place to do so. We note that this improvement will take time and it probably will not be for another two or three years that tangible changes begin to materialise.

Operationally, there appears to be the appropriate arrangements to facilitate improvement. Due to the fact that the Council recognises previous management failings and is now putting effort toward understanding its stock condition and implementing lessons learnt, the arrangements are attempting to be improved. We stress the importance of continuing to direct efforts towards the performance of the service.

There is evidence of improvement already being achieved. In the June 2023 update to the Audit Committee regarding Housing Safety Compliance, the directorate showed strong performance in the six main compliance areas, securing 90.24% and above compliance in all areas, with three areas reporting 100% compliance (see table overleaf).

Executive Summary

Safety Area	Status			
	March 23	April 23	May 23	June 23
Annual Gas safety record completed for boilers	99.87%	99.91%	99.86%	99.94%
5 Year Electric installation condition report in place	85.88%	86.99%	89.04%	90.24%
Fire risk assessment of communal areas in place	100%	98%	98%	98%
Water risk assessment in place for communal tanks	100%	100%	100%	100%
Lift inspections completed six-monthly	100%	100%	100%	100%
Annual asbestos surveys of communal areas	100%	100%	100%	100%

Source: Pennington's Choices Report June 2023

An external audit conducted by Pennington's Choices of the six primary areas reported a 'reasonable assurance' audit opinion across the cross-cutting themes of data, governance, reporting and outturn performance. The external auditor found leadership of compliance to be strong with teams generally well-resourced, governance was well-defined, data is well controlled but there is a need for an asset management system that is fit for purpose and IT tools to improve the service. Reporting was found to be effective and there is a proactive response to the Building Safety legislative requirements. Overall, the auditor raised 19 recommendations which the Council has agreed to action in the next 3 to 6 months. All the recommendations have been assigned to responsible owners and given a priority rating. Management has responded to all recommendations and there is a roadmap in place demonstrating expected timelines for actions.

The Council recognises the severity of the status of the performance in Housing and is constantly revising the architecture in place to facilitate improvement. Due to the poor performance in 2021/22 and 2022/23, we have found a significant weakness in arrangements. However, through extensive discussion with the authority we recognise the Council's acknowledgement of the service performance and are aware of the efforts to improve. We emphasise the importance to continue directing effort toward improvement.

Key recommendation (KR 2)



Improving economy, efficiency and effectiveness

Key Recommendation 2

The Council should continue on its improvement journey with the operational performance of its housing service to ensure it is meeting a minimum core service standard.

Why/impact

The Council failed to meet a minimum core service standard in 2021/22 and 2022/23. There appears to be strong corporate grip on the failings through underperformance endures. In 2021/22, Hammersmith & Fulham was noted by the Housing Ombudsman to be the worst performing landlord in the country with regard to its damp and mould in its properties. In terms of Ombudsman's findings and in comparison to other London Boroughs, it is apparent that the arrangements to deliver value for money in the housing service have not been adequate in the period under review. Hammersmith & Fulham has the third highest number of complaint handling failure determinations made, in comparison to other London Boroughs. The Council also has had the second highest number of maladministration and partial maladministration decisions.

Management Comments

A number of governance arrangements have been established in 2023/24 (including Housing Task Force, HRA Budget Board), in addition to service improvement working groups. The performance on repairs, work in progress, section 82/11, voids and other repairs are reported monthly to Assurance SLT and periodically to Political Cabinet. Other work is in progress to implement the Social Housing Regulation Act 2023.

The range of recommendations that external auditors can make is explained in Appendix C.



The range of recommendations that external auditors can make is explained in Appendix C.

Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
<p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	Not applied	Not applied
<p>Public Interest Report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	Not applied	Not applied
<p>Application to the Court</p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	Not applied	Not applied
<p>Advisory notice</p> <p>Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful. 	Not applied	Not applied
<p>Judicial review</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	Not applied	Not applied

Detailed Findings

Financial sustainability



We considered how the authority:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

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2021/22 budget and performance

The 2021/22 budget was set against the backdrop of COVID-19 and the resulting financial pressures that had a fundamental impact on local economies and nationwide uncertainty surrounding the financial impact of Brexit negotiations, the prospect of a potential new funding formula (that was eventually delayed), changes to adult social care, and general uncertainty on the future funding arrangements with central government.

The Council set a total net expenditure budget for 2021/22 of £124.458m. The 2021/22 budget included £7.885m of new investment on key services. The Council voted to increase Council tax by 1.99% for 2021/22 and applied the 3% adult social care levy.

The Council set a savings target of £6.9m in the 2021/22 budget and aimed to make a £1.1m contribution to general balances. In addition to a one-off contingency of £1.1m set aside for COVID-19 financial pressures.

As per the 2021/22 outturn report, the Council reported a £6.7m underspend against the General Fund revenue budget. General balances and earmarked reserves (excluding COVID reserves) increased by £11.2m in 2021/22. It is important to note that during 2021/22 specific COVID grants of £6.945m and general COVID funding of £600k were applied to fund the cost of provision of accommodation to rough sleepers, housing benefits and supporting the response to COVID.

The Council delivered against its savings target as is reflected by its underspend on the general fund revenue budget. More detail on savings is in the savings section of this report.

2022/23 budget and performance

In 2022/23, the Council was still feeling the impacts of COVID-19 although the funding from government to meet the costs ceased. We note that there were additional pressures in adult social care, children's services, budget costs, inflation, interest rates, Brexit and due to supply chain issues and it is clear that councils were facing a difficult national backdrop against which to make decisions to ensure future financial sustainability.

The Local Government Finance Settlement was a one-year settlement for 2022/23 only. This increased the challenge for the Council to make credible assumptions against which to base budgets.

The Council set a balanced net budget for 2022/23 with planned expenditure of £125.657m. The Council decided to freeze the Hammersmith & Fulham element of the Council tax charge for 2022/23 and not to apply the 2% increase modelled by the government for the year. The Council also decided not to apply the adult social care precept of 1% and instead use Council savings and income to fund growth. These decisions were made in light of the increasing burden placed on residents due to the cost of living crisis. We acknowledge that the decision not to increase Council Tax in 2022/23 reduces the Council Tax base to which future increases are applied. However, we are satisfied that the Council is in a position to be able to do this at this point in time. The 2022/23 budget also included £7.434m of new investment on key services for residents.

Financial sustainability

The 2022/23 budget included a savings target of £4.9m to balance the budget. The plan included a proposal of £2.9m in one-off resources to be transferred to reserves. An additional one-off contingency of £1.5m was also set aside to meet potential COVID pressures with £0.5m to an unallocated contingency. These decisions were made in the interest of securing the authority's financial resilience.

In terms of performance, the 2022/23 outturn report shows the Council to be reporting a £0.34m underspend (0.02% of the budget) against the General Fund revenue budget. The outturn report shows that the Council delivered 95% of its planned savings but made up the shortfall elsewhere (for example, reporting underspends on directorate revenue budgets). See Table 2 for 2022/23 savings reporting.

Overall, total general balances and earmarked reserves decreased during 2022/23 but unringfenced and unearmarked general fund reserves increased by £1.4m in 2022/23. This includes planned contributions and the addition of the underspend. The DSG reserve decreased by £7.071m relating to the Safety Valve agreement.

2023/24 budget

The Local Government Finance Settlement 2023/24 was challenging but more generous than most authorities were expecting. The Spending Review total for local government increased by £1.6 billion in 2022/23 and in 2023/24 the Review stated that this would be the same 'cash' level as 2022/23. Though the impact of COVID on Council finances has reduced significantly, the current predicted high inflation rates and cost of living crisis has increased pressure on Council budgets. Inflation, in particular, is presenting as a considerable cost pressure in 2023/24 budgets impacting Council costs.

For Hammersmith and Fulham, the Settlement resulted in the Revenue Support Grant increasing by £2.2m with the cash increase of the general grant at £7.9m of which £5.1m was compensation for the government decision not to increase business rates.

The Council set a total net expenditure budget for 2023/24 of £132.63m.

The Council is proposing efficiencies and savings of £2.9m in 2023/24 to balance the budget. The key elements of the savings surround improving the commissioning of services for children (£0.7m), greater use of digital technology in adult social care services to reduce operational costs (£0.5m) and working with the NHS to improve hospital discharges and independent living (£0.5).

The medium term

The Council has acknowledged in the medium-term financial plan that the outlook beyond 2023/24 remains uncertain. In an atmosphere of political and international uncertainty, economic challenges such as inflation, increased interest rates, lack of clarity on future finance settlements and the long-term impact of greater service demand, authorities are tasked with the difficult task of demonstrating a resilient and sustainable position from which to weather shocks.

The latest publicly available iteration of the MTFS shows the Council to be forecasting a £43.5m cumulative budget gap in the medium term. This is demonstrated in Table 1 which shows the Council's gap if no savings were delivered.

The Council has been putting aside contingencies over a number of years in order to provide some cushioning against cost pressures and therefore reduce the need to dip into reserves. These contingencies will be the first port of call should the Council fail to generate enough savings to bridge the budget gap. For example, in April 2022, the Council funded the £3.8m cost of the 2022/23 pay award from its one-off policy contingencies.

The creation and contribution to contingency balances demonstrates prudent and cautionary financial management from the Council.

Outside of contingencies, the budget gap will need to be met from generating savings or from use of reserves. It is important to note that the Council does not intend to apply reserves to balance the budget. The intention is always to identify savings and the focus is on ensuring that the first year is balanced without needing to use reserves – this is evidenced by the fact that the Council has set balanced budgets for the first year in question in the 2021/22, 2022/23 and 2023/24 medium-term forecasts. The budgets also complied with the outturns and generated underspends in 2021/22 and 2022/23. The purpose of Table 1 is to show the Council's predicted gap, at this present point in time. The gap would have to be met from reserves **if no other savings were generated**.

As is demonstrated in Table 1, the Council is predicting to make up the 2023/24 budget gap entirely from savings and therefore forgo the need to dip into reserves. This will be a significant challenge. The situation becomes more precarious from 2024/25 onwards.

Financial sustainability

	2023/24	2024/25	2025/26	2026/27
Spend	(195.5)	(212.34)	(226.32)	(238.8)
Resources	192.63	189.64	192.10	194.69
Budget gap	(2.93)	(22.71)	(34.21)	(43.49)
Savings	2.92	4.02	4.82	5.52
Use of reserves	0.00	18.68	29.39	38.16

Table 1: The medium-term budget gap
Source: Medium-term financial forecast 2023-24

Without a clear medium term indication of funding, the Council is required to make prudent assumptions which undoubtedly result in portraying an unsustainable budget gap. As the Council cannot submit an unlawful budget, if the gap is not met by savings then the Council will need to use its reserves balance to smooth the budget. In 2024/25, the Council is showing a predicted gap of £18.68m if the planned savings are fully delivered (and no other savings plans are devised between now and then). The risk arises as the Council currently considers that its general fund un-ringfenced and unearmarked reserves balance stands at £22.8m as at 31 March 2023. If the Council was required to meet the balance from its general balances, the current medium term budget gaps show that, even with 100% delivery of its current planned savings, the Council would deplete the general balances by 2025/26. Though this is unlikely to materialize, it is important to acknowledge this position.

In terms of the 2024/25 budget gap, the Council has made good progress in the work to balance the budget for 2024/25. Since the medium term plan, the Council has managed to identify additional savings of £8.28m bringing the total 2024/25 savings package to £12.3m. Additional income from interest balances and forecast of grant revenue has resulted in increased resources and some additional pressures has brought the new 2024/25 budget gap down to £4.1m. This is still without assuming a Council tax increase. All these efforts demonstrate the Council's efforts and focus to ensure the successive year is balanced.

Based on recent history the need to use reserves to plug a revenue budget gap is further unlikely to materialize at a Council like Hammersmith & Fulham due to the Council's strong history of financial management. The Council has strong credentials in reserves management.

The Council's general fund reserves balance has remained at £19m since 2016/17 - meaning the Council has not been using the general balances to plug revenue budget gaps.

Since 2019/20 a Reserves Strategy and Action Plan has been in place and the measures have already improved the reserves forecast by £27.6m. As part of the 2020/21 budget report, the Strategic Director of Finance considered that general balance reserves needed to be maintained within the range of £14m to £20m. The Council has maintained this range since and exceeded this balance in 2022/23. The reserves balance as at 31 March 2023 stands at £22.8m.

The Council has reported underspends on the revenue budget for 2021/22 and 2022/23. Both years ended with contributions to reserves. The Council also has a significant level of earmarked reserves that could be reviewed in a worst-case-scenario to free up some reserves to smooth the revenue budget.

Table 1 is useful for demonstrating the scale of the budget gap presently forecast by the Council and therefore indicating the level of identification and development of the savings plans. Hammersmith & Fulham are prudent in the size of the savings package it inputs in its medium-term financial plan in order to show the savings that are at a later stage of identification and development. The table shows that **if no other savings were identified**, then the Council would need to use £29m of reserves in 25/26 to bridge the gap and so on. The Council are not intending to use reserves to this extent but are planning to identify further savings between now and then. The issue is that the Council will need to deliver a savings plan which is far beyond the scale it has been able to deliver in recent years - having only delivered a £6.9m package in 21/22 and £4.9m package in 22/23. There is therefore risk surrounding whether the Council will be able to scale up the ability to deliver savings of £29m (for example) when this would be almost quadruple what the Council has delivered since 2021/22.

We have added this point to the improvement recommendation on savings but would also like to reiterate that the Council has several mitigating factors in place which provide assurance of their ability to deliver. The Council has strong historical financial management, the unearmarked reserves balance has remained steady since 2016/17, the Council has reported underspends in recent years, there is a significant earmarked reserves balance, the Council has been able to deliver savings in the last few years, low debt, healthy cash balances, limited exposure in terms of Council-owned companies and strong management of major regeneration projects. The Council focus on balancing Year 1 of the MTFP and have an iterative approach to identifying savings beyond that.

Overall, the Council's medium term forecast, while containing a degree of financial risk, is not unlike many of its counterparts in the sector. The Council cannot afford to become complacent with regard to its financial management.

Financial sustainability

In order to ensure a sustainable position in the medium term, the focus must be on generating income and delivering on savings and maintaining and growing the reserves position to bridge the medium-term gap. The Council has not needed to deliver significant savings over the last two to three years. There is therefore the risk that the organisation may take time to gear up to the increased savings challenge that this medium term forecast proposes.

Savings

Savings identification and delivery has become a key component for local authorities to acceptably demonstrate a plan for maintaining financial resilience. At Hammersmith & Fulham, Cabinet members begin consultation on the proposed savings to be included in the successive year's budget in the summer before the budget publication in February. Officers work on initial proposals which are discussed at SLT. Officers and members discuss savings and offer challenge on proposals. Through this process, stakeholders are consulted during the development of savings plans.

The Council ensures that Directorates are 'bought into' savings plans by involving leads early on in the savings development plan process. It is the responsibility of the Director of Finance to encourage the best use of resources and value for money by working with SLT directors to identify opportunities to improve economy, efficiency and effectiveness. At Hammersmith & Fulham, savings plans are based on the proportion of that directorate's spend in relation to overall Council expenditure.

At SLT meetings, directors offer challenge to those savings targets and ensure that senior leaders are aware of the specific factors that could impact that directorate's ability to achieve that savings target. In this sense, there is ultimate ownership of the savings targets as the targets have been devised through collaborative discussion. The Council finance team also make an effort to use benchmarking tools to compare savings delivery at other Councils of similar sizes to ensure that the targets the Hammersmith & Fulham directorates are tasked with are not outside the realm of possibility. SLT directors are encouraged to avoid funding recurring expenditure from one-off savings/income or creating future commitments for which they have not identified future resources.

The budget approved by Full Council and recommended by Cabinet on the advice of the Director of Finance contains proposals regarding investment in services, inflation and savings proposals. There are therefore arrangements in place for approving savings schemes.

This table is set out below:

Department	Original Target £'000	Savings Achieved £'000	Percentage of Target Achieved
Children's Services	533	351	66%
The Economy Department	235	235	100%
The Environment Department	1,184	1,117	94%
Corporate, Resources and Finance	1,229	1,229	100%
Social Care	1,500	1,500	100%
Public Health	170	170	100%
Total	4,851	4,602	95%

Table 2: 2022-23 Savings Achievement against Target
Source: Revenue Outturn 2022-23

In terms of arrangements in place to monitor the delivery of savings schemes, while performance has been good to date the Council has taken the opportunity to strengthen arrangements reflecting that the scale of savings required from 2024/25 onwards is now much larger than in recent years.

During 2021/22, the Council did not have appropriate arrangements in place to monitor and report on the delivery of savings schemes. There was no evidence of savings delivery being monitored independently of basic budget monitoring at a corporate level.

Though the Council can demonstrate that it achieved its overall savings target by the fact that it delivered an underspend on the General Fund Revenue Budget at year-end, there is no way to tell whether the savings ultimately delivered were the savings that were initially approved at February budget setting. In our 2020/21 report, we recommended that the Council improve its savings monitoring and reporting.

Financial sustainability

The Council has implemented this recommendation in 2022/23. In the 2022/23 outturn report presented to Cabinet, the Council has documented the overall savings progress, split by department, comparing the savings achieved in the year to the original target.

The Council has further strengthened this reporting in the Month 2 report to be presented to Cabinet in September 2023. The September 2023 report includes a target savings delivery, a RAG-rating to indicate the risk of the saving in terms of deliverability and a forecast of savings to be delivered versus non-delivered.

The progress in reporting of savings demonstrates sound arrangements by the Council toward improving tracking and monitoring of savings. This demonstrates incorporation of our improvement recommendation in 2020/21. The Council has now stated the commitment to reporting on savings in all the monitoring reports presented to Cabinet for 2023/24 onwards.

To further strengthen savings reporting, the Council must be able to demonstrate that the savings agreed in February continue to be progressed. If the savings plans have changed, these must be visible in the Cabinet reports, with alternatives and mitigations evident. The Council has already demonstrated a clear competence and ability to deliver savings. The task is to now improve the tracking, monitoring and transparency of savings schemes. Our improvement recommendation aims to direct the Council toward further improvement of savings reporting.

In terms of medium-term savings, the Council has stated to deliver the following savings in the medium-term as per the forecast presented in February 2023:

Savings	2023/24	2024/25	2025/26	2026/27
Savings required to balance budget	2.92	4.02	4.82	5.52

Given the Council's previous history of savings delivery and its management of reserves, these savings targets appear reasonable and achievable. Our savings recommendation aims to strengthen the organisation's capability to deliver future significant savings.

Though these savings targets appear deliverable, the targets are not ambitious enough given the budget gaps forecast from 2024/25 onwards. Table 1 previously showed that if 100% of the savings were delivered for 2024/25, this would still require £18m use of reserves to bridge the gap. The Council has been clear that they do not intend to apply reserves and intend to identify savings further down the line to make up the shortfall.

There is however significant risk in this approach as the Council may fail to identify enough savings to bridge the gap and therefore rely on a high call on reserves. Considering the £18m is far beyond the Council's historical savings delivery in the last two years (£6.9m in 21/22 and £4.9m in 22/23), a step change in approach will be necessary to deliver the scale of savings required from 2024/25 onwards. We have raised a strongly worded improvement recommendation urging the Council to put effort toward identifying savings as early as possible in the budget setting process and urging Members to agree and commit to the savings being identified and developed.

Borrowing and investment property

The Council has a small commercial property portfolio - mainly shops that are part of multi-storey properties in the HRA - these are run as community services rather than as an investment portfolio and let on leases generating approximately £1.5m per year or less than 2% of all HRA income. There are also come small isolated public car parks. The only other commercial property element relates to the Civic Campus - this is being progressed with external expertise via the West King Street Renewal Company. We do not find there to be significant risk in the Council's investment property portfolio at the time of writing.

With regard to borrowing, in the 2021/22 budget, the Council made prudent assumptions about interest rates payable and ensures budget proposals were joined up with the requirements of the Prudential Code and Treasury Management Strategy.

In 2021/22, the revenue effects of the capital programme were reflected in the budget with an increase of £0.8m in the revenue net cost of borrowing. In 2022/23, the cost increased by £0.4m and in 2023/24, the cost further increased by £0.6m.

The 2021/22 outturn report shows the Council's debt, all held with Public Works Loan Board (PWLb), at the end of the year to be £271.7m. No new borrowing was undertaken in 2021/22. All prudential indicators were met in the year. The Council's cash balances remained steady through the year increasing from £297.3m as at 31 March 2021 to £328.9m as at 31 March 2022. All of the Council's loans are at a fixed rate of interest.

The Treasury Management Strategy presented to Full Council in February 2023 provides a guide to the borrowing needs of the Council, to ensure it can meet its capital spending obligations. The Council's borrowing strategy aims to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

Financial sustainability

The Council is currently maintaining an under-borrowed position. This means its capital expenditure has not been fully funded from loan debt as other funding streams have been employed where available. This has served the Council well in recent years while investment returns have been low and counterparty risk has been relatively high.

The Council is forecasting to increase its gross projected debt in line with its capital financing requirement. The affordability of the level of investment in capital assets is within the Council's sustainable limits. The table below shows the expected ratio of capital financing costs to income for both General Fund and HRA activities in the medium term as at February 2023:

	2023/24	2024/25	2025/26	2026/27
	Estimate %	Estimate %	Estimate %	Estimate %
General Fund	(0.13)	(2.39)	(1.82)	(1.87)
HRA	6.18	4.56	4.60	4.47

From 2023/24 onwards, gross capital financing charges (loan interest, MRP and finance and PFI payments) for the General Fund capital programme will start to increase as a proportion of the income from investments and the commercial property portfolio, as new debts are raised to close the gap between funding and the CFR.

The capital financing charges arising from the HRA capital programme increase in line with the forecast increased income, hence capital charges as a proportion of the HRA net revenue stream will remain fairly steady.

As per CIPFA's Financial Resilience Index for 2021/22, Hammersmith & Fulham's gross external debt is toward the lower risk end of the scale as an indicator of financial stress. The interest payable as a proportion of net revenue expenditure indicates a slightly riskier position but still does not show to be anything of significant concern. The Council's debt position is not considered to be a significant risk at the time of writing.

Capital

The Director of Finance is responsible for ensuring that a four-year rolling capital programme and capital strategy is prepared jointly with SLT directors. The Director of Finance must collate capital estimates jointly with SLT Directors to submit them as a capital programme to Full Council. This must be submitted on an annual basis for consideration by Cabinet and before approval by Full Council.

The capital programme must be affordable, prudent and sustainable whilst giving due consideration to the risk, reward and delivery of the Council's business plan. Regular capital monitoring reports are presented to Cabinet. SLT are responsible for reviewing the capital budget monitoring reports on a quarterly basis and taking forward the budget strategy and capital programme. SLT directors are expected to manage service delivery and contain expenditure within agreed capital budgets. Proposals for improvements or alterations to buildings must be approved by the appropriate SLT director. Accountability for each proposal is accepted by a named project manager.

At 2021/22 budget setting, the Council budgeted to spend £162m on capital expenditure for the year. Capital expenditure for the year totalled £95m as per the outturn report. The Council therefore underspent by £67m or a 41% variance from budget.

The 2022/23 budget showed the intention to spend £191m on capital. The total capital outturn for 2022/23 was £140.1m representing a £50.9m underspend or 27% variance from budget.

The Council has attributed the variances from budget to re-phasing, slippage and new budgets being approved during the year. Although there is monitoring of the capital programme at Cabinet, indications are that focus should be turned to setting realistic capital budgets that allow for sufficient lead time before expenditure is likely to be incurred. Inability to set a realistic capital budget undermines the authority's perceived capability to manage its capital budget and deliver its growth plans.

The difficulty in management of the capital programme will become increasingly challenging given the current high level of inflation. We have raised an improvement recommendation in this area. As acknowledged by the Council, capital programmes are complex and affected by procurement, planning, public consultation, funding and financing considerations. The Council must consider the realism in its original budget and consider the prior year outturn when setting the successive year's budget.

Financial sustainability

The Dedicated Schools Grant (DSG)

In 2022, the government's local government finance policy statement announced that the statutory override for the Dedicated Schools Grant (DSG) would be extended for the next three years from 2023/24 to 2025/26. The statutory override means that any DSG deficits do not need to be included in the Council's main revenue budgets.

The statutory override only provides temporary relief for Councils to manage their DSG deficits.

When the statutory override expires, Councils will be expected to cover the cost of their DSG deficits themselves. This would likely have to be met from un-ringfenced general reserves.

The risk arises when many Councils consider that their general reserves balance may be close to or less than the amount required to fund their DSG deficit. Many Councils have become dependent on the statutory override to continue complying with their statutory financial responsibilities in maintaining a balanced financial position.

With the statutory override expiring in 2025/26, there is intense pressure for Councils to devise a plan to manage the DSG deficit to mitigate the risk of funding the deficit from reserves and risk fully depleting the general reserves balance.

In June 2022, the government launched the Delivering Better Value in SEND programme. The programme involves sending specialist advisors to probe Council's financial data and try to cut their DSG deficits. CIPFA is a partner in the programme, providing project and change management and financial modelling capacity.

The programme runs alongside the Department for Education's 'safety valve' support scheme that offers bailouts for Councils with the largest SEND deficits in return for the implementation of stringent reform.

Hammersmith and Fulham's safety valve agreement was announced in 2020/21 and updated in April 2023. In line with the agreement, the authority is obligated to reach a positive in-year balance on its Dedicated Schools Grant (DSG) account by the end of 2022/23 and in each subsequent year.

The agreement involves the Council agreeing to increase early intervention activity, development a robust local offer, support schools to meet a higher level of need in a more cost-effective way, review and reform outreach services and implement a case management system to facilitate predictive modelling. The agreement is supported by governance arrangements to manage the reduction of the deficit.

The Council is required to report quarterly in writing to the Department (Funding Policy Unit) on its progress toward implement the action plan. As per the Council's safety valve agreement with DfE, the Council agrees to undertake control and reduce the cumulative deficit as follows:

Year	Maximum forecast DSG deficit profile at year-end
2020/21	£22.9m
2021/22	£23.3m
2022/23	£23.0m
2023/24	£22.9m
2024/25	£21.9m
2025/26	£20.0m

The authority is required to inform the Department of any unforeseen difficulties or impacts that could risk the achievement of the agreed financial position. The Department and the Council are to meet in the last quarterly of each financial year to discuss progress and at any other time when the Department deems it necessary. The Council is also to provide the Department with the Schools Forums papers as soon as they are issued.

Nationally, High Needs Block (HNB) budgets are under significant pressure due to rapid increases in and complexity of demand. However, the effects in Hammersmith and Fulham are particularly acute because of historic funding allocation methodologies.

Financial sustainability

The Council has been putting significant effort toward ameliorating the High Needs Block (HNB) overspend since 2018/19 and has established a comprehensive programme of efficiencies to regularize spend against annual allocations. A programme approach was undertaken with phases one and two now completed, delivering savings with a cumulative effect to 21/22 of £9.3m with no reductions in service delivery.

In 2020/21, the Council reported an adverse in-year variance before £6m of safety valve funding was received. The DSG balance on the High Needs Block was £16.679m in retained deficit as at 31 March 2021 after receipt of the £6m Safety Valve funding.

On 19 March 2021, DfE announced an agreement with five local authorities, including Hammersmith and Fulham, to make a significant contribution to retained deficits. The DfE were writing off £20m of retained deficits over five years which would provide some relief for the large deficit on the schools budget.

In 2021/22 it was noted that the DfE had agreed total £20m safety valve funding in total. The first £6m had been received by the Council in March with a further £4m paid later in the year. The remaining £10m was to be paid over the 2022/23 to 2025/26 financial years.

The Council is forecasting to eliminate the retained HNB deficit by 31 March 2026 following further receipt of Safety Valve funding. Total expenditure on the HNB is forecast to increase by 26.3% from £26.638m in 2020/21 to £33.636m in 2025/26.

In March 2022, the Council forecast a £12.954m balance on the High Needs Block after including the £4 Safety Valve funding. The outturn position reported in June 2022 ended up being a £11.82m retained deficit which represents a £2.4m favourable movement versus the Q3 forecast. The cumulative deficit position is after the application of the £4.55m Safety Valve funding and £0.3m in HNB 2021/22 underspend.

As per the March 2023 update to Schools Forum, the Council is forecasting a £1m retained deficit on the HNB by 2025/26 (when the Safety Valve agreement ends). The Council is set to receive £3m in 2023/24 and £3m 2024/25 in line with the conditions of the Safety Valve agreement. The monitoring report shows the Council to be predicting a £7.8m deficit position on the High Needs Block of the DSG balanced by 31 March 2023 following the Safety Valve funding of £4m.

Overall, the Council is in a promising position in regard to the management of their DSG deficit. The Council has been compliant with the terms of the Safety Valve agreement and has been systematically reducing the retained deficit on the High Needs Block portion of the DSG deficit.

Based on the Council's forecast, the HNB balance should be £1m by 2025/26. In 2025/26, the Safety Valve agreement ends and the statutory override is set to expire. The Council's current general reserves balance currently stands at £23.3m at the start of 2023/24.

The Council's general reserves balance would therefore more than cover the HNB deficit on the DSG balance, if the Council does not deplete the general reserves balance and the statutory override elapses in 2025/26. The Council must continue its robust monitoring and compliance with the conditions of the DfE to ensure that the deficit continues to reduce as planned.

Conclusion

The Council enjoyed comfortable performance in 2021/22 and 2022/23 finishing both years with underspends. The medium-term position remains uncertain, with the forecast budget gap proving challenging. However, the Council has a history of strong budget management and an achievable savings plan in place. The Council has directed effort toward improving savings monitoring and reporting, though there is still some room for improvement. The Council's debt position is not considered to be a significant risk at the time of writing. The Council is in a promising position in regard to the management of their DSG deficit. The Council has been compliant with the terms of the Safety Valve agreement and has been systematically reducing the retained deficit on the High Needs Block portion of the DSG deficit.

The HRA is a source of significant concern. The Council is currently in an unsustainable position with regard to the management of the HRA. Efforts are currently being progressed in this area and this must be prioritised. We have found a significant weakness due to the HRA's position and future viability.

Improvement recommendation 1



Financial sustainability

Recommendation

Savings

- The Council should identify and develop savings early in the budget process to ensure appropriate prioritisation and the necessary level of rigour commensurate with the forecast budget gaps. At present, the Council is forecasting a 2024/25 budget gap that would involve a £18m use of reserves if no additional savings or income generation plans are devised. The Council do not anticipate the materialisation of the need to use reserves as they are relying on developing savings plans. The issue is that 2024/25 is soon approaching and there are currently a lack of developed savings schemes from which to close the budget gap. We recommend reporting clearly the intention to iteratively develop and identify savings so as to provide assurance that the budget gap will be mitigated.
- The Council should implement a single, consolidated and regularly updated mechanism that tracks its savings plans. This should include the savings that have been agreed, how they will be monitored and the extent to which they have been achieved. The savings should also be built into the authority's annual budget and medium-term financial plan.
- Savings must be publicly agreed and approved by Members and progress against savings plans alongside any variances of deviation from those plans must be publicly reported to Members.

Audit year

2021/22 and 2022/23

Why/impact

At present, the Council is forecasting a budget gap which is approximately treble the sum of savings achieved in the past two years. The Council must therefore prioritise the identification and development of concrete savings plans from which to bridge this budget gap. If the Council were to fully fund the budget gap from reserves, the reserves balance would deplete by 2024/25. Though the Council can demonstrate that it achieved its overall savings target by the fact that it delivered an underspend on the General Fund Revenue Budget at year-end, there is no way to tell whether the savings ultimately delivered were the savings that were initially approved at February budget setting. The Council must be able to demonstrate that the savings agreed in February continue to be progressed. If the savings plans have changed, these must be visible in the Cabinet reports, with alternatives and mitigations evident. The Council has already demonstrated a clear competence and ability to deliver savings. The task is to now improve the tracking, monitoring and transparency of savings schemes. The Council has not needed to deliver significant savings over the last two to three years. There is therefore the risk that the organisation may take time to gear up to the increased savings challenge that this medium term forecast proposes.

Management Comments

The Savings Programme (£2.9m for 2023/24) is now considered at the Finance SLT as part of the in year financial performance reporting. It is also being reported separately in the CRM Reports to Cabinet for 2023/24 (with a RAG rating system). This will be continued and replicated at Departmental DMTs.

The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendation 2



Financial sustainability

Recommendation

The Council should review and evaluate how it sets its capital budget. Consideration of this will enable it to set more realistic budgets going forward.

Audit year

2021/22 and 2022/23

Why/impact

The Council has attributed the movements from the original budget to the revised budgets to re-phasing, slippage or new grants coming online. Although there is monitoring of the capital programme at Cabinet, indications are that focus should be turned to setting realistic capital budgets that allow for sufficient lead time before expenditure is likely to be incurred. Inability to set a realistic capital budget undermines the authority's perceived capability to manage its capital budget and deliver its growth plans. The difficulty in management of the capital programme will become increasingly challenging given the current high level of inflation.

Management Comments

The Council has a strongly developed capital strategy (as set out in the Annual 4 Year Capital Programme Report to Cabinet/Council in February of each year). This is supported by other arrangements (including the Development Board, S106/CIL Board) and a new Corporate Capital Board has been established in 2023/24 (Chaired by AD Finance) to ensure delivery of programmes. Future capital projects are being evaluated using the Treasury Green Book Model and this is intended to improve capital budget planning.

The range of recommendations that external auditors can make is explained in Appendix C

Governance



We considered how the local authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/Audit Committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk management

The Council has arrangements in place to identify risks, understand them, record them within the risk management system and assess/score them. Risk management at Hammersmith and Fulham is guided by the risk management strategy statement which was approved in July 2019. The Council is aware of the need to update this and has recently appointed a new Risk and Assurance Manager with one of the priorities over the coming months to review and update the Risk Strategy for LBHF. We recommend that the Council implement a mandated regular review of its Risk Strategy, rather than on an ad-hoc basis. This will ensure that this responsibility does not go unnoticed and a significant time elapses between reviews.

Risk management is a high-profile area for the Council and it is the responsibility of all staff to detect, report and manage risks and discuss ways of mitigating them as part of business-as-usual. Around five years ago the Council established the SLT Assurance Board. SLT meet every week but in their monthly meetings the agenda focuses on risk assurance and governance. SLT Assurance is responsible for ensuring there is sufficient assurance against the key risks and opportunities that influence the council's success, reputation and vision. The meeting is chaired by the Director of Internal Audit. Through discussion with internal audit, we learnt of how this was an example of good practice at Hammersmith and Fulham and indicative of how embedded risk management is at the organisation. In its infancy, the meetings focused purely on the CRR and key internal audit work. It has since developed into a real risk management focused discussion where directors and leads discuss the key risks in their directorates, mitigations, concerns and there is discussion on resolutions.

The SLT devise collaborative approach to mitigating risks, particularly cross-cutting risks – it is a forum for problem-solving/discussion. Internal audit are involved proactively in the process and seen as a trusted advisor and often brought in early to help in the risk assurance work.

For each risk in the CRR, the Council has mapped the risk to the key council priority, allocated the risk to a named senior officer, they are RAG-rated, the direction of travel is delineated and the current position is mapped out. For clarity purposes, we recommend that the Council includes a new column setting out the key controls and assurances for each risk. Though this function is currently being fulfilled by the 'Current position' column, we believe that it would add greater clarity to the register if users were able to point to key controls and assurances in place to seek assurance that the Council is mitigating the risk.

The Council has robust risk management arrangements in place which feed into the Corporate Risk Register. The latest available Corporate Risk Register is for the March 2023 Audit Committee. Over twenty risks were reported to members. We recommended in 2020/21 that the Council considers whether the number of risks reported on the Corporate Risk Register are too numerous. We re-iterate that there are still currently a high number of risks reported to members. Reporting on too many risks does not incentivize members to focus on the priority areas and risks the most important risks being overlooked in the interest of time. This bears a risk to the risk assurance process and the risk management framework in operation at the authority.

Governance

Internal audit

The Council has an adequate and effective internal audit function in place to monitor and assess the effective operation of internal controls. This was in place during 2021/22 and 2022/23. The Internal Audit Service is led by the Director of Audit, Fraud, Risk and Insurance and delivers audit reviews across three Councils: The London Borough of Hammersmith and Fulham, Kensington and Chelsea Council (the host borough) and Westminster City Council.

Internal audit formally review the plan every quarter and report the changes to the Audit Committee in update reports and the annual report. The logic surrounding this centres on having a more effective response to new and emerging risks so that the HoIA can be satisfied with the sufficiency of coverage in order to enable internal audit to issue the annual opinion. For 2022/23, 47 audits were completed (compared to 44 in 2021/22) with a further 5 in progress. We believe this shows that internal audit delivers a sufficient amount of work.

The Audit Committee receives sufficient assurance to enable it to assess whether internal controls have operated as expected. The 2021/22 and 2022/23 Head of Internal Audit Annual Reports concluded that reasonable assurance could be provided that the systems of internal control are effective at Hammersmith and Fulham. In 2021/22, 91% of the audits undertaken received a positive assurance opinion with no nil assurance audits reported. In 2022/23, 86% of the audits undertaken received a positive assurance opinion with no nil assurance audits reported for the seventh consecutive year. The number of Substantial Assurance audits remained consistent with previous years with five issued in 2022/23 (seven issued in 2021/22 and five in 2020/21). Due to the way the audit plan is constructed, it is not unusual for some reviews to be given a Limited Assurance rating, however, the HoIA report for 2022/23 indicated that these areas related to specific areas, such as individual schools, and were not indicative of a service wide issue. Internal audit iterate that this does not indicate that there are pervasive issues with the Council's control environment. There is no evidence of sufficient gaps in assurance.

Under PSIA standards, internal audit services are required to have an external quality assessment at least once every five years. The Council has not been reviewed since 2017. In the 2018/19 Head of Internal Audit annual report, the Council stated that this was likely to occur in 2019/20. Issues with assessor absence and roles changes has meant that the Council has not been able to get a review underway until August 2023. This is currently ongoing with the results pending.

The Council has adequate arrangements in place in respect of the prevention and detection of fraud. Work is undertaken by the Corporate Anti-Fraud Services (CAFS), providing a complete, professional counter-fraud and investigation service for fraud attempted or committed against the Council and reinforcing the Council's commitment to preventing, detecting and deterring fraud and corruption.

At the June 2021 Audit Committee, the Council presented three revised anti-fraud policies for the committee to note and comment: the Anti-Bribery Policy, the Anti-Money Laundering Policy and the Fraud Response Plan. The Committee gained assurance that the policies were being kept up to date and were/are fit for purpose.

For 2021/22, the Corporate Anti-Fraud Service End of Year Report identified 131 positive outcomes and fraud with a notional value of over £670k. In the 2022/23 report, CAFS identified 96 positive outcomes including 36 recovered Council properties. The fraud identified has a notional value of over £850k. Notional values estimate the financial savings from counter-fraud work and reinforce the importance of tackling fraud.

Audit Committee

The purpose of the Audit Committee is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements at the authority. The committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to those charged with governance that those arrangements are effective. We recognise that since the May 2022 elections the make-up of the Committee has changed. We make these comments irrespective of specific make-up and rather of the Audit Committee in theory.

The Audit Committee at Hammersmith and Fulham Council is comprised of six members. CIPFA's recommendation in *Audit Committees: Practical Guidance for Local Authorities and Police (2022)* is authorities should strive to have no more than eight members, placing Hammersmith and Fulham within the acceptable range. CIPFA recognises that committees of this size should allow sufficient breadth of experience but is small enough to allow the training and development of a dedicated group.

Governance

CIPFA guidance emphasises the importance of the separation of executive roles and the membership of the Audit Committee. Where an authority has a cabinet system of governance, as at Hammersmith and Fulham, including a member of the cabinet on the committee is discouraged. We have compared the membership of the Audit Committee with the members of the Cabinet to ensure a clear separation. We can confirm that no members of the cabinet are also members of the Audit Committee, in line with the guidance. We recommend that the Council enshrine in its Constitution the separation of roles and include that it will institute the rule that a period of two years should elapse before a councillor who previously held a senior policy role joins the Audit Committee in line with CIPFA's guidance *Audit Committees: Practical Guidance for Local Authorities and Police (2022)*. Inclusion in the constitution will ensure clarity of process should any confusion/debate arise in the future. Separation of executive roles and Audit Committee allows members of the Audit Committee greater independence in their roles and assists in maintaining a nonpolitical approach.

There are currently no independent members on Hammersmith and Fulham's Audit Committee. CIPFA guidance and the Redmond Review (2020) recommend the committee includes two-coopted independent members. We recommend that the Council considers the merits of appointing appropriately qualified independent members to the Audit Committee. The injection of an external view can often bring a new approach to committee discussions and provides an element of continuity outside the political cycle (though this would be more salient at an authority that had annual changes/elections).

CIPFA guidance dictates that the Audit Committee should report to full council. In line with the guidance, as per Hammersmith and Fulham's Constitution, the committee reports to full Council at least annually.

To discharge its responsibilities effectively, CIPFA guidance recommends the committee meet at least four times a year. Hammersmith and Fulham reiterate this by including in the Constitution that the Committee will meet at least four times a year. In 2021/22, the Committee met five times and in 2022/23, the Committee met four times.

CIPFA guidance recommends that the authority report annually on how the Audit Committee has complied with the position statement, discharged its responsibilities and include an assessment of its performance. At present, the Council does not produce a self-assessment on the effectiveness of the Audit Committee. We have raised an improvement recommendation to that effect.

Council-owned companies

The London Borough of Hammersmith and Fulham has several companies registered at Companies House. The Council presently has four active limited companies, one of which is about to become dormant and three recently dissolved. The Council is also part of two joint ventures. The Council's active companies and joint ventures and their purpose are as follows:

1. H&F Housing Developments Limited – development of building projects
2. HFS Developments 2 Limited – development of building projects, buying and selling real estate
3. LBHF Ventures Limited – management consultancy, public administration activities, support to performing arts and other information service activities
4. LBHF Family Support Services Limited – family support services
5. HSF Developments LLP – provision of affordable housing
6. West King Street Renewal LLP – development and sale of property

There are risks associated with Council-owned companies as, typically, where companies are council owned that means councils are ultimately responsible for the financial risks and benefits of those companies.

HSF Developments LLP and HSF Development 2 Limited both reported losses for 2021/22. HSF Developments LLP reported a loss of £2,716 in 2021/22 compared to a profit of £1.6m in 2020/21. HSF Development 2 Limited reported a loss of £127k for 2021/22 compared to a loss of £154k in 2020/21.

Hammersmith and Fulham Council is mindful of the need to ensure strong governance of companies and the monitoring of financial risk exposures. There is a clear sense of a corporate grip on the status of companies and their future trajectory – which reduces the risk that companies are being allowed to operate with little central oversight over their activities. The Council recently presented a paper to the Commercial Revenue Committee in April 2023 outlining the companies, their current status and their future direction of travel. The content of the paper shows that the Council is ensuring the companies and the purposes align to the Council's overall Council priorities. The Council is also providing a check on its companies by ensuring that it considers the risk the companies pose at this present moment and the potential risk they pose to the Council in the future – financially and operationally.

Governance

The risk posed by the Council's companies is further mitigated by the financial position of the companies. H&F Housing Developments Ltd has not traded during 2022/23. No income was received and no expenditure incurred therefore the company made neither a profit nor loss. Though HSF Developments LLP and HSF Development 2 Ltd reported losses for 2021/22, the losses were not significant in comparison to the companies' overall turnover. All audited companies reported unqualified audit opinions for 2021/22. LBHF Ventures Limited and LBHG Family Support Services have minimal activity ongoing at present.

The company that poses the greatest risk at present is West King Street Renewal LLP. The risk is the greatest due to the level of activity and sums of money involved. The Council has invested £32.9m in the company and has a long-term debtor with the LLP of £22.4m relating to the Council's purchase of the Civic Campus units, currently under development. We have considered the Council's arrangements for managing companies and consider the governance arrangements to be effective. West King Street Renewal has a clear governance structure which outlines the partnership between the Council, A2 Dominion and Silver. There is a clear delineation between the Executive Team, Project Leadership Team and Project Team. All activity feeds ultimately into the Joint Venture Management Committee. Monthly reports are produced for the Executive Team.

In terms of overall governance arrangements for the companies in which the Council has an interest, there has been improvement. We recommended in 2020/21 that the Council clarify the role of the Commercial Revenue Committee. The Commercial Revenue Committee did not convene in 2022 and has now been dissolved. The Council do not appear to have reported the work of companies to any committee during 2022, with the last CRC convening in April 2023. We raise an improvement recommendation urging the Council to ensure that the work of companies is monitored appropriately, even if committees are no longer convening.

As of Annual Council in May 2023, the responsibilities of the CRC have transferred to Cabinet. The aim of this change is to raise the profile of, and increase transparency around, its core functions related to approving new high value income opportunities and income generating business cases and undertaking the shareholder functions of any company in which the Council holds shares.

Leadership and decision-making

Hammersmith and Fulham is a unitary authority that operates with a Leader/Cabinet system. The Council's governance arrangements are explained in the Annual Governance Statement (AGS) and the Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that it is efficient, transparent and accountable to local residents. The latest version of the Constitution was updated in June 2023.

The Council is made up of 50 councillors representing 21 wards. We note that the Council experienced a change following the those charged with governance in 2022/23 as there were elections in May 2022. The Council has elections every 4 years.

In May 2022, Full Council created the Policy and Oversight Board to oversee the Council's overview and scrutiny function, delivered through the Policy and Accountability Committees (PACs). The PACs hold the Cabinet to account, challenge assumptions behind policies and actions of the Council, scrutinize decisions made by partner organisations and ensure an informed evidence-based approach to policy development.

In 2022/23 there were six PACs:

1. Children and Education
2. Climate Change and Ecology
3. Health and Adult Social Care
4. Housing and Homelessness
5. Social Inclusion and Community Safety
6. The Economy, Arts, Sports, and Public Realm

A local authority's statutory officers play a vital role in ensuring the lawful and effective operation of the organisation. Hammersmith and Fulham appointed a new Chief Executive (Head of Paid Service) in May 2023 though they had been serving as the Interim Chief Executive since February 2022. The Council also appointed the Strategic Director of Finance (Section 151 Officer) in June 2023.

Governance

The Council still has an interim Monitoring Officer who has been in post since May 2022. They are expected to remain in post until February 2024 when, subject to standard recruitment procedures, a permanent successor will be confirmed at the Council meeting. A permanent Assistant Director of Legal Services was appointed in January 2023.

In July 2023, the Council voted to change a number of senior officer job titles and roles including making the Director of Law and Governance now also the Monitoring Officer.

Employment Tribunal Case

In 2018, a former employee at the Council brought complaints against the authority citing disability discrimination, detriment and automatic unfair dismissal and unauthorised deductions/breach of contract. In 2021, the tribunal concluded that the employee was successful in their claim of discrimination and harassment. Following the tribunal ruling, the financial settlement to be awarded against the Council is expected by the end of the year.

The Chief Executive and Monitoring Officer at the time are no longer with the Council.

The Council recognises the need to have arrangements in place to ensure the factors that contributed to the success of the claimant's case do not persist at the organisation.

Conclusion

The Council has appropriate risk management arrangements in place for 2021/22 and 2022/23. The Council has an effective internal audit service and Audit Committee arrangements. We have made some improvement recommendations relating to risk management and the Audit Committee. The Council has a reasonably good understanding of the companies in which it has an interest although it will be important to strengthen monitoring in this area.

We note that although significant progress has been made in implementing improvement recommendations from our Annual Audit Report for 2020/21 (presented to the Council in September 2022), a number of areas remain a work in progress. This includes improvements to the reporting of capital outturn, new arrangements for the monitoring of the commercial performance of Council companies and joint ventures, monitoring performance against Council's new corporate objectives, the development of a data quality strategy, and establishing a register of key partnerships. We have re-iterated these recommendations at the end of the key findings section of this report and continue to consider it important that the Council implements audit recommendations on a timely basis.

We have not found a significant weakness in the Council's governance arrangements with regard to their ability to secure value for money.

Improvement recommendation 3



Governance

Recommendation

Risk management

- We recommend that the Council implement a regular, mandated annual review of its Risk Strategy.
- The Council should consider the number of risks reported on the Corporate Risk Register (CRR).
- We recommend that the Council include a new column in its Corporate Risk Register (CRR) setting out the key controls and assurances for each risk. Though this function is currently being fulfilled by the 'Current position' column, we believe that it would add greater clarity if users were able to point to the key controls and assurances in place to seek assurance that the Council is mitigating the risk.

Audit year

2021/22 and 2022/23

Why/impact

- The Risk Strategy was last reviewed in 2019. The Council only seemingly review the Strategy on an ad-hoc basis. Implementing regular reviews will ensure that this responsibility does not go unnoticed and a significant time elapses between reviews.
- Over 20 risks were reported in the March 2023 Corporate Risk Register. Reporting on too many risks does not incentivize members to focus on the priority areas and risks the most important risks being overlooked in the interest of time. This bears a risk to the risk assurance process and the risk management framework in operation at the authority.
- For each risk in the CRR, the Council has mapped the risk to the key council priority, allocated the risk to a named senior officer, they are RAG-rated, the direction of travel is delineated and the current position is mapped out. For clarity purposes, we recommend that the Council includes a new column setting out the key controls and assurances for each risk. Though this function is currently being fulfilled by the 'Current position' column, we believe that it would add greater clarity to the register if users were able to point to key controls and assurances in place to seek assurance that the Council is mitigating the risk.

Management Comments

The Risk Strategy is being reviewed (and will be updated in 2023/24) and arrangements will be put in place for Annual Review and endorsement by Assurance SLT. The current risks reported on the CRR have been reduced (but it is important that these are comprehensive and reflect the strategic risks that are being faced by the Council).

The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendation 4



Governance

Recommendation

Audit committee

- a. We recommend that the Council enshrines in its Constitution the separation of executive roles and Audit Committee membership and include that it will institute the rule that a period of two years should elapse before a councillor who previously held a senior policy role joins the Audit Committee in line with CIPFA's guidance *Audit Committees: Practical Guidance for Local Authorities and Police (2022)*.
- b. We recommend that the Council considers the merits of appointing appropriately qualified independent members to the Audit Committee.
- c. We recommend that the Council reports annually on how the Audit Committee has complied with the position statement, discharged its responsibilities and include an assessment of its performance.

Audit year

2021/22 and 2022/23

Why/impact

- a. There are currently no independent members on Hammersmith and Fulham's Audit Committee. CIPFA guidance and the Redmond Review (2020) recommend the committee includes two-opted independent members. The injection of an external view can often bring a new approach to committee discussions and provides an element of continuity outside the political cycle (though this would be more salient at an authority that had annual changes/elections).
- b. Inclusion in the constitution will ensure clarity of process should any confusion/debate arise in the future. Separation of executive roles and Audit Committee allows members of the Audit Committee greater independence in their roles and assists in maintaining a nonpolitical approach.
- c. At present, the Council does not produce a self-assessment on the effectiveness of the Audit Committee. Production of this will ensure that the Audit Committee is self-reflecting on its utility and its contribution to the authority's governance arrangements.

Management Comments

Both of the matters are noted and will be considered in future plans (remembering that the Council has only 50 members with a number of key executive functions including PAC Chairs etc...). The performance of AC is evaluated and consideration will be given to the suggested Annual Report to Council.

The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendation 5



Governance

Recommendation

The Council should ensure consistent monitoring of the work of its companies at senior leadership level.

Audit year

2021/22 and 2022/23

Why/impact

In terms of overall governance arrangements for the companies in which the Council has an interest, there has been improvement. We recommended in 2020/21 that the Council clarify the role of the Commercial Revenue Committee. The Commercial Revenue Committee did not convene in 2022 and has now been dissolved. The Council do not appear to have reported the work of companies to any committee during 2022, with the last CRC convening in April 2023. We raise an improvement recommendation urging the Council to ensure that the work of companies is monitored appropriately, even if committees are no longer convening.

Management Comments

The Council has only 6 companies (fewer than many local authorities) and of these one is to be dissolved (Family Support Services) and the other is time limited upon completion of Civic Campus (West King Street). A detailed report was considered by Commercial Committee in April 2023 and periodic reports (at least annual) will be presented to Cabinet. The matter is already discussed at all senior levels and will be regularised through Finance SLT to ensure that all financial risk exposures are managed.

The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance and service improvement

As stated in the Governance section above, in May 2022, Full Council created the Policy and Oversight Board to oversee the Council's overview and scrutiny function, delivered through the Policy and Accountability Committees (PACs). The Policy and Oversight Board has oversight of finance, use of resources, performance management (including external assessment of the authority and its services) and the creation and monitoring of new policy development via the PACs.

Hammersmith & Fulham Council has elections every four years. The Council had full Council elections in 2018 and again in 2022. Following the 2018 election, the Council introduced the Hammersmith & Fulham Council Business Plan 2018-2022. Council performance during 2021/22 was therefore guided by this Council Plan. The Council are currently working on their medium-term Council Plan for 2023/24 onwards, this will be published in 2023 and will cover 2023-2026. During 2022/23, Council performance was guided by an annual document titled 'Business Objectives 2022/23.'

The Hammersmith & Fulham Council Business Plan 2018-2022 stated the vision of a Council 'pioneering and relentlessly searching for better answers.' The five overarching priorities were:

1. Building shared prosperity
2. Creating a compassionate council
3. Doing things with residents, not to them
4. Being ruthlessly financially efficient
5. Taking pride in Hammersmith & Fulham

The Business Plan is supported by 152 business plan commitments. At Q4 of 2021/22, the Council was reporting that 86 of the 152 commitments were 'Complete', 49 were 'Green,' 11 'Amber' and 1 'Red.' This performance against the plan in this period is particularly positive considering how much work the Council was doing in 2021/22 in the effort to mobilise to tackle the COVID-19 pandemic. The Council reported against progress on the Council Business Plan quarterly to SLT and Political Cabinet.

The meetings are private and therefore the documentation is not publicly available. We recommended in 2020/21 that the Council report against its Business Plan publicly to ensure openness and transparency. We re-iterate this recommendation as, at present, it is difficult for residents to ascertain how the Council is performing against its commitments in the Council Business Plan. Public reporting of performance can enable residents to fully understand how Council services are performing against stated commitments.

In 2022/23, Council performance was guided by the Business Objectives 2022/23. The Objectives shared the same priorities as the 2018-2022 plan. This was reported to SLT and Political Cabinet bi-annually. The 2022/23 workplan included 144 manifesto commitments with a supporting Commitments RAG Dashboard. At Q4, 84 commitments were reported as Green (58%), 43 were Amber (30%) and no commitments were reported Red.

In general, key services have performed well and the Council was able to point to a number of successes during 2021/22 and 2022/23. For example, Hammersmith & Fulham's Reablement Service was awarded the CQC's rating of Outstanding for the third consecutive time. H&F is among the leading boroughs in London for timely discharges. The Council credit this to the excellent collaboration with local hospitals. The Council received 74 complaints since April 2022 but also received 197 compliments. In March 2023, the Rivercourt project care home was awarded 'outstanding' from the CQC. Hammersmith & Fulham continues to provide care at home for disabled people and older residents at no cost, the only Council in the country to do so. In October 2022, the Council was awarded an 'Outstanding' rating by HM Inspectorate of Probation for its Youth Offending Services.

However, we note that performance within the Housing Service has been the exception in regard to service performance. For a number of years the housing service has been struggling with repairs, complaints and complaints handling. This is discussed in detail in the Housing section of this report.

Improving economy, efficiency and effectiveness

Procurement

Procurement is the vehicle local authorities use to spend taxpayer money to achieve council priorities. In the 2021/22 budget, the Council stated the intention to continuously review and develop forward planning for Commissioning and Procurement activities to identify new efficiencies and opportunities, increasing the value for its residents. Continued robust management of the Council's contracts is essential to ensure that they remain resilient during the challenges posed by changes resulting from the trade deal agreed with the European Union in December 2020 and any changes made to UK legislation arising from the UK's exit from the European Union.

The procurement strategy serves as a lever for cascading corporate strategy down to services and capital projects delivered through commercial partners. At February 2023 Cabinet, the Council presented the Sourcing Strategy 2022-26. This serves as the authority's procurement strategy. The report sets out an overarching strategy to improve how the Council sources goods, works and services to secure the best outcomes for residents. The strategy sits alongside the Council's operational governance arrangements including: the Constitution, Contract Standing Orders, the Financial Regulations, Code of Conduct Policies (for Officers & Members), the Anti-Bribery Policy, the Corporate Anti-Fraud and Corruption Strategy and the Gifts and Hospitality Policy. These documents are publicly available on the Council's website to ensure that stakeholders have clear access and the policies and procedures are communicated and understood.

On top of the overarching Sourcing Strategy, the Council will typically produce individual procurement strategies for the significant proposals presented to Cabinet. An example of this is in 2023 the contract for unattended CCTV camera systems presented to Cabinet in January 2023. The document reports a detailed procurement strategy.

The Procurement and Commercial team sits under the Strategic Director of Finance and is currently made up of 10 employees. 5 of these employees are pure procurement professionals while the rest are commercially focused.

Since April 2022, the procurement function has been through a significant improvement journey. We note that a large amount of work has been undertaken to understand the status of the organisation with regard to payments to suppliers and contracts in place.

In April 2022, the Council decided to create an advisory hub focusing on very large procurements. The hub has since worked on developing processes to help the understanding of governance of procurements, process maps to follow, updating documentation, providing training to the whole organisation including drop-ins. The team has built a forward plan which is being reported to SLT on a regular basis. This focuses on significant contracts above £213k.

There has also been enhanced project and programme work, for example, the waste re-procurement work. In 2023/24 the new contract went live and this serves as an example of a re-procurement that ran smoothly with credit to the procurement team and the collaboration with internal and external advice. The Council ensured strategic alignment with the Council priorities, for example the commitments for climate change, with the new procurement. There were two layers of governance to ensure appropriate management and accountability arrangements were in place.

A significant amount of work was undertaken to consider the messaging and mobilisation once the winner of the contract had been decided. Thought was taken to consider the communication to residents and to ensure there was little disruption to delivery. Overall, the Council considers this example to demonstrate how procurement can be managed to ensure better value for money and have since used this experience as a guide for future similar exercises to ensure consistent application of re-procurement arrangements.

The Contract Assurance Board (CAB) is chaired by the Assistant Director of Procurement and Commercial and has representatives from all departments. This forum is where stakeholders can ask the difficult questions on the finances and all decisions relating to procurement strategies, awards, contract variations and modifications (provided it is over £100k) can be discussed. This forum is also where alignment with Council priorities is ensured. All high value items would be discussed here.

In terms of smaller value items, the Council has a strong understanding of the majority of contracts in operation at the authority. In 2023/24, the procurement team performed a significant exercise of reconciling all supplier payments to contracts on the system at that point in time. This is a formidable task and demonstrative of the commitment of the function in gaining a corporate grip of all contracts in operation at the organisation. The team keep sight of this by performing a yearly reconciliation on supplier payments and contracts.

Improving economy, efficiency and effectiveness

The procurement team report on waivers to the Contracts Assurance Board. For 2021/22, there were 104 waivers to the Contract Procedure Rules in total. The number of contracts above £213,477 was 16 contracts – there are known as ‘high value’ contracts. In 2022/23, the Council saw similar performance with 107 waivers in the year. There was a slight increase in high value contracts with 20 high value contracts in year. There appears to be strong management of waivers and procurement scrutinise all waivers to the Contract Procedure Rules. However, in our view this appears to be a high number of waivers compared to what we see at other authorities and we have made a recommendation that the Council should consider how it can reduce the numbers to better safeguard VfM through the procurement process.

The main challenge for the procurement team, not dissimilar to most procurement functions at local authorities and the local government sector generally, surrounds recruitment and retention. The ambition is high but the resource scarce. The team appear to be performing extremely well given the circumstances but there does not appear to be the necessary resource to tackle the added extras.

For example, the procurement function does not currently measure its own performance against key performance indicators and measurable actions. There appears to be some tracking of savings generated and consultation with residents but at present the main measure of performance is informal feedback. As the team grows and develops, greater incorporation of tangible indicators of performance in order to demonstrate the function’s contribution to the overall council would help to prove its utility in a concrete format.

Working with partners

Partnership working is central to the delivery of many local authority services. The Council maintains strong partnership arrangements with key stakeholders and has continued to do so during 2022/23. The Council works closely with its statutory partners, commissioned providers, private businesses, community and the voluntary sector to perform its responsibilities.

Integrated Care Systems (ICS) were created as part of the Health and Care Act 2022 and became statutory from July 2022. Upper tier and unitary Local Authorities are required to be members of ICSs as key partners. Hammersmith & Fulham Council is part of the North West London ICS which meets under the Integrated Care Partnership (ICP). The ICP works to deliver the North West London Care Strategy for the population of the eight local authority areas. There is clear evidence of partnership working. For example, in May to June 2023, the ICS worked to engage residents in the draft health and care strategy via a number of public forums. The ICB also launched a new Individual Placement Support (IPS) service to support the unemployed with long term health conditions and/or common health needs.

In 2012, Hammersmith & Fulham, Kensington & Chelsea and Westminster, joined together to create the Tri-Borough Local Safeguarding Children’s Board; becoming the three borough Local Safeguarding Children Partnership (LSCP) in 2019. The three borough LSCP arrangement ended on 31 March 2021. On April 1 2021 Hammersmith & Fulham Council formed a new sovereign Local Safeguarding Children Partnership in order to ensure the safety and wellbeing of children and young people in the borough. The decision related to the constraints of member agencies coping with the demands of COVID.

Conclusion

The Council enjoyed positive service performance during 2021/22 and 2022/23 and can point to a number of successes (for example, in social care, temporary accommodation and the Youth Offending Service). The Housing service however has underperformed during this period (see executive summary on pages 10 to 13 and related key recommendation). It is worth noting that most of the Council’s significant services are externally procured – the fact that these perform well is a testament to the procurement service at the authority and a good demonstration of value for money. The Council continues to work well with partners.

Improvement recommendation 6



Economy, Efficiency and Effectiveness

Recommendation

The Council should consider publicly reporting on performance indicators to ensure openness and transparency.

Audit year

2021/22 and 2022/23

Why/impact

In 2020/21, we raised an improvement recommendation for the Council to report publicly on its Business Plan to ensure openness and transparency. We re-iterate this recommendation as, at present, it is difficult for residents to ascertain how the Council is performing against its commitments in the Business Plan. Public reporting of performance can enable residents to fully understand how the Council services are performing against stated commitments and hold members and officers to account.

Management Comments

The Council reports its performance to residents/employees/government departments/regulatory inspection bodies through existing networks including other neighbour authority groups and considerable information is already available thorough nationally published statistics (including OfLog). The Council has reviewed and established a new internal corporate performance dashboard that focuses on key services, staff and customer experiences. This is being embedded and reporting may be further enhanced in the future.

The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendation 7



Economy, Efficiency and Effectiveness

Recommendation

The Council should consider how it can reduce the number of tender waivers, in favour of a greater focus on competitive tendering, to better safeguard VfM through the procurement process.

Audit year

2021/22 and 2022/23

Why/impact

The procurement team report on waivers to the Contracts Assurance Board. For 2021/22, there were 104 waivers to the Contract Procedure Rules in total. The number of contracts above £213,477 was 16 contracts – there are known as ‘high value’ contracts. In 2022/23, the Council saw similar performance with 107 waivers in the year. There was a slight increase in high value contracts with 20 high value contracts in year. There appears to be strong management of waivers and procurement scrutinise all waivers to the Contract Procedure Rules. However, in our view this appears to be a high number of waivers compared to what we see at other authorities.

Management Comments

The Council has about 100 contract waivers per year. The requests to waive contract standing orders are evaluated at the weekly Contract Assurance Board (and services are specifically requested for justifications and demonstration of value for money). The vast majority of waivers are below procurement threshold requests and it is important to consider that potential re-procurement costs for low value contracts may not represent value for money. The new forward plan of procurement will assist further in the year ahead.

The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Council should develop a sustainable strategy for the Housing Revenue Account	Improvement	Sep-22	The financial resilience of the HRA has been strengthened. A supplementary rent increase was approved in October 2022 (equivalent to 3.1% for 2022/23) and a rent increase in line with the national guidelines was approved for 2023/24. The HRA Business Plan is being updated and will be reported to Cabinet during 2023/24.	No	Significant weakness raised.
2	The Council should provide to Cabinet a summary total of progress against the planned savings during and at the end of any given year.	Improvement	Sep-22	The Outturn Report for 2022/23 includes a specific reference to the Savings Programme (attached separately in email) and the financial performance reports in 2023/24 will include a specific schedule on the delivery of the Savings Programme for 2023/24.	Yes	No
3	The Treasury Management Annual Report should be presented to Cabinet.	Improvement	Sep-22	The Treasury Management Outturn for 2021/22 was reported to Cabinet in September 2022 and the Outturn for 2022/23 is scheduled to Cabinet for September 2023.	Yes	No
4	The Council should review its Corporate Risk Register and consider if all the risks are strategic and if the number of could be reduced.	Improvement	Sep-22	Completed and continuous review in progress through Assurance SLT.	Yes	No
5	The Council should report capital outturn against the planned capital budget from the start of the year and ensure the budget more accurately reflects the expect capital spend in year	Improvement	Sep-22	Work continues to be undertaken on capital investment reporting (and the Outturn Report for 2022/23 shows the Quarter 3 budget).	Ongoing	Yes – we will monitor progress in revising capital investment reporting.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6	The Council should ensure its level of compliance with the CIPFA Financial Management Code is monitored and reported on to members, alongside action plans for individual services to work towards fully compliance. Steps should be taken to ensure that compliance is owned throughout the organisation and not viewed as solely the responsibility of the finance team.	Improvement	Sep-22	A Self-Assessment Review has been completed and reported to Finance SLT in April 2023].	Yes	No
7	The Council should review and improve the governance arrangements for the companies in which it has an interest, including clarifying the role of the Commercial Revenue Committee.	Improvement	Sep-22	The Commercial Revenue Committee met in April 2023 but has since been disbanded (approved by Full Council in May 2023 as part of the annual Constitution Review). Further work needs to be done to ensure that governance arrangements are strengthened over the monitoring of the performance of companies.	In progress	Yes – we will monitor progress in establishing alternative arrangements.
8	The Council should ensure that performance against the Council's strategic objectives are reviewed by Cabinet in public meetings to facilitate openness and transparency and to enable public scrutiny.	Improvement	Sep-22	A Corporate Plan is being developed during this financial year and will incorporate the key objectives and this will be subject to periodic reporting and update.	In progress	Yes – we will monitor progress in reviewing performance against the new corporate key objectives.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
9	The Council should develop a clear data quality strategy and supporting policy	Improvement	Sep-22	Work is continuing on this important aspect of the Council's work.	In progress	Yes - we will follow up progress to make sure this is addressed.
10	<p>The Council should consider if the introduction of benchmarking would be beneficial and explore the very unit costs identified for:</p> <ul style="list-style-type: none"> - Children social care - Adults social care - Environmental and regulatory services - Central services - Public health 	Improvement	Sep-22	The Council is continuing its work here (with due regard to the requirements of OfLog) and subscribes to the CFO Insights system (set up by Grant Thornton). A high level report is scheduled for Finance SLT in July 2023.	Yes	No
11	The Council should define its significant partnerships and develop a register that identifies the contribution that partnerships make to the Council's corporate objectives.	Improvement	Sep-22	Work is continuing on this important aspect of the Council's work.	In progress	Yes - we will follow up progress to make sure this is addressed.
12	The Council should update its procurement strategy.	Improvement	Sep-22	A Forward Plan of the key procurements over the next 18 months has been developed to assist services in better planning for procurement of key services (and better integration of services).	Yes	No

Opinion on the financial statements for 2021/22



Audit opinion on the financial statements

We anticipate issuing unqualified audit opinions in October 2023, following finalisation of the financial statements and approval by the Audit Committee. This is in respect of 21/22. The 22/23 audit is still in the planning stage.

Audit Findings Report- 21/22

More detailed findings can be found in our AFR, which was published and reported to the local authority's Audit Committee on 12 September 2023.

Whole of Government Accounts

We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.

Note that work is not required as the Council does not exceed the threshold;

Preparation of the accounts

The local authority provided draft accounts in line with the national deadline.

Issues arising from the accounts: 21/22

The significant risks are highlighted in the Audit Findings Report (AFR) presented to Audit Committee in September 2023.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



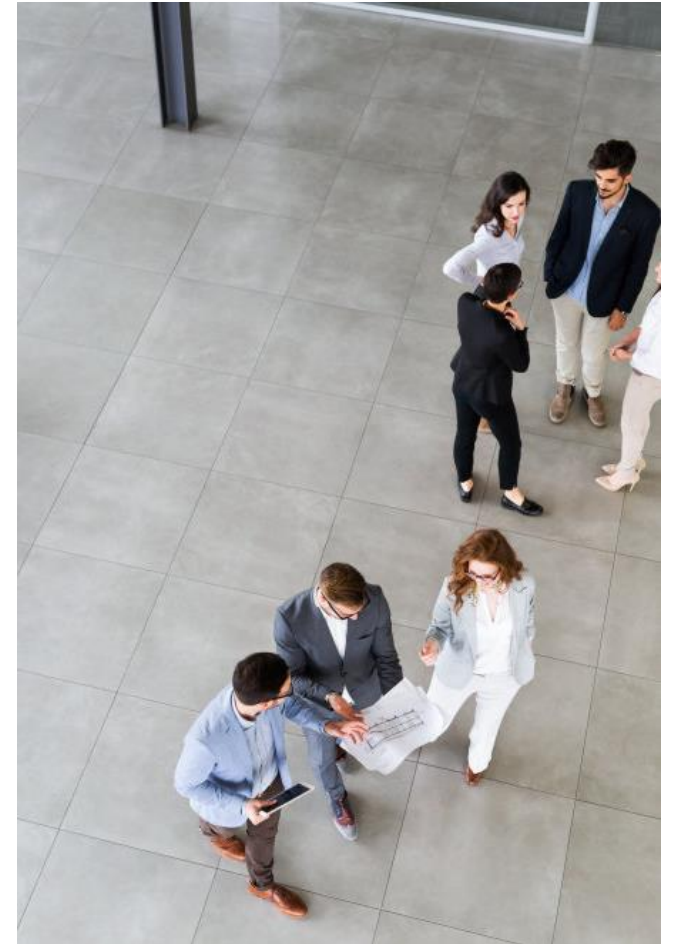
Opinion on the financial statements for 2022/23



Audit opinion on the financial statements 22/23

The 2022/23 audit is in progress at the planning stage.

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Appendices

Appendix A – Responsibilities of the local authority

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

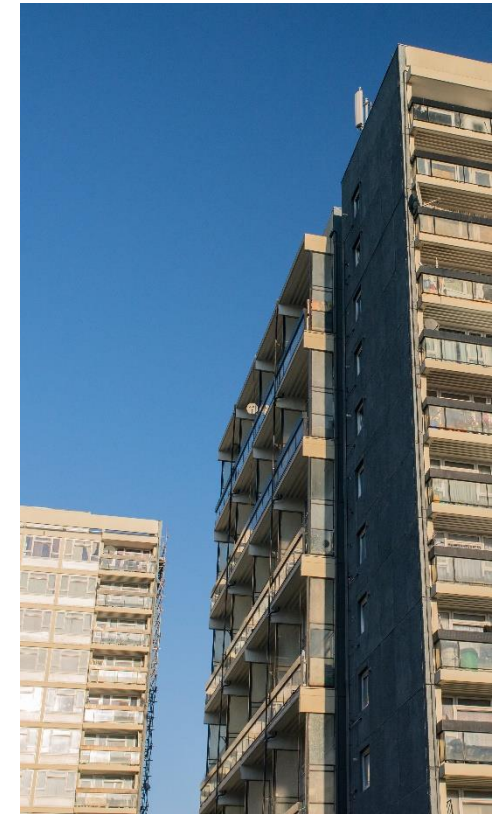
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the local authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the local authority will no longer be provided.

The local authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the local authoritys arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Year of audit	Risk of significant weakness	Procedures undertaken	Findings	Outcome
2021/22 and / or 2022/23	Financial sustainability was not identified as a potential significant weakness, see pages 5 to 26 for more details.	See pages 5 to 26.	See pages 5 to 26.	Significant weakness identified relating to the Housing Revenue Account (HRA). One key recommendation raised. Two improvement recommendations made.
2021/22 and / or 2022/23	Governance was not identified as a potential significant weakness, see pages 5 to 26 for more details.	See pages 27 to 34.	See pages 27 to 34.	Appropriate arrangements in place. Three improvement recommendations made.
2021/22 and / or 2022/23	Improving economy, efficiency and effectiveness was not identified as a potential significant weakness, see pages 5 to 15 and 35 to 38.	See pages 5 to 15 and 35 to 38.	See pages 5 to 15 and 35 to 38.	Significant weakness identified relating to the performance of the housing service. One key recommendation raised. One improvement recommendation made.

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the local authority’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the local authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the local authority. We have defined these recommendations as ‘key recommendations’.	Yes	Page 9 and 13
Improvement	These recommendations, if implemented should improve the arrangements in place at the local authority, but are not a result of identifying significant weaknesses in the local authority’s arrangements.	No	24 – 25, 31 – 33, 37 – 38

Appendix D – Key sources of evidence



Staff involved

- Sukvinder Kalsi, Chief Finance Officer
- David Tatlow, Interim Monitoring Officer
- Richard Shwe, Director of Housing
- David Hughes, Director of Audit, Fraud, Risk and Insurance
- Phil Triggs, Tri-Borough Director of Treasury and Pensions
- Matthew Sales, Assistant Director, Programmes, Assurance and Analytics
- Joanna McCormick, Assistant Director Procurement And Commercial
- James Newman, Assistant Director – Finance
- Moira Mackie, Head of Internal Audit



Documents Reviewed

- Revenue Budget and Council Tax Levels 2023/24
- Four Year Capital Programme 2023-27 and Capital Strategy 2023/24
- Treasury Management Strategy Statement 2023/24
- Revenue Budget and Council Tax Levels 202223
- Corporate Revenue Budget Review 202223 Month 9 December 2022
- Revenue Budget and Council Tax Levels 202122
- Appendix B - Medium term financial forecast as per 2021-22 budget
- 2021-22 - Appendix C - Investment and savings proposals
- 2021-22 - Appendix D - Budget risks
- 2021-22 Appendix E - Government grant funding
- 2021-22 Appendix J - Reserves Strategy
- 2021-22 - Four Year Capital Programme 202122 to 202425 and Capital Strategy 202122
- Internal Audit Plan 2023-24
- 202122 Provisional Revenue Outturn Report
- 23-24 Appendix B Medium term financial forecast
- Statement of Accounts 2021-22
- Unaudited Statement of Accounts 2022-23
- Local Safeguarding Children Partnership Annual Report
- Printed minutes 25012022 1830 Housing and Homelessness Policy and Accountability
- Lyric Theatre Hammersmith 2021-22 Accounts
- HSF Developments LLP 2021-22 Accounts
- HSF Development 2 Limited 2021-22 Accounts
- LBHF Joint Ventures Ltd Companies House Accounts
- LBHF Ventures Limited Accounts
- LBHF Family Support Services Ltd Accounts
- Treasury Management Strategy Statement 202122
- Hammersmith_and_Fulham_safety_valve_agreement_2020-2021_updated
- Medium term financial forecast as per 23-24 budget
- MTFS (May 2023)
- 22-23 Revenue Outturn draft for PC
- Treasury Management Outturn Report 202122
- Public reports pack 05062023 1900 Cabinet
- Public reports pack 06022023 1900 Cabinet
- Public reports pack 05122022 1900 Cabinet
- Head of Internal Audit Annual Report 202122
- Internal Audit Plan 202223
- Procurement strategy - Contract for Unattended CCTV camera system
- LBHF Business Plan 2018-22



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London Borough of Hammersmith and Fulham Audit Progress Report and Sector Update

November 2023



Contents

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Sector Update	06

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at November 2023

Financial Statements Audit 2021/22

In our Audit Findings Report communicated at the October Audit Committee meeting we reported that there ongoing work to complete the 2021/22 audit. The key items were:

- additional testing work ongoing which had arisen as a result of the triennial valuation which had led to an adjustment of the Council and Pension Fund financial statements; and
- closure of sample testing of member data, contributions and benefits paid.

There have in the interim been some delays in obtaining the information we require to complete this work; specifically delays in receiving supporting documentation from the service provider for the outsourced pensions administration service which impacts both areas of testing above. We have as of 8th November 2023 received the remaining documentation to allow us to complete this testing. We will verbally update the Committee on this work, but we expect to be able to complete this work, move onto the closing steps of the audits and sign the unqualified auditor's report prior to Christmas 2023.

Financial Statements Audit 2022/23

We are making good progress on the Council and Pension Fund audits for 2022/23. We are aiming to complete and sign these audits by March 2023. We have set out the deliverables for this audit, and their status, on the next page.

Value for Money 2022/23

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

Other areas

Meetings

We meet regularly with your Senior Finance Officers. We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers will be invited to attend our next Accounts Workshop in early 2024.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Deliverables

2022/23 Deliverables

Audit Plan

We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council and Pension Fund 2022-23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report.

Planned Date

September 2023

Status

Completed

Audit Findings Report

The Audit Findings Report will be reported to the Audit Committee.

March 2024

Not yet due

Auditors Report

This includes the opinion on your financial statements.

March 2024

Not yet due

Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.

November 2023

Completed

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

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Public Sector

A purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local
government

Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers

an agreed approach to dealing with the backlog of local government audits

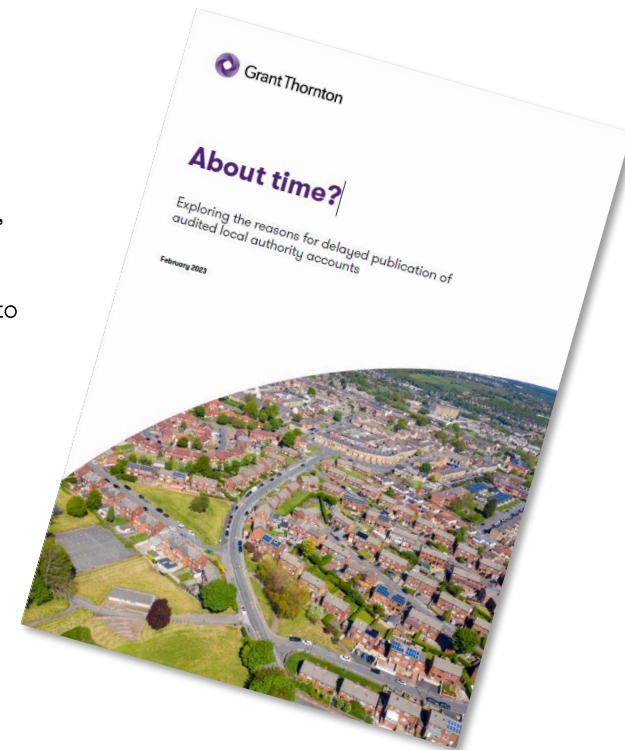
Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton](#)



Current local audit deadline ‘unachievable’- Grant Thornton

Low capacity in council finance teams and the failure to deal with historic accounting issues mean the current September audit deadline is unlikely to be met.

The firm said the changes in recent years to council investment strategies have seen annual accounts become increasingly complex.

In evidence to a Public Accounts Committee inquiry, Grant Thornton said the increased workload and pressure on resources have complicated recruitment and compounded delays.

The auditors said it is unlikely firms will be able to meet the 30 September deadline for publishing opinions on 2022-23 financial statements, because they are still working on previous years' accounts.

The firm said one of the key issues causing delays is the lack of consensus over areas of audit focus, specifically over how land and buildings are audited.

“Too much audit resource is absorbed in dealing with longstanding financial reporting issues at poorly performing bodies,” the firm said.

In certain instances, audits are open as far back as 2017-18.

“Perhaps more importantly, there has not been enough debate with the sector on the purpose of local audit and the enhanced audit scrutiny it faces.

“This is particularly the case with the audit of property. Until these matters are resolved we do not consider that the September deadline is achievable.”



Current local audit deadline ‘unachievable’- Grant Thornton(cont.)

Grant Thornton said that while audit firms can be sanctioned by the Financial Reporting Council for failing to comply with regulations, there are currently no punishments for public bodies that fail to meet requirements.

It said there should be interventions for audited bodies that show “significant failures in financial reporting and an unwillingness to improve”.

In its evidence the firm blamed a lack of council funding to bolster finance teams for a reduction in the quality of reporting, causing further delays.

“Unfortunately, the quality of too many financial statements and working papers are not adequate,” Grant Thornton said.

“Improvement in accounts preparation, and recruitment and investment in finance teams is essential if local government is to prepare consistently high-quality draft accounts and respond to the challenges presented by an enhanced audit regime.”

In December, local audit procurement body Public Sector Audit Appointments revealed that only 12% of local government audits for 2021-22 were completed by the 30 November deadline.

PSAA said that 630 opinions were outstanding from both 2021-22 and previous years, and the level of opinions completed on time has declined significantly from 45% in 2019-20.

Read the full report here

committees.parliament.uk/writtenevidence/118580/pdf/



DLUHC proposals to clear audit backlog

A range of proposals and actions to address the backlog of local audits in England has been set out by the Department for Levelling Up, Housing and Communities (DLUHC).

These include setting statutory deadlines and issuing qualifications and disclaimers of opinion in the short term.

The proposals have been agreed in principle with key partners across the local audit system, DLUHC said. The National Audit Office (NAO) is considering whether to develop a replacement Code of Audit Practice to give effect to the changes, the department added.

In addition, DLUHC is considering whether legislative change is needed to set new statutory deadlines [for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice](#).

[Legislative change may also be needed](#) to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years, the department said.

Under these proposals, section 151 officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time.

Read the full proposal here

committees.parliament.uk/publications/40932/documents/199432/default/



Call for sanctions for late accounts amid fears of ‘more Wokings - public accounts committee (PAC)

The Commons’ public accounts committee (PAC) published a report, [Timeliness of local auditor reporting](#), which highlights problems caused by the delays to local audit.

Just 12% of local government bodies received their audit opinions in time to publish their 2021-22 accounts by the extended deadline. The committee warned that the problem is likely to get worse before it gets better.

The report points out that there are no sanctions for failing to produce accounts on time, for either auditors or councils.

The PAC and others have been concerned about the implications of audit delays and Sir Geoffrey Clifton-Brown said cases like that of Thurrock Council and Woking Borough Council demonstrate why this issue needs to be addressed. Both councils had years of unaudited accounts when they declared themselves effectively bankrupt due to excessive levels of debt.



Around 700,000 children are studying in schools that require major rebuilding or refurbishment works - NAO

The Department for Education has published guidance on school buildings which were constructed using reinforced autoclaved aerated concrete – a lightweight form of concrete prone to failure.

<https://educationhub.blog.gov.uk/2023/09/04/new-guidance-on-raac-in-education-settings/>

The NAO also published a report this summer about the declining condition of the school estate. The UK's independent public spending watchdog's report found that more than a third (24,000) of English school buildings are past their estimated initial design life. These buildings can normally continue to be used, but are generally more expensive to maintain and, on average, have poorer energy efficiency leading to higher running costs.

In recent years, there has been a significant funding shortfall contributing to deterioration across the school estate. The department for Education (DfE) has reported £7 billion a year as the best practice level of capital funding to repair and rebuild the school estate.

The report says DfE has assessed the possibility of a building collapse or failure causing death or injury as a 'critical and very likely' risk since summer 2021. The report highlighted ongoing concerns with the use of reinforced autoclaved aerated concrete (RAAC) – used between the 1950s and mid-1990s. DfE has been considering the potential risk posed by RAAC since late 2018, following a school roof collapse.

Read the full report here

<https://www.nao.org.uk/press-releases/condition-of-school-buildings-and-dfe-sustainability-overview/>



LGPS valuation gives ‘cause for optimism’ – Hymans Robertson

Many Local Government Pension Schemes are in a stronger position than three years ago to meet future member benefits, pension advisors have said following the most recent valuations.

Despite market instability brought on by Covid-19 and exacerbated by Russia’s invasion of Ukraine, the overall funding level rose to 107% of past service in March 2022, compared to 98.5% in 2019, Hymans Robertson said in a [report](#).

Analysts reviewed the triennial valuations of 73 of the 86 LGPS funds, and said that on average fund asset values rose by 27.5% up to March 2022.

Hymans Robertson said the better-than-expected funding outlook has prompted a reduction in employer contributions, from 21.9% of pay in 2019 to 20.8% in 2022.

Robert Bilton, head of LGPS valuations at Hymans Robertson, said: “Our analysis gives cause for optimism that the outlook for the long-term funding sustainability of the LGPS is robust, not least due to the hard work that has taken place across all funds over the last decade and longer.

“While the good news is welcome, the hard work doesn’t stop, and it is important that funds use the next two years to continue to systematically review their risks to keep them in the best place possible ahead of the valuations in 2025.”

The report said funding levels rose by the most for schemes that were already better-funded in 2019, but balances increased “across the board” in all funds that were reviewed.

Researchers said higher asset values mean funds will only need to deliver real investment returns of about 1.5% per year over the next 20 years to ensure they are fully funded.

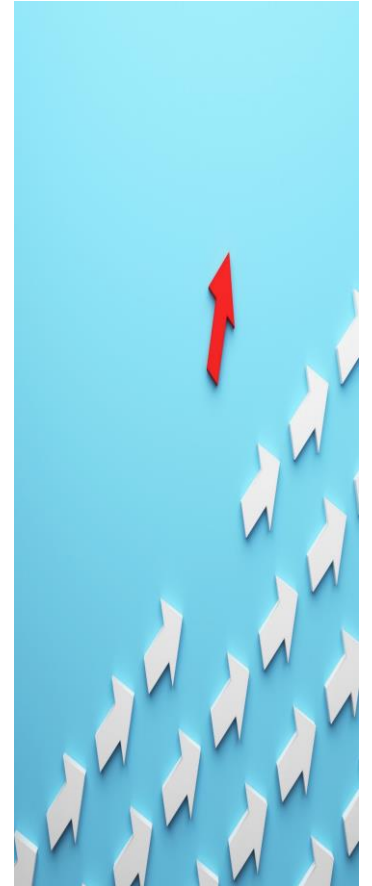
Hymans said it expects more than three-quarter (77%) of funds to be able meet the annual level of investment returns by 2040.

“This is a very positive funding position for the LGPS, Considering that, not so long ago, the Scheme Advisory Board had set up a ‘deficit working group’ and the significant market events that the LGPS has had to navigate in recent years.”

“Being in such a strong position is a testament to the diligent and hard work of administering authorities over the last decade.”

Read the full report here

[LGPS 2022 Valuation - the big picture.pdf \[hymans.co.uk\]](#)



Sustainability reporting in the public sector - CIPFA

CIPFA said, 'Sustainability reporting in the public sector is in its infancy, and there is an evolutionary journey to be embarked upon – sooner rather than later.'

Sustainability reporting is the recording and disclosure of an organisation's environmental impact caused by its activities. It has been widely adopted in the private sector, but in the public sector it is not the same story.

Having a clear understanding of the overall carbon footprint of the public sector is vital if we are to tackle climate change, find solutions and encourage sustainable development, said CIPFA.

CIPFA report states, 'the answers and positive steps to addressing the most pressing challenges around public sector sustainability questions. The current patchwork of public sector sustainability reporting frameworks are inconsistent and confusing. The report draws on already existing standards and frameworks that are relevant and useful to the public sector, rather than trying to reinvent the wheel.'

Alignment to financial reporting

The report recommends an approach that aligns sustainability reporting with the wider practice of financial reporting. The four key areas in this approach are governance, the management approach, performance and targets, and strategy. 'Public sector sustainability reporting: time to step it up' provides public finance professionals with a good understanding of what information needs to be disclosed and the process in producing a high quality report.

Read the full report from CIPFA here

[Sustainability Reporting \[cipfa.org\]](https://www.cipfa.org)



SEND deficits kept off budgets for another three years (Added March 2023)

The government has allowed councils to keep deficits on spending for children with special educational needs and disabilities off their balance sheets for a further three years.

The government's local government finance policy statement published on 12th December 2022 says that the statutory override for the Dedicated Schools Grant (DSG) will be extended for the next three years, from 2023-24 to 2025-26.

Councils use the high needs funding block of the DSG to fund Send provision. But for many authorities, the cost of this has been outstripping the amounts provided by tens of millions of pounds, leading to a total deficit estimated at more than £2bn.

The statutory override means that any DSG deficits are not included in council's main revenue budgets. Before the announcement, it had been due to expire in 2023. Last year, Matt Dunkley, chair of the Association of Directors of Children's Services' resources and sustainability policy committee, said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn."

In June, the government launched the £85m Delivering Better Value in Send programme, that involves specialist advisors probing 55 councils' financial data to try and cut their DSG deficits. The Chartered Institute of Public Finance and Accountancy, a partner in the programme, said the scheme would provide "project management, change management and financial modelling capacity".

The programme is running alongside the Department for Education's 'safety valve' support scheme that offers bailouts for the councils with the largest Send spending deficits, in return for them implementing stringent reforms.

About 40 councils are expected to receive safety valve funding, meaning that the two programmes together will include about two thirds of councils with responsibility for Send. Also in June, the then children's minister Will Quince wrote a letter to council chief executives warning that a "significant number of councils are "running services that are not sustainable, and instead jeopardise the longevity of that crucial support".



Agenda Item 6

LONDON BOROUGH OF HAMMERSMITH and FULHAM

Report to: Audit Committee

Date: 27 November 2023

Subject: Treasury Management Strategy: Mid-Year Review 2023/24

Report author: Sophie Green, Treasury Manager

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

This report provides an update on the implementation (six months to 30 September 2023) of the 2023/24 Treasury Management Strategy, approved by Council on 23 February 2023 and presents the Treasury Management Strategy 2023/24 mid-year review.

Treasury management comprises the management of the Council's cash balances and borrowing to ensure that funding of the Council's future capital programme is at optimal cost and investing surplus cash balances arising from the day-to-day financial operation of the Council to obtain an optimal return, while ensuring security of capital and liquidity.

This report complies with CIPFA's Code of Practice on Treasury Management, and covers the following:

- a review of the Council's investment portfolio for 2023/24 to include the treasury position as at 30 September 2023;
- a review of the Council's borrowing strategy for 2023/24;
- a review of compliance with Treasury and Prudential Limits for the first six months of 2023/24;
- an economic update for the first part of the 2023/24 financial year.

The Council's Treasury and Pensions responsibilities are well managed (reflected in the recent national award) and some of the key highlights so far in 2023/24 are set out below:

During the first six months of 2023/24, cash balances decreased marginally from £270.2m at 31 March 2023 to £241.8m at 30 September 2023 (partly reflecting property acquisitions and debt repayment). These funds were invested at competitive rates with average interest rate returns increasing from 4.02% to 5.20%.

The Council has also repaid some historic borrowing (£4.3m in total) and therefore external borrowing has reduced from £271.7m to £267.4m, with the average interest rate of all debt also reducing marginally from 3.76% to 3.72%.

The Council has operated within the Treasury Limits and Prudential Indicators

RECOMMENDATIONS

1. The Committee is asked to note the Treasury Management Strategy 2023/24 mid-year review.

Wards Affected: None

Our Priorities	Summary of how this report aligns to the H&F Priorities
Building shared prosperity	Achieve best value for money in investment and borrowing decisions.
Being ruthlessly financially efficient	Effective management of the Council's cash flow resources.

Financial Impact

This report is wholly of a financial nature.

Legal Implications

There are no legal implications in respect of this report.

Contact Officers

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Verified by: Sukvinder Kalsi, Director of Finance

Name: Jade Monroe
Position: Chief Solicitor Social Care
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Email: jade.monroe@lbhf.gov.uk

Background Papers Used in Preparing This Report

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
	Treasury Management Strategy Statement 2023/24	Phil Triggs	Tri-Borough Treasury and Pensions

DETAILED ANALYSIS

Proposals and Analysis of Options

Background and Treasury Position

1. Treasury management in this context is defined as:

“The management of the Council’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2. This treasury monitoring report covers:

- the treasury position at 30 September 2023;
- the borrowing strategy for 2023/24;
- the borrowing position at 30 September 2023;
- compliance with treasury limits and prudential indicators;
- the investment strategy for 2023/24; and
- the investment position at 30 September 2023.

3. The Council’s debt, all held with the Public Works Loan Board (PWLB), and investment positions at the beginning of 2023/24 and at the six-month point were as follows:

	31 March 2023 (£m)	Rate (%)	30 September 2023 (£m)	Rate (%)
General Fund (GF)	52.8	3.71	52.0	3.67
Housing Revenue Account (HRA)	218.9	3.77	215.4	3.73
Total Borrowing	271.7	3.76	267.4	3.72
Total Cash Invested	270.2	4.02	241.8	5.20
Net Cash Invested	(1.5)		(25.6)	

4. The Housing Revenue Account (HRA) is responsible for servicing 80.6% of the Council’s external debt and the General Fund is responsible for the remaining 19.4%.

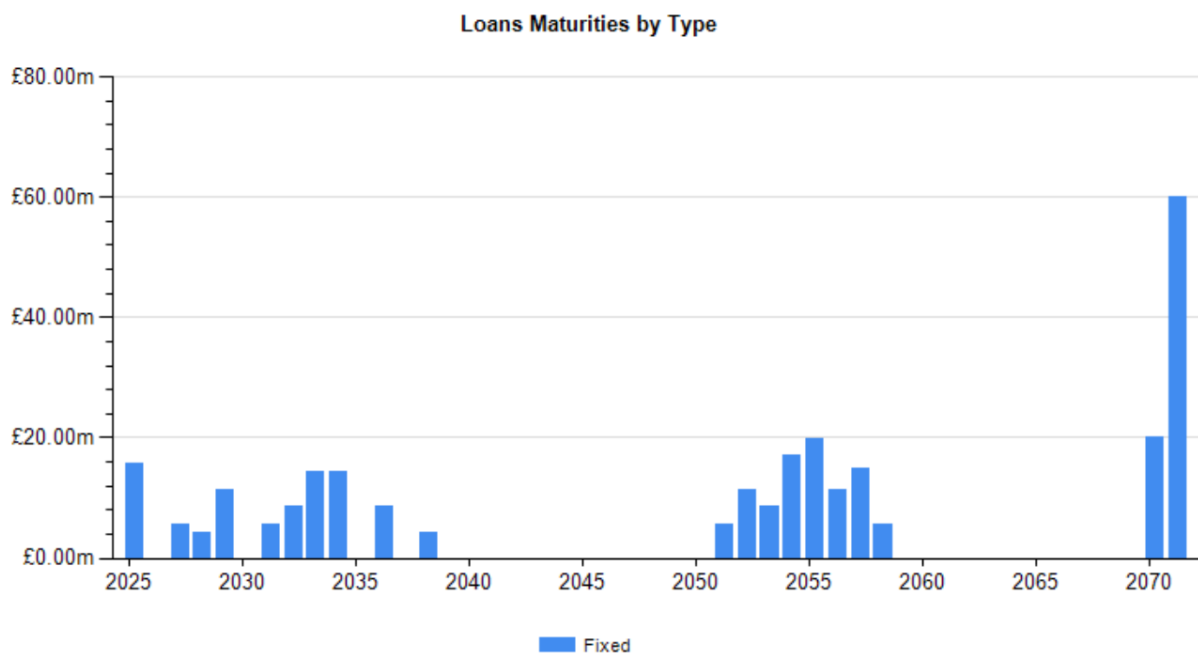
5. The table below shows the split of investments by duration as at 30 September 2023:

Maturity Period	Call (£m)	Fixed (£m)	MMF (£m)	Total (£m)
Liquidity	0.0	0.0	63.0	63.0
< 1 Month	0.0	46.0	0.0	46.0
1 – 3 Months	0.0	112.8	0.0	112.8
3 – 6 Months	0.0	20.0	0.0	20.0
6 – 12 Months	0.0	0.0	0.0	0.0
Total	0.0	178.8	63.0	241.8

6. The Treasury Management Strategy Statement (TMSS) for 2023/24 was approved by Full Council on 23 February 2023. The TMSS has kept investments short-term and invested with highly rated or UK Government backed institutions, resulting in low returns compared with borrowing rates.

Treasury Borrowing

7. £4.3m of borrowing has been repaid in the first half of 2023/24. Total borrowing therefore dropped from £271.7m to £267.4m and an average interest rate of 3.76% to 3.72%. All the Council's loans are at a fixed rate of interest. The table below shows the debt profile as at 30 September 2023:



8. In the first six months of 2023/24, the HRA PWLB debt of £215.4m remained below the HRA Capital Financing Requirement (CFR) of £358.0m, which generates internal borrowing of £142.6m. This difference does not, as yet, exceed the value of HRA working balances. HRA reserves and working capital, in excess of internal borrowing, represent cash balances, on which interest is allocated from the general fund.
9. As at 30 September 2023, the Council had an under-borrowed position. This means that the capital borrowing requirement was not fully funded by the existing external loan debt and the balance is funded by cash reserves (known as internal borrowing).

Closing Capital Financing Requirement analysed between General Fund and Housing Revenue Account

	31 Mar 2023 CFR £m	31 Mar 2023 External Debt £m	30 Sep 2023 CFR £m	30 Sep 2023 External Debt £m
GF (Excluding DSG funded Schools Windows borrowing)	134.0	0.0	181.1	0.0
GF (DSG funded Schools Windows borrowing)	55.4	0.0	89.0	0.0
Total GF Headline CFR	189.4	0.0	270.1	0.0
Finance leases/PFI	13.5	0.0	12.4	0.0
Total Closing GF CFR	202.9	52.8	282.5	52.0
HRA	300.6	0.0	358.0	0.0
HRA CFR Total	300.6	218.9	358.0	215.4
Total CFR/External Debt	503.5	271.7	640.5	267.4

Treasury Investments

10. At 30 September 2023, a significant part of the Council's treasury investment portfolio (£178.8m) was held in fixed term deposits with the Debt Management Agency Deposit Facility (DMADF), local authorities and banks.
11. The TMSS allows investment in the following areas:
 - an unlimited investment limit with the UK Government (DMO) deposits, UK gilts, repos and treasury bills;
 - up to a maximum of £50m per counterparty in supra-national banks, European agencies and covered bonds debt on a buy to hold basis with maturity dates of up to five years, and the Greater London Authority (GLA) bonds for up to three years;
 - a limit of £30m to be invested with any UK Local Authority (subject to internal counterparty approval by the Director of Treasury and Pensions and Director of Finance);
 - no more than £45m to be invested with any individual Money Market Fund;
 - any financial instrument held with a UK bank limited to £70m depending on the credit rating and Government ownership above 25% (limit of £50m);
 - any financial instrument held with a non-UK bank limited to £50m.
12. The investments outstanding at 30 September 2023 amounted to £241.8m invested in short-term deposits. This compares with £270.2m short-term investments at 31 March 2023.

13. The table below provides an analysis of the cash deposits, together with comparisons from financial year-end:

	31 March 2023 £m	30 September 2023 £m
Liquid Deposits	0.0	0.0
Money Market Funds	151.6	63.0
Notice Accounts	0.0	0.0
Custodian Held Assets	0.0	0.0
Term Deposits	118.6	178.8
Enhanced Cash Fund	0.0	0.0
Total	270.2	241.8

14. During the first six months of 2023/24, cash balances varied between £242.5m and £281.6m, reflecting the timing of the Council's income (council tax, national non-domestic rates, government grants and capital receipts, etc) and expenditure (precept payments, payroll costs, supplier payments and capital projects).
15. The average return achieved on investments managed internally for the first six months was 5.20% compared with the average six-month SONIA rate of 5.26%. Interest rates remained low throughout the period with the Council following a low-risk strategy and avoiding potentially higher returns which would increase counterparty risk.

Prudential Indicators

16. During the year the Council operated within the Treasury Limits and Prudential Indicators set out in the TMSS approved by Council on 24 February 2023.
17. The table below provides a breakdown of the indicators and actual position for the year ending 30 September 2023:

Indicator	2023/24 Approved Limit	2023/24 Actual at 30 September 2023	Indicator Met
Capital Financing Requirement	£684m	£641m	Yes
Authorised Limit for external debt ¹	£650m	£272m	Yes
Operational Debt Boundary ²	£705m		Yes
Capital Expenditure	£203m	£63m	Yes

¹ The Authorised Limit is the maximum requirement for borrowing taking into account maturing debt, capital programme financing requirements and the ability to borrow in advance of need for up to two years ahead.

² The Operational Boundary is the expected normal upper requirement for borrowing in the year.

Working capital balance	£0m	£0m	Yes	
Limit on surplus funds invested for more than 364 days	£120m	£0m	Yes	
Maturity Structure of Borrowing	Minimum	Maximum	Actual	Indicator Met
Under 12 Months	0%	15%	3%	Yes
12 Mths to within 24 Mths	0%	15%	3%	Yes
24 Mths to within 5 years	0%	60%	7%	Yes
5 years to within 10 years	0%	75%	16%	Yes
Over 10 years	0%	100%	71%	Yes

Indicator	2023/24 Forecast	2023/24 Actual at 30 September 2023
Ratio of financing costs to revenue stream	GF (0.13%) HRA 6.18%	GF 2.96% HRA 31.55%
Ratio of commercial/service investment income to net revenue stream	GF N/A HRA N/A	GF 1.88% HRA 3.48%

18. The variance for the ratio of financing costs to revenue stream is driven by changes to the prudential code means there is no longer a provision to include investment interest, which previously gave rise to the negative GF ratio. For the HRA, it is confirmed that depreciation costs would be included. There was no 2023/24 forecast for ratio of commercial/service investment income to net revenue stream due this being a new requirement of the code.

Reasons for Decision

19. The Council's treasury management activity is underpinned by the CIPFA's Code of Practice on Treasury Management, which recommends that members are informed of treasury management activities at least twice a year.

Equality Implications

20. There are no direct negative implications for protected groups, under the Equality Act 2010, arising from the information presented in this report.

Risk Management Implications

21. The purpose of this report is to present the Council's mid-year Treasury Management Report for 2023/24 in accordance with the Council's treasury management practices. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities is measured.

22. Risk levels were set in accordance with the approved Treasury Management Strategy Statement (TMSS). The Council continues to recognise that effective treasury management provides support towards the achievement of its business and service objectives, specifically, being ruthlessly financially efficient.
23. The identification, monitoring and control of risks are central to the achievement of the treasury objectives. Potential risks are identified, mitigated and monitored in accordance with treasury practice. It is also worthwhile in noting that this covers a period that included considerable uncertainty, both at national and global level, during the Covid-19 outbreak.
24. Implications verified by: David Hughes, Director of Audit, Fraud, Risk and Insurance, tel. 07817 507 695

Consultation

None

LIST OF APPENDICES

None

Agenda Item 7

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 27 November 2023

Subject: Housing Ombudsman Complaint Handling Code Self Assessment

Report Author: Kate Robertson, Interim Director of Resident Services, Corporate Services

Responsible Director: Nicola Ellis, Strategic Director, Chief Operating Officer, Corporate Services

1. Recommendation

1. That the Audit Committee consider the Housing Ombudsman Complaint Handling Code Self-Assessment as set out in Appendix A
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Wards Affected: All

2. H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
Building shared prosperity	Having effective systems in place to monitor feedback from residents enables opportunities to improve services for our residents' benefit.
Creating a compassionate council	Understanding difficulties our residents face in dealing with our services where residents are experiencing their most difficult circumstances or have complex needs
Doing things with residents, not to them	Learning from our residents' feedback enables us to ensure that we are delivering services that meet their needs.
Being ruthlessly financially efficient	Providing a service that meets residents needs provides value for money. Ensuring we learn from our mistakes and improve services accordingly is financially efficient.

Taking pride in H&F	Providing accessible and effective services to our residents and businesses makes Hammersmith and Fulham an attractive place to live work and do business in
Rising to the challenge of the climate and ecological emergency	A more efficient service increases the opportunity for digital delivery and better facilitates sustainable service delivery.

3. Summary

Each year the Council is required to publish a self-assessment against the Housing Ombudsman Complaint Handling Code and take it for discussion and approval at an appropriate governance board annually.

The Council's self-assessment was updated in September 2023 and is now coming to the Audit Committee for approval.

4. The Complaint Handling Code

The Housing Ombudsman's Complaint Handling Code was introduced as part of the Ombudsman's new powers in the revised Housing Ombudsman Scheme with taking effect from 1 April 2022. It sets out good practice to ensure social landlords respond to complaints effectively and fairly and to use the learning from complaints to make service improvements.

Key areas of the Code include:

- definition of a complaint
- providing easy access to the complaints procedure and ensuring residents are aware of it, including their right to access the Housing Ombudsman Service
- the structure of the complaint's procedure - only 2 stages necessary and clear times set out for responses
- ensuring fairness in complaint handling with a resident-focused process
- taking action to put things right and appropriate remedies
- creating a positive complaint handling culture through continuous learning and improvement
- demonstrating learning in annual reports
- annual self-assessment against the Code

Social landlords must carry out an annual assessment against the Code to ensure their complaint handling remains in line with its requirements and publish the results. Non-compliance could result in the Ombudsman issuing complaint handling failure orders. Guidance on these orders has also been reviewed and updated.

5. Hammersmith and Fulham's Self-Assessment

Hammersmith and Fulham has prioritised and focused considerable resources on improving complaint handling, especially around Housing Services.

The latest version is attached as Appendix A and sets out a positive picture of compliance with the code with some actions for further improvement. This reflects the changes and investment that have been made this year in improving complaint handling and resolution.

Over the past year, the Council's Corporate Complaints Policy has been reviewed and updated to ensure compliance with best practice and whole organisational focus has gone into performance monitoring and management of all stages of complaints with improvements in timeliness and compliance.

The central complaints function (Resident Experience Team) has strengthened operational grip, improved systems, processes and record keeping and a new dedicated Dispute Resolution Team has been established to co-ordinate all stage 2 and Ombudsman complaints relating to repairs, covering both the investigation and overseeing the full resolution of outstanding works/orders. This team is now beginning to take responsibility for stage 2 and Ombudsman complaints for wider housing services.

Training has been rolled out across Housing Services on both effective complaint handling, wider customer service skills and the importance of understanding and recording additional needs or vulnerabilities. External training for Complaint Handling will take place in the fourth quarter and will deliver a bespoke training course for all directorates linking to the new Joint Complaint Handling Code when it is published (expected early 2024).

The Council has also now launched feedback surveys linked to complaint responses and the Resident Experience Team is beginning to explore root cause analysis and organisational learning themes.

Work continues to improve core operational performance issues in Housing that are driving the volumes of complaints, in particular around repairs and the performance of contractors.

The Local Government and Social Care Ombudsman and the Housing Ombudsman have also launched a consultation on a new Joint Complaint Handling Code. Whilst this does not fundamentally change the expectations on Housing Ombudsman cases, it would, if implemented, lead to significant changes to the wider Corporate Complaints Policy for those complaints under the LGSCO remit. The Council is currently reviewing the proposed changes and drafting its response to the consultation.

The annual performance report for Housing Ombudsman complaints will be going to Cabinet in early 2024 for discussion.

The Audit Committee is asked to consider the Council's Self-Assessment attached as Appendix A.

Appendices:

Appendix A – Hammersmith and Fulham Complaint Handling Code Self-Assessment

Appendix A – Self-Assessment Form

This self-assessment form should be completed by the complaints officer and discussed at the landlord’s governing body annually.

Evidence should be included to support all statements with additional commentary, as necessary.

Explanations must also be provided where a mandatory ‘must’ requirement is not met to set out the rationale for the alternative approach adopted and why this delivers a better outcome.

Section 1 - Definition of a complaint

Mandatory ‘must’ requirements

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
1.2	<p>A complaint must be defined as:</p> <p><i>‘An expression of dissatisfaction, however made, about the standard of service, actions, or lack of action by the organisation, its own staff, or those acting on its behalf, affecting an individual resident or group of residents.’</i></p>	YES	<p>Hammersmith and Fulham Council has a formal complaints policy which covers corporate complaints and complaints relating to Adult Social Care and Children’s Services. The complaints policy can be found here Corporate Complaints Policy for Adults’ Services, Children’s Services and Formal Corporate Complaints May 2020 (lbhf.gov.uk)</p> <p>The policy is reviewed every three years, or sooner if there is a relevant change. This was last reviewed in December 2022 following our most recent self-assessment.</p> <p>The policy includes the following wording to define a complaint:</p> <p>“An expression of dissatisfaction, however made, about the standard of service, actions, or lack of action by our organisation, our staff, or those acting on our behalf, affecting an individual resident or group of residents.”</p>

			<p>A complaint submitted via a third party or representative will still be handled in line with our complaints policy.</p> <p>We will always manage expectations from the outset being clear where the desired outcome is unreasonable or unrealistic.</p>
1.3	The resident does not have to use the word 'complaint' for it to be treated as such. A complaint that is submitted via a third party or representative must still be handled in line with the landlord's complaints policy.	YES	<p>Complaints are accepted as a formal complaint even if the word 'complaint' is not used. They can be made via all channels including verbally on a call, face to face, online, by email and in any written communication.</p> <p>(Complaints Policy, pages 16 & 17 and Formal corporate complaints LBHF (London Borough of Hammersmith & Fulham) (London Borough of Hammersmith & Fulham) (London Borough of Hammersmith & Fulham))</p>
1.6	... if further enquiries are needed to resolve the matter, or if the resident requests it, the issue must be logged as a complaint.	YES	<p>We accept complaints from a third party and record this within the complaints handling system. These complaints are handled in the same way as complaints directly from a resident. (Complaints Policy, page 17)</p> <p>All complaints are logged via our case management system and assigned to an officer who will make further enquiries to investigate the complaint.</p>
1.7	A landlord must accept a complaint unless there is a valid reason not to do so.	YES	<p>Complaints are only refused by exception and for the reasons specified in the policy such as that the complaint is over 6 months old.</p> <p>We will always provide a detailed explanation setting out the reasons why the matter is not suitable for our complaints process and the right to escalate to the Housing Ombudsman.</p> <p>(Complaints Policy, page 10).</p>

1.8	A complaints policy must clearly set out the circumstances in which a matter will not be considered, and these circumstances should be fair and reasonable to residents.	YES	Our Complaints Policy details reasons that a complaint will not be considered. This includes where the complaint should be covered by another process (Complaints Policy, page 14 & 15).
1.9	If a landlord decides not to accept a complaint, a detailed explanation must be provided to the resident setting out the reasons why the matter is not suitable for the complaints process and the right to take that decision to the Ombudsman.	YES	Where a complaint is refused the response to the resident gives the reasons why and will give details of the route to take this to the Ombudsman.

Best practice 'should' requirements

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
1.4	Landlords should recognise the difference between a service request , where a resident may be unhappy with a situation that they wish to have rectified, and a complaint about the service they have/have not received.	YES	A complaint could be identified by triaging a service request. An explanation of the difference between a service request and a complaint is included in our policy. (Complaints Policy, page 14)
1.5	Survey feedback may not necessarily need to be treated as a complaint, though, where possible, the person completing the survey should be made aware of how they can pursue their dissatisfaction as a complaint if they wish to.	YES	If a comment in a survey constituted a complaint, we would refer the resident to the complaints process or the relevant process.

Section 2 - Accessibility and awareness

Mandatory 'must' requirements

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
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2.1	Landlords must make it easy for residents to complain by providing different channels through which residents can make a complaint such as in person, over the telephone, in writing, by email and digitally. While the Ombudsman recognises that it may not be feasible for a landlord to use all of the potential channels, there must be more than one route of access into the complaints system.	YES	As mentioned, and evidenced in section one, the Council has a broad range of access channels available to make a complaint. This includes our 'Contact us' web page which allows customers to make a complaint in different ways.
2.3	Landlords must make their complaint policy available in a clear and accessible format for all residents. This will detail the number of stages involved, what will happen at each stage and the timeframes for responding.	YES	The policy is published on our website and can be made available in other formats if requested. The website itself can be translated into other languages and offers a read aloud facility which can be used while browsing the complaints web pages, but this does not apply to linked documents such as the policy. Our website includes a page with information on accessibility and information on how residents can get support with accessibility of our website and our services. Accessibility statement LBHF
2.4	Landlord websites, if they exist, must include information on how to raise a complaint. The complaints policy and process must be easy to find on the website.	YES	The website includes dedicated pages relating to complaints Complaints and compliments LBHF This is accessible directly from our home page. LBHF London Borough of Hammersmith & Fulham LBHF.
2.5	Landlords must comply with the Equality Act 2010 and may need to adapt normal policies, procedures, or processes to accommodate an individual's needs. Landlords must satisfy themselves that their policy sets out how they will respond to reasonable adjustments requests in line with the Equality Act and that complaints handlers have had appropriate training to deal with such requests.	YES	In compliance with the Equalities Act, we adapt our procedures and policies to meet resident's needs and put in place reasonable adjustments. We ask about specific needs/ requirements on our self-service request form. Contact centres that fill out this self-service request form over the phone on behalf of residents also capture these needs. The completion of this information then enables an alert to be generated on the system for officers viewing the case. Home visits are arranged through our Tenancy Management Team where required. Safeguarding

		<p>processes are followed as appropriate and the Resident Experience Team liaise with relevant departments such as Adult Social Care and Children's Services.</p> <p>All housing staff have been briefed through a guidance note issued in March 2023, reminding them to record housing vulnerabilities on the housing system (Northgate). The briefing also included guidance on</p> <ul style="list-style-type: none"> • Learning from complaints and complaint escalation • Impact on residents' wellbeing • Poor customer experience • Potential breach of equalities legislation • Impact on the Housing Revenue Account <p>Staff delivering services and complaint handlers are reminded to check the relevant sections on the housing system to ensure services delivered consider any recorded vulnerabilities. In addition, consideration is given to the training needs of staff through complaint investigations and feedback.</p> <p>Other live projects delivering improvements to the way we record, use, and respond to residents with vulnerabilities include:</p> <ul style="list-style-type: none"> • Knowing our Residents project meetings, which includes a focus on how we record and use vulnerability data. • Updating the Council's Vulnerability Policy for housing concluded in August 2022, which includes reviewing the use of the terms vulnerability and vulnerable, process mapping resident journeys and the impact on the service offer for customers flagged as vulnerable. Processes relating to this
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			<p>are currently being reviewed again to ensure that they are in-line with best practice.</p> <ul style="list-style-type: none"> • Reviewing where vulnerability information is flagged on the housing system, integration of data streams from Housing, Adult Social Care and Public Health. • Identifying the statutory policy and partnership working context for the use of vulnerable flags for example working with Adult Social Care.
2.6	Landlords must publicise the complaints policy and process, the Complaint Handling Code and the Housing Ombudsman Scheme in leaflets, posters, newsletters, online and as part of regular correspondence with residents.	YES	We publicise online on our website and through publications. We have developed a poster that gives details on how to make a complaint, how to contact the Ombudsman and details of the Complaint Handling Code. We are displaying the poster on noticeboards across the estates and have it on our online noticeboard on the Get involved Hub - Talk To Us – LBHF Get Involved The engagement team is also taking the opportunity to cascade this information at various resident community events they attend.
2.7	Landlords must provide residents with contact information for the Ombudsman as part of its regular correspondence with residents.	YES	The complaints policy is included in acknowledgement letters/emails and formal responses, online and included in newsletters and other mailouts throughout the year.
2.8	Landlords must provide early advice to residents regarding their right to access the Housing Ombudsman Service throughout their complaint, not only when the landlord's complaints process is exhausted.	YES	Information on the resident's right to contact the Ombudsman service is provided throughout the resident's complaint. Details are included in the acknowledgement to the complaint and in the templates for complaint responses. Officers are instructed to include this information in interim complaint correspondence, for example when contacting residents to advise on extended timescales.

Best practice 'should' requirements

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
2.2	Where a landlord has set up channels to communicate with its residents via social media, then it should expect to receive complaints via those channels. Policies should contain details of the steps that will be taken when a complaint is received via social media and how confidentiality and privacy will be maintained.	YES	We do not promote social media as an effective mechanism to lodge complaints. However, we do get comments on social media that could be defined as complaints. If this happens the relevant details are passed to the service who will contact the resident directly to follow up. We do not engage in relation to specific cases via social media. This is referred to in our policy (<i>Complaints Policy, page 17</i>)

Section 3 - Complaint handling personnel

Mandatory 'must' requirements

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
3.1	Landlords must have a person or team assigned to take responsibility for complaint handling to ensure complaints receive the necessary attention, and that these are reported to the governing body. This Code will refer to that person or team as the "complaints officer."	YES	<p>The Council has a central team, the Resident Experience Team, that coordinate and report on complaint responses across the Council. All complaints come into this team and are allocated to the relevant departments for response. The team is part of Resident Services and is independent from Housing. The Ombudsman Link Officer is also part of this team and coordinates responses to the Ombudsman from relevant departments.</p> <p>A dedicated team has been established in housing, called the Dispute Resolution Team. This team work closely with the central Resident Experience Team to ensure complaints on housing matters are fully investigated and resolved and organisational learning captured.</p>
3.2	...the complaint handler appointed must have appropriate complaint handling skills and no conflicts of interest.	YES	As mentioned above our structure ensures no conflict of interest. All complaint handling staff are required to complete the Ombudsman on-line training and all the Resident Experience Team and Dispute Resolution Team

			<p>in Housing have completed this and provided their certificates to management. A training session was carried out at a Managers Forum in February 22 promoting this training so that managers across the Council can encourage their officers to attend in addition to dedicated complaints handling staff.</p> <p>Complaint handling is included in Corporate Induction training and Resident Experience Training across the Council. Further training and guidance for staff and managers is being developed and implementation will be aligned with the new joint complaint handling code and any amendments to our policy.</p>
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Best practice 'should' requirements

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
3.3	<p>Complaint handlers should:</p> <ul style="list-style-type: none"> • be able to act sensitively and fairly • be trained to handle complaints and deal with distressed and upset residents • have access to staff at all levels to facilitate quick resolution of complaints • have the authority and autonomy to act to resolve disputes quickly and fairly. 	YES	Recent training and quality assurance have supported improvement in this area.

Section 4 - Complaint handling principles

Mandatory 'must' requirements

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
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4.1	Any decision to try and resolve a concern must be taken in agreement with the resident and a landlord's audit trail/records should be able to demonstrate this. Landlords must ensure that efforts to resolve a resident's concerns do not obstruct access to the complaints procedure or result in any unreasonable delay. It is not appropriate to have extra named stages (such as 'stage 0' or 'pre-complaint stage') as this causes unnecessary confusion for residents. When a complaint is made, it must be acknowledged and logged at stage one of the complaints procedure within five days of receipt .	YES	Our Complaint's Policy does not include a stage 0 or pre-complaint stage. Our target for logging and acknowledging complaints is 2 working days and we are achieving this. We have completed analysis on this, and the majority are acknowledged on the same or next day.
4.2	Within the complaint acknowledgement, landlords must set out their understanding of the complaint and the outcomes the resident is seeking. If any aspect of the complaint is unclear, the resident must be asked for clarification and the full definition agreed between both parties.	YES	We are including a summary of the complaint in our acknowledgements. Where complaints are unclear, the Resident Experience Team/Dispute Resolution Team will contact the complainant. For all stage 2 complaints, the investigating officer makes contact with the complainant to discuss the complaint, communications preferences, and any outcomes they are seeking.
4.6	A complaint investigation must be conducted in an impartial manner.	YES	As mentioned in section 3 complaints relating to Housing are investigated and responded to by dedicated teams either within the Housing service (Dispute Resolution Team) or outside (Resident Experience Team). This ensures independence from the service delivery teams. The changes to structure will maintain this impartiality.
4.7	The complaint handler must: <ul style="list-style-type: none"> • deal with complaints on their merits • act independently and have an open mind • take measures to address any actual or perceived conflict of interest • consider all information and evidence carefully • keep the complaint confidential as far as possible, with information only disclosed if necessary to properly investigate the matter. 	YES	Our case management system includes all details on each case at every stage and contains a full audit trail. We implemented a new system in June 2021 and migrated data over to this system. The new system enables much more comprehensive record keeping. There is permission-based access structure and so confidentiality and security are maintained, and officers only have access to those cases relevant to their role.

4.11	Landlords must adhere to any reasonable arrangements agreed with residents in terms of frequency and method of communication	YES	<p>An area of improvement focus for us has been our communication with residents. To address this and to ensure that we are communicating with residents from the earliest possible stage, officers within Housing and within the Resident Experience Team are contacting residents by phone on receipt of their complaint (stage one and stage two), so they can ensure that they understand the reason for the resident's complaint, communications preferences and what the resident requires in terms of resolution.</p> <p>We are working with residents to agree a feedback mechanism and frequency on receipt of the case. Officers have been instructed to record details of all communication with the resident and with other officers on the case management system.</p>
4.12	<p>The resident, and if applicable any staff member who is the subject of the complaint, must also be given a fair chance to:</p> <ul style="list-style-type: none"> • set out their position • comment on any adverse findings before a final decision is made. 	YES	In addition to improving ongoing communication with our residents, we have also amended our complaint response templates to give the opportunity for the resident to come back to the complaint handler if they feel that anything has been missed or is inaccurate in the response without requiring them to escalate to the next stage.
4.13	A landlord must include in its complaints policy its timescales for a resident to request escalation of a complaint	YES	Residents are given 20 working days to escalate complaints from stage one to stage two and this is referred to in our policy. (Complaints Policy, page 12)
4.14	A landlord must not unreasonably refuse to escalate a complaint through all stages of the complaints procedure and must have clear and valid reasons for taking that course of action. Reasons for declining to escalate a complaint must be clearly set out in a landlord's complaints policy and must be the same as the reasons for not accepting a complaint.	YES	There are very few cases where escalation is refused and if we do the resident is advised of the reason. Our Complaints Policy details reasons that a complaint will not be considered. This includes where the complaint should be covered by another process (Complaints Policy, page 14 & 15).

4.15	A full record must be kept of the complaint, any review, and the outcomes at each stage. This must include the original complaint and the date received, all correspondence with the resident, correspondence with other parties and any reports or surveys prepared.	YES	<p>Our case management system includes all details on each case at every stage and contains a full audit trail. We implemented a new system in June 2021 and migrated data over to this system. The new system enables much more comprehensive record keeping.</p> <p>All records of complaints are logged on our systems and original documents are files in our electronic document management systems. Any reviews, outcomes or other relevant correspondence relating to the complaints are also logged and recorded against the cases.</p>
4.18	Landlords must have policies and procedures in place for managing unacceptable behaviour from residents and/or their representatives when pursuing a complaint.	YES	<p>We have a policy to deal with unacceptable behaviour from residents in pursuing complaints and this is published on our website. We use this policy when appropriate. Restrictions are time-limited and reviewed. We are currently reviewing the process supporting this policy to ensure that it links with policies in respect of employee and elected member health and safety. Hammersmith & Fulham Council Unreasonable or Vexatious Behaviour Policy April 2020 (lbhf.gov.uk)</p>

Best practice 'should' requirements

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
4.3	Landlords should manage residents' expectations from the outset, being clear where a desired outcome is unreasonable or unrealistic	YES	<p>This would be addressed in the triage process when telephoning the resident and acknowledged in complaint responses.</p> <p>As part of our improvement process, we will aim to contact the resident within 2 working days of the complaint being logged to talk through the complaint and agree the desired outcome</p>

4.4	A complaint should be resolved at the earliest possible opportunity, having assessed what evidence is needed to fully consider the issues, what outcome would resolve the matter for the resident and whether there are any urgent actions required.	YES	This is an area of focus for us and an area where we have delivered improvements. We aim to resolve the complaint at the earliest opportunity, and we have increased the number of complaints resolved at stage one and not escalating to stage two. We have experienced delays in response times in the past and we are addressing these and improving. We do have some complaints that take a long time to deliver full resolution due to the complexity of work involved but we are now closing these with an agreed schedule of work and monitoring this for delivery.
4.5	Landlords should give residents the opportunity to have a representative deal with their complaint on their behalf, and to be represented or accompanied at any meeting with the landlord where this is reasonable.	YES	Opportunity is available and we would ensure consent confirmed in writing and Power of Attorney provided if applicable
4.8	Where a key issue of a complaint relates to the parties' legal obligations landlords should clearly set out their understanding of the obligations of both parties.	YES	We involve our Legal Team in such matters to ensure that this is covered
4.9	Communication with the resident should not generally identify individual members of staff or contractors.	YES	We have delivered this instruction to our teams and addressed in training and are monitoring as part of quality assurance to ensure compliance.
4.10	Landlords should keep residents regularly updated about the progress of the investigation.	YES	This has been an area of focus for us, and we are communicating regularly with our residents on complaints including sending holding responses and agreeing with residents when we need to extend the timescale in line with the code.
4.16	Landlords should seek feedback from residents in relation to the landlord's complaint handling as part of the drive to encourage a positive complaint and learning culture.	Yes	We have recently implemented in November 2023 satisfaction and feedback surveys in relation to complaint handling for stage 1 and stage 2 complaints.
4.17	Landlords should recognise the impact that being complained about can have on future service delivery. Landlords should ensure that staff are supported and engaged in the complaints process, including the learning that can be gained	YES	Learning from complaints is a key focus for the Council and reasons from complaints are informing the Housing Improvement Plan. A wide group of staff from across the Council have been involved in supporting the service improvement and learning from complaints.

4.19	Any restrictions placed on a resident's contact due to unacceptable behaviour should be appropriate to their needs and should demonstrate regard for the provisions of the Equality Act 2010.	YES	Comprehensive policy in place and restrictions are applied only where appropriate and reviewed regularly.

Section 5 - Complaint stages

Mandatory 'must' requirements

Stage 1

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
5.1	Landlords must respond to the complaint within 10 working days of the complaint being logged. Exceptionally, landlords may provide an explanation to the resident containing a clear timeframe for when the response will be received. This should not exceed a further 10 days without good reason.	YES	<p>Following our self-assessment, completed in September 2022, we amended the policy to reflect the requirements of the Complaint Handling Code and the timescale is now 10 working days from receipt. This was amended in December, so it commenced from the start of quarter four. (Complaint Policy, page 11).</p> <p>As Housing Ombudsman determinations have identified, we have experienced delays with dealing with stage one complaints in respect of Repairs cases. This has been a key area of focus for us and at the end of July 91% of stage one complaints were responded to on time. Where a response could not be sent within the 10 days an extension of up to 10 days is applied but this is only where this is communicated with the resident. If a response cannot be determined within this period, then a further timescale will be agreed with the resident. As of the 1st October 2023 we have no stage 1 complaints overdue.</p> <p>We monitor this extremely closely through our system and all Housing services receive a report daily to identify</p>

			<p>cases that are overdue or are becoming overdue. Other services in the council receive this weekly.</p> <p>We report performance on the timeliness of complaint handling monthly to all services and their management and Strategic Directors and at the end of every quarter a report goes to our Strategic Leadership Team (SLT) Assurance meeting.</p>
5.5	<p>A complaint response must be sent to the resident when the answer to the complaint is known, not when the outstanding actions required to address the issue, are completed. Outstanding actions must still be tracked and actioned expeditiously with regular updates provided to the resident.</p>	YES	<p>Responses to Repairs complaints are sent within the agreed timescales and we share a plan of action once it is agreed with the resident. We continue to monitor any outstanding actions with the case officer being the single point of contact.</p> <p>Stage 2 cases with works outstanding are monitored by a closed stage 2 team through to completion. Residents have a named contact in the closed stage 2 team and contact is made within 5 working days. All stage 2 repair works are signed off by a surveyor.</p>
5.6	<p>Landlords must address all points raised in the complaint and provide clear reasons for any decisions, referencing the relevant policy, law, and good practice where appropriate.</p>	YES	<p>We have templates set up in our case management system that guide and prompt officers to ensure that all areas specified in the code are addressed.</p> <p>Stage one responses are reviewed by a senior officer before they are issued to ensure quality and to ensure that all the issues are addressed.</p>
5.8	<p>Landlords must confirm the following in writing to the resident at the completion of stage one in clear, plain language:</p> <ul style="list-style-type: none"> • the complaint stage • the decision on the complaint • the reasons for any decisions made • the details of any remedy offered to put things right • details of any outstanding actions • details of how to escalate the matter to stage two if the resident is not satisfied with the answer 	YES	<p>We have templates set up in our case management system that guide officers through each of the six stages to ensure that all areas specified in the code are addressed.</p> <p>Stage one responses are reviewed by a senior officer before they are issued to ensure quality and to ensure that all the issues are addressed. Feedback and regular training are now given to all officers.</p>

Stage 2

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
5.9	If all or part of the complaint is not resolved to the resident's satisfaction at stage one, it must be progressed to stage two of the landlord's procedure unless an exclusion ground now applies. In instances where a landlord declines to escalate a complaint it must clearly communicate in writing its reasons for not escalating as well as the resident's right to approach the Ombudsman about its decision.	YES	If we refuse escalation to stage two, we clearly communicate the reasons that the exclusion ground applies when we decline to escalate the complaint. There are very few that are excluded. We include the Housing Ombudsman details in the refusal letter.
5.10	On receipt of the escalation request, landlords must set out their understanding of issues outstanding and the outcomes the resident is seeking. If any aspect of the complaint is unclear, the resident must be asked for clarification and the full definition agreed between both parties.	YES	Our acknowledgement of all stage 2 complaints includes a summary of the issues and outcomes they are seeking. All stage 2 escalations are contacted by phone so that the scope of the complaint, communications preferences and the outcomes sought can be clarified.
5.11	Landlords must only escalate a complaint to stage two once it has completed stage one and at the request of the resident.	YES	The resident is given the opportunity to escalate following the response to the stage one complaint
5.12	The person considering the complaint at stage two, must not be the same person that considered the complaint at stage one.	YES	Stage two complaints are dealt with by a different officer than stage one complaints. These have been dealt with by our Resident Experience Team previously, but we are currently amending the structure for complaints handling and the stage two complaints will be dealt with in the service to enable less double handling and more capacity to ensure the complaint and associated repairs are managed closely until the resident is completely satisfied. Stage two complaints will still be dealt with by a separate team to the service delivery teams to maintain independence.

<p>5.13</p>	<p>Landlords must respond to the stage two complaint <u>within 20 working days</u> of the complaint being escalated. Exceptionally, landlords may provide an explanation to the resident containing a clear timeframe for when the response will be received. This should not exceed a further 10 days without good reason.</p>	<p>YES</p>	<p>Our complaints policy gives a timescale of 20 working days to respond to a stage two complaint. (<i>Complaint Policy, page 11</i>).</p> <p>We monitor response timescales extremely closely through our system and all Housing services receive a report daily to identify cases that are overdue or are becoming overdue. Other services in the council receive this weekly.</p> <p>We have set up a Housing Dispute Resolution Team and our process is designed to resolve complaints within the relevant timescales.</p> <p>As with stage one complaints, we report performance on the timeliness of complaint handling monthly to all services and their management and Strategic Directors and at the end of every quarter a report goes to our Strategic Leadership Team (SLT) Assurance meeting.</p>
<p>5.16</p>	<p>Landlords must confirm the following in writing to the resident at the completion of stage two in clear, plain language:</p> <ul style="list-style-type: none"> • the complaint stage • the complaint definition • the decision on the complaint • the reasons for any decisions made • the details of any remedy offered to put things right • details of any outstanding actions <p>and</p> <ul style="list-style-type: none"> • if the landlord has a third stage, details of how to escalate the matter to stage three • if this was the final stage, details of how to escalate the matter to the Housing Ombudsman Service if the resident remains dissatisfied. 	<p>YES</p>	<p>Our system has a template for stage 2 complaints, and this includes all areas required as specified in the code. This prompts officers to include the relevant information. All stage two response are checked for quality assurance prior to issuing.</p>

Stage 3

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
5.17	Two stage landlord complaint procedures are ideal. This ensures that the complaint process is not unduly long. If landlords strongly believe a third stage is necessary, they must set out their reasons for this as part of their self-assessment. A process with more than three stages is not acceptable under any circumstances.	YES	We do not have a third stage to our complaints process
5.20	Landlords must confirm the following in writing to the resident at the completion of stage three in clear, plain language: <ul style="list-style-type: none"> • the complaint stage • the complaint definition • the decision on the complaint • the reasons for any decisions made • the details of any remedy offered to put things right • details of any outstanding actions • details of how to escalate the matter to the Housing Ombudsman Service if the resident remains dissatisfied 	N/A	Not applicable

Best practice 'should' requirements**Stage 1**

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
5.2	If an extension beyond 20 working days is required to enable the landlord to respond to the complaint fully, this should be agreed by both parties.	YES	For any cases where we are unable to resolve within 10 working days or a subsequent 10-day extension, we are in communication with the resident to agree the timescales and to keep them updated on actions taken

5.3	Where agreement over an extension period cannot be reached, landlords should provide the Housing Ombudsman's contact details so the resident can challenge the landlord's plan for responding and/or the proposed timeliness of a landlord's response.	YES	Where agreement cannot be reached, we will provide the Housing Ombudsman contact details so the resident can challenge our plan and proposed timescales.
5.4	Where the problem is a recurring issue, the landlord should consider any older reports as part of the background to the complaint if this will help to resolve the issue for the resident.	YES	The housing and complaints team will always look to see what historical and relevant information is on the system to identify if it is a repeat problem and include this in the case file if it will help to resolve the case.
5.7	Where residents raise additional complaints during the investigation, these should be incorporated into the stage one response if they are relevant, and the stage one response has not been issued. Where the stage one response has been issued, or it would unreasonably delay the response, the complaint should be logged as a new complaint.	YES	As part of our procedures - we will always look to be efficient in providing response to complaints by aligning and bringing together all related complaints into a one comprehensive response. Where this is not possible and will cause significant delay – a new complaint will be logged

Stage 2

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
5.14	If an extension beyond 10 working days is required to enable the landlord to respond to the complaint fully, this should be agreed by both parties.	YES	For any cases where we are unable to resolve within 10 working days or a subsequent 10-day extension, we are in communication with the resident to agree the timescales and to keep them updated on actions taken
5.15	Where agreement over an extension period cannot be reached, landlords should provide the Housing Ombudsman's contact details so the resident can challenge the landlord's plan for responding and/or the proposed timeliness of a landlord's response	YES	Housing Ombudsman contact details are provided in all letters about complaints

Stage 3

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
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5.18	Complaints should only go to a third stage if the resident has actively requested a third stage review of their complaint. Where a third stage is in place and has been requested, landlords must respond to the stage three complaint within 20 working days of the complaint being escalated. Additional time will only be justified if related to convening a panel. An explanation and a date for when the stage three response will be received should be provided to the resident.	YES	We do not have a third stage. The Dispute, Support and Resolution Team are able to review closed cases at stage 2. This ensures that cases closed with a resolution being tracked can have a review on the current position and resolution where appropriate.
5.19	Where agreement over an extension period cannot be reached, landlords should provide the Housing Ombudsman's contact details so the resident can challenge the landlord's plan for responding and/or the proposed timeliness of a landlord's response.	YES	Housing Ombudsman contact details are provided in all letters about complaints.

Section 6 - Putting things right

Mandatory 'must' requirements

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
6.1	Effective dispute resolution requires a process designed to resolve complaints. Where something has gone wrong a landlord must acknowledge this and set out the actions it has already taken, or intends to take, to put things right.	YES	We have set up a Dispute Resolution Team and our process is designed to resolve complaints. Where we get things wrong, we do apologise, often face to face, and offer compensation and seek to quickly rectify the issues working with the resident to agree outcomes. The team then track that through to completion
6.2	Any remedy offered must reflect the extent of any service failures and the level of detriment caused to the resident as a result. A landlord must carefully manage the expectations of residents and not promise anything that cannot be delivered or would cause unfairness to other residents.	YES	We have guidelines in place on compensation and remedies following Ombudsman recommendations. We also cover this in training and use responsibilities under the tenancy agreement as a guide.
6.5	The remedy offer must clearly set out what will happen and by when, in agreement with the resident where appropriate. Any remedy proposed must be followed through to completion.	YES	In most cases complaints are in respect of repairs and our responses will include appointments or in some cases a schedule of works which will give details of timescales. We have made significant improvements in following up on repairs after closure of the stage two complaints. In February 2023 we created a new team to

			do this. When a complaint is closed, it is passed to this team and the resident is advised that an officer will contact them in five working days. The resident then receives a call from their point of contact and this person monitors the repair position and maintains regular contact with the resident and the contractor to ensure completion. On completion of the repair a surveyor who is linked to this new team will carry out a post repair inspection so we can be sure that everything has been concluded and the resident is fully satisfied. This approach is having a positive impact and will deliver improvements for our residents.
6.6	In awarding compensation, a landlord must consider whether any statutory payments are due, if any quantifiable losses have been incurred, the time and trouble a resident has been put to as well as any distress and inconvenience caused.	YES	Included in our compensation policy and follow Ombudsman guidelines on compensation

Best practice 'should' requirements

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
6.3	Landlords should look beyond the circumstances of the individual complaint and consider whether anything needs to be 'put right' in terms of process or systems to the benefit of all residents.	YES	We have gained significant learning from our complaints which we have used to inform our Housing Service Improvement Plan
6.7	In some cases, a resident may have a legal entitlement to redress. The landlord should still offer a resolution where possible, obtaining legal advice as to how any offer of resolution should be worded.	YES	We work closely with our Legal Team

Section 7 - Continuous learning and improvement

Mandatory 'must' requirements

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
7.2	Accountability and transparency are integral to a positive complaint handling culture. Landlords must report back on wider learning and improvements from complaints in their annual report and more frequently to their residents, staff, and scrutiny panels.	YES	<p>Information on performance in terms of timeliness and the number of complaints upheld is reported to services monthly and reported to Strategic Leadership Team (SLT) quarterly. Quarterly performance in respect of Ombudsman cases is provided to SLT and they also receive reports on the annual performance data and the annual letter from the Local Government and Social Care Ombudsman.</p> <p>Complaint handling is reported to members quarterly as part of our performance reporting (Evidence 7.2 Quarterly performance report to PC (Political Cabinet)). An annual report on ombudsman performance went to Audit Committee in September 2022 which included the LGSCO (Local Government and Social Care Ombudsman) annual letter and information on Housing Ombudsman maladministration findings. In addition, In February 23 the Housing Ombudsman annual data was reported. A further report on the Housing Ombudsman Annual final report will be shared wider internally in Q3 23/24.</p> <p>A performance dashboard of key housing indicators including complaint data is being developed jointly with the Housing Representatives forum. This is being considered by our Divisional Management Team and we are hoping this will be signed off when ready. This information will be in addition to the Tenant Satisfaction Surveys (TSM) that we are obliged to submit from April 2024 as part of the Social Housing Act requirements. The TSM (Tenant Satisfaction Measures) requires data on complaints as well. With regards to the lessons learnt and improvements, this will be now</p>

			captured as part of the Director's update report which is now a standard item at Representatives Forum meetings as well. Jointly with the resident group we are reviewing their Forward Plan - and have included an annual report – which will incorporate feedback on complaints and lessons learnt. We are also looking how all this information can also be cascaded to the smaller TRA's that currently exist.
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Best practice 'should' requirements

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
7.3	A member of the governing body should be appointed to have lead responsibility for complaints to support a positive complaint handling culture. This role will be responsible for ensuring the governing body receives regular information on complaints that provides insight to the governing body on the landlord's complaint handling performance.	YES	We have a member of our Strategic Leadership Team who is responsible for complaints across the Council and a lead member for complaints but given the focus on Housing complaints the Lead Member for Housing has been heavily involved in complaints performance
7.4	As a minimum, governing bodies should receive: <ul style="list-style-type: none"> • Regular updates on the volume, categories, and outcome of complaints, alongside complaint handling performance including compliance with the Ombudsman's orders • Regular reviews of issues and trends arising from complaint handling, • The annual performance report produced by the Ombudsman, where applicable • Individual complaint outcomes where necessary, including where the Ombudsman made findings of severe maladministration or referrals to regulatory bodies. The implementation of management responses should be tracked to ensure they are delivered to agreed timescales. The annual self-assessment against the Complaint Handling Code for scrutiny and challenge. 	YES	See response to 7.2

7.5	Any themes or trends should be assessed by senior management to identify potential systemic issues, serious risks or policies and procedures that require revision. They should also be used to inform staff and contractor training.	YES	<p>To promote a positive complaint handling culture, ongoing training and coaching is provided to complaint handlers, for all stages of complaints. In March 2022, all customer service advisors were re-trained. An aspect of that training included in-depth needs analysis with improved repair diagnostic questions and an emphasis on the importance of recording in-depth repair job descriptions. Additional training has been delivered in July 2023 on the following: -</p> <ul style="list-style-type: none"> • The importance of communicating with residents, focusing on honesty, openness, and transparency. • Identifying vulnerabilities and flagging them so they can be acted upon, to the whole of the Resident Experience Team. • Professional and consistent recording keeping, and updates provide an auditable trail of the case being handled. • Supporting our advisors on ‘how to manage challenging calls with confidence’ and ‘empathy’ training. • How to use and maintain the data on our housing management system, to ensure that the data we hold on to our residents/repairs is clean, up-to-date and fit-for-purpose. <p>A Housing Ombudsman learning course, which was completed by Stage 2 Investigation Officers in September 2022. This was completed by the whole of the Resident Experience Team by 31 May 2023.</p>
7.6	<p>Landlords should have a standard objective in relation to complaint handling for all employees that reflects the need to:</p> <ul style="list-style-type: none"> • have a collaborative and co-operative approach towards resolving complaints, working with colleagues across teams and departments. • take collective responsibility for any shortfalls identified through complaints rather than blaming others. 	YES	<p>Our revised performance management framework monitors complaints handling. In addition, as part of our revised performance management arrangements we will be embedding a culture where teams have an objective to improve our customers experience with specific attention on management of complaints. As part of the Service Improvement plan, we are working</p>

	<ul style="list-style-type: none"> act within the Professional Standards for engaging with complaints as set by the Chartered Institute of Housing. 		<p>collaboratively towards resolving complaints, working with colleagues across teams and departments. We are solution focussed and regularly share lessons learnt through complaints so colleagues can learn from mistakes rather than blaming others. The Professional Standards for engaging with complaints as set by the Chartered Institute of Housing form part of our training plan.</p>
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Section 8 - Self-assessment and compliance

Mandatory 'must' requirements

Code section	Code requirement	Comply: Yes/No	Evidence, commentary, and any explanations
8.1	Landlords must carry out an annual self-assessment against the Code to ensure their complaint handling remains in line with its requirements.	YES	<p>The Council completed a self- assessment against the updated code in September 2022 and then revised this in December 2022 following delivery of action to ensure further compliance.</p> <p>A further review of this self-assessment was completed in September 2023. We plan to publish this on our website in quarter 3.</p> <p>The self-assessment prior to this one was reported to Cabinet in February 2023 and also referred to and a link included in our Annual Governance Statement.</p>
8.2	Landlords must also carry out a self-assessment following a significant restructure and/or change in procedures.	YES	This reviewed self-assessment is in response to changes that have been made.
8.3	<p>Following each self-assessment, a landlord must:</p> <ul style="list-style-type: none"> report the outcome of their self-assessment to their governing body. In the case of local authorities, self- 	YES	Following this review and the completion of work on restructuring the Housing Service and the approach to

	<p>assessment outcomes should be reported to elected members</p> <ul style="list-style-type: none"> • publish the outcome of their assessment on their website if they have one, or otherwise make accessible to residents • include the self-assessment in their annual report section on complaints handling performance 		<p>complaint handling, this self-assessment will be finalised and reported to members and published.</p>
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Agenda Item 8

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 27/11/2023

Subject: Risk Management Update

Report of: Director of Audit, Risk, Fraud and Insurance

SUMMARY

The purpose of this report is to provide members of the Audit Committee with an update on risk management across the Council.

RECOMMENDATION

For the Committee to review, note and comment on the report.

Wards Affected: None

H&F Values	Summary of how this report aligns to the H&F Values
<ul style="list-style-type: none">• Building shared prosperity	<i>Good risk management helps to: maintain and promote the Council's reputation;</i>
<ul style="list-style-type: none">• Creating a compassionate council	<i>Is an enabling tool to help protect residents and staff including some of the most vulnerable in society;</i>
<ul style="list-style-type: none">• Doing things with local residents, not to them	<i>Place people, businesses and the wider community at the heart of everything we do;</i>
<ul style="list-style-type: none">• Being ruthlessly financially efficient	<i>Ensure robust financial and information management and supports internal control, opportunity and innovation;</i>
<ul style="list-style-type: none">• Taking pride in H&F	<i>Protect valuable assets and the built and natural environment.</i>
<ul style="list-style-type: none">• Rising to the challenge of the climate and ecological emergency	<i>Enabling an approach to climate-sensitive decision making</i>

Financial Impact

The current and future context for local government represents a significant risk to the council with the ongoing challenge of delivering services and increased demand with reduced funding levels. This is further impacted by wider economic factors leading to rising costs, inflation and further cuts expected in public spending. This has seen the Council incur additional expenditure whilst at the same time seeing reductions in the level of resources available through a combination of lower income levels and inherent demographic/legislative pressures.

There are no specific financial implications arising from this report. Services are expected to manage their risks within current budgets. Where additional funds are required to mitigate or manage risks, separate decisions reports will be required for the approval of unbudgeted expenditure. The council holds a corporate contingency budget and adequate levels of reserves to enable it to manage unforeseen costs.

A standing corporate risk, Financial Management of in-year budget and Medium-Term Planning, identifies the risks to balancing the budget in response to continued government funding and demand pressures faced by the Council and the sector more generally and is assessed as high risk. The in-year position is reported in the Corporate Revenue Monitor to Cabinet and includes financial risks. Other corporate risks also identify financial pressures arising from demand and complexity of service provision which need to be managed.

Comments verified by Sukvinder Kalsi, Director of Finance, 16 November 2023

Legal implications

There are no particular legal implications arising from this report.

Comments verified by Grant Deg, Assistant Director of Legal Services, 16 November 2023

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Background

1. To achieve the ambitions, outcomes and priorities set out in our Business Plan, it is essential that we continue to understand, manage and communicate the diverse range of risks and challenges that could threaten the organisation and vital services. Risks originate from a variety of sources, many of which are out of our direct control for example global events such as the coronavirus pandemic, the Russian invasion of Ukraine, Brexit, economic or market shocks, austerity or from climate change. More localised incidents can impact on residents, individuals, services and infrastructure.

2. It is paramount that all risks are clearly identified, managed and reported through the relevant channel. Risks can never be eliminated entirely but proportionate and targeted action can be taken to reduce risks to an acceptable level. Furthermore, the work of the Council's Policy and Accountability Committees is acknowledged as a source of robust and additional assurance for the management of risk across its services.
3. Effective governance and management of risks are particularly significant as funding for local government has diminished authorities' objectives and are becoming increasingly fundamental and relate, for instance, to continuing to meet statutory service obligations. Arrangements must therefore be effective in a riskier, more time-pressured and less well-resourced context.
4. Local authorities are required to maintain a sound system of internal control, including risk management, internal audit, and whistleblowing arrangements. Risk management is the application of Council strategies, governance, policies and processes to identify and manage risks that are unacceptable to the Council. Managing risk processes effectively enables the Council to safeguard against potential threats and take advantage of potential opportunities to improve services whilst continuing to provide better value for money for residents, visitors, local businesses and service users.
5. The Council is accountable to the public for its performance and financial management. This means that the Council naturally has a low appetite for risk, however as financial challenges continue the Council will need to take carefully considered risks to develop new and innovative ways to deliver services, support communities and ensure the long-term wellbeing of communities is not impaired by decisions made in the short term. This makes good risk management essential.
6. As part of its governance arrangements, the Council's approach to risk management requires Directors, managers and staff, through their departmental Senior Management Teams to: identify risks; assess the risk; agree and take action to manage the risk; and monitor, review and escalate risks.
7. The Council has robust risk management arrangements in place which feed into the Corporate Risk Register, which is set out in Appendix 1. This register contains the most significant cross-cutting risks that could impact on the outcomes that are set out in the Council's priorities. These risks can be internal or external facing. The Corporate Risk Register is reviewed on a regular basis by the Council's Strategic Leadership Team (SLT) and then presented to the Audit Committee.
8. Internal risks relate to the organisation itself and cover areas such as programmes, workforce, business continuity, safety or technology. External risks are those that can affect the local area, its people, communities, businesses and infrastructure where the Council often has a role, in partnership, to mitigate them.
9. Officers continue to review and assess the impact of and implications for residents and the Council from the events in Ukraine. This includes ensuring that risks relating to the supply chain/contracts and cyber security are being appropriately and

robustly mitigated and where support is needed for those residents with families in Ukraine and neighbouring countries.

10. This report provides the Committee with an updated Corporate Risk Register, presenting a suite of risks as reviewed by SLT.

Changes made since July

11. SLT members and Risk Owners have reviewed the Corporate Risk Register and agreed a number of changes which are reflected in the updated Risk Register provided in Appendix 1.
12. A number of risks continue to recognise the significant economic uncertainty, particularly in respect of the continuing high level inflation and with recent increases in interest rates, alongside uncertainty on future funding for local authorities beyond 2024/25.
13. SLT Assurance reviewed the Corporate Risk Register again on 1 November 2023, with the following changes being made:

Reduction in risk score

- Risk 6 (*Standards and delivery of care, protection of children and adults and associated data quality and information risks*) has been reduced due to a number of factors including the ongoing recognition from Ofsted of the effective support for vulnerable children through various inspections.
- Risk 16 (*High needs budget pressure continues, impacting on provision of services for vulnerable young residents*) has been reduced as planned savings are on track to be delivered and the growth in SEND provision is in line with the service forecast.

Amended risk narrative

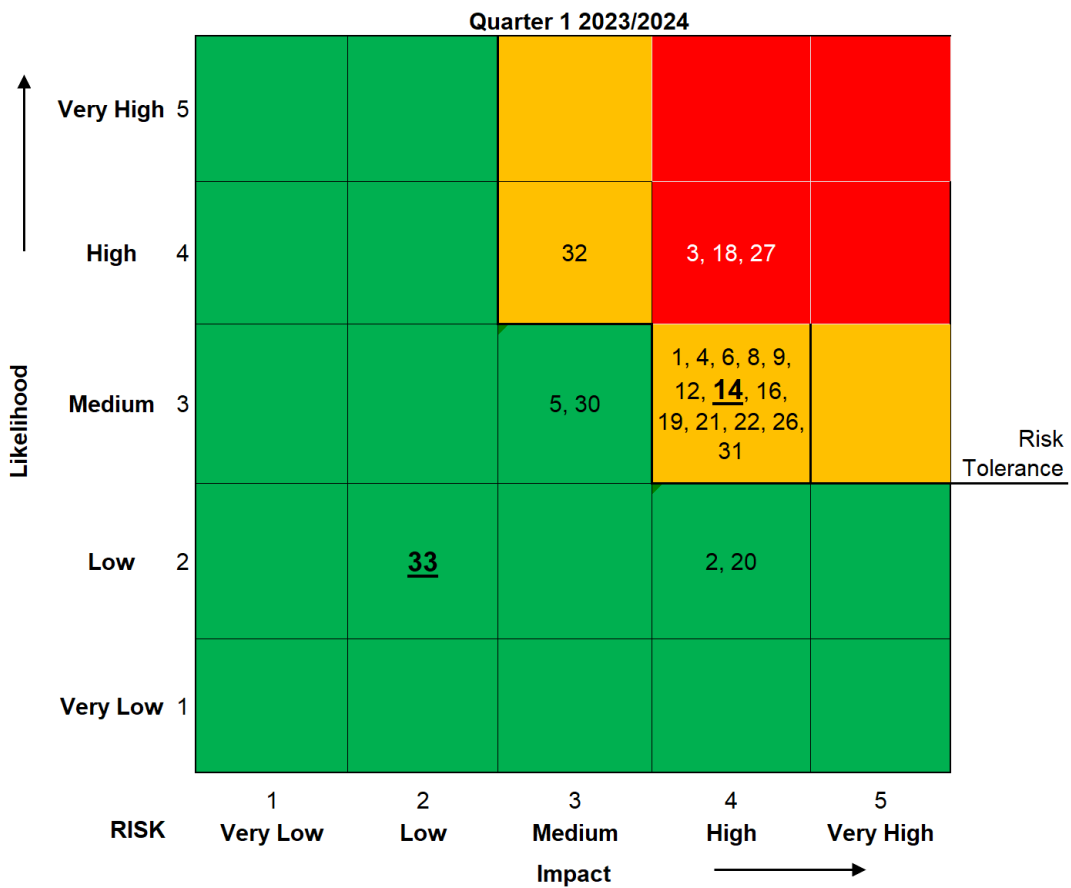
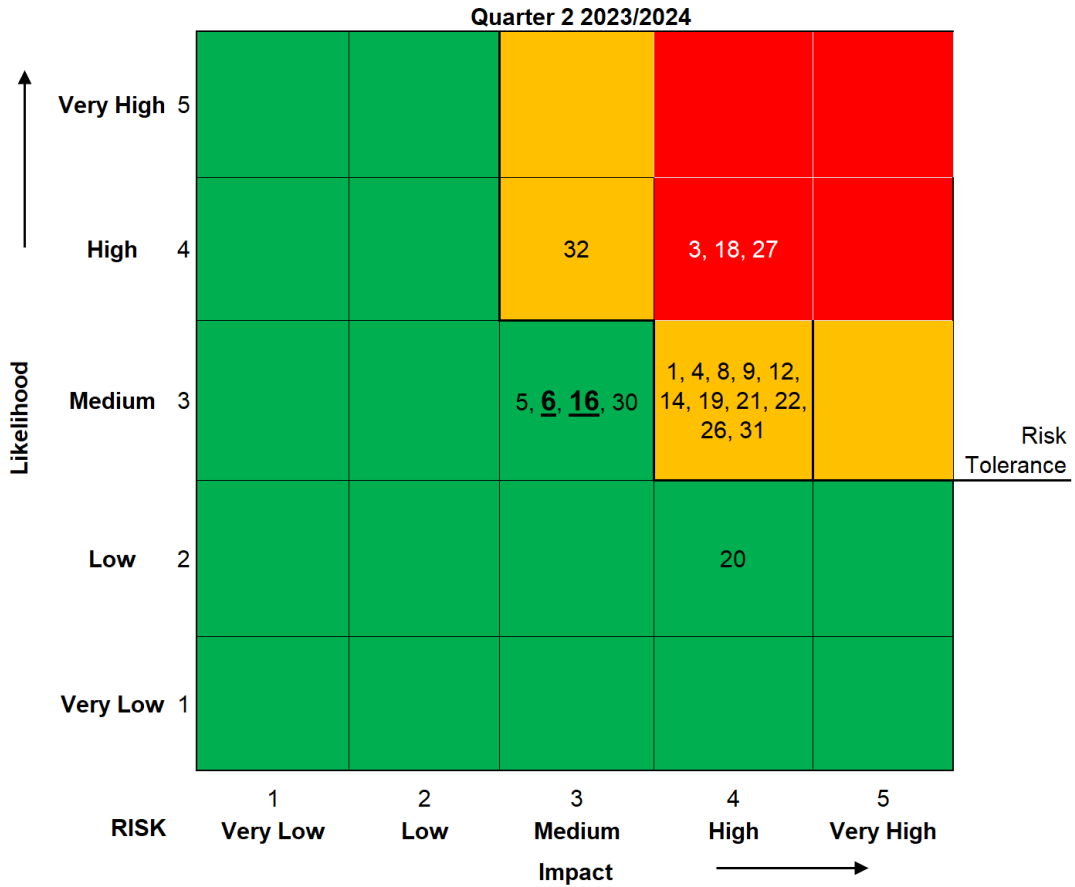
- Risks 18 (*Management of complaints, requests for information, members enquiries*) and 27 (*Repair system and contractor management not delivering performance at the required levels*) recognise the ongoing corporate focus in delivering sustained performance improvements in repairs and complaints in housing.
- Risk 9 (*Failure to ensure compliance with the statutory duties to undertake inspection regimes covering management of asbestos, electrical testing, fire risk, plant and equipment, water testing/Legionella*) confirms that all housing High Rise Buildings were registered with the Building Safety Regulator by the end of September and that no issues regarding Reinforce Autoclaved Aerated Concrete have been identified to date, with a programme of structural surveys being undertaken.

14. No new risks have been added to the register or closed since July 2023.

Corporate risk register – heat map

15. The Corporate Risk Register is set out in Appendix 1 and summarised in the following Heat Map as at Quarter 2 for 2023/24, with the Heat Map for Quarter 1 for 2023/24 provided for comparison. Risks which have been subject to change since the Quarter 1 2023/23 Risk Register which was reported to the Committee in July 2023 are shown in the larger bold underlined type:

OVERVIEW RISK HEAT MAP



Risk appetite

16. The Council remains accountable to the public for its performance and financial management. This means that the Council naturally has a low appetite for risk, however with the ongoing challenges faced by the Council, there is a need to continue to develop new and innovative ways to continue to deliver services, support and ensure the long-term wellbeing of communities is not impaired by decisions made in the short term. This makes good risk management essential.
17. The ongoing situation in Ukraine continues to impact on the cost of domestic and business energy costs and fuel costs for activities such as transport and heating. While there has been a slight reduction in costs over the past few months (still at much higher levels than two years ago) it is anticipated that energy costs will rise again later in the year. Inflation is still at a very high level and interest rates have increased significantly over the past 12 months. The cost of living crisis is also likely lead to increased demand for services where residents will need more support.
18. These factors impact on the Council in a number of ways including its staffing costs (including the level of pay awards), the cost of borrowing (particularly where it is needed for ongoing/planned capital works), cost pressures on contractors providing Council services (staffing, fuel, materials). The impact will also be felt by partner organisations (such as schools and the voluntary and community sector, where officers will closely monitor the impact and consider any support the Council will be able to provide.
19. A key concern for the Council is the impact that the cost of living crisis being experienced by residents through inflation and rising energy costs as well as the ongoing economic uncertainty (including the potential for rising unemployment). A [range of support measures](#) are being offered to residents and officers will continue to assess the situation and consider what further actions can be taken.
20. These and other factors are kept under regular review by SLT. This is done to ensure that ongoing impacts are recognised and appropriate mitigations put in place to protect Council services and local residents.
21. This report provides assurance on the Council's corporate risk management arrangements, explaining the internal control arrangements in place at a strategic level. It provides one of the sources of assurance the Committee can consider when approving the Annual Governance Statement. It also enables the Committee to fulfil its roles under the Committee's Terms of Reference to review the adequacy of Council's Corporate Governance arrangements, including matters such as internal control and risk management.

Conclusions

22. Local authorities will continue to face significant pressures over the coming months, with the prospect of further reductions in public spending, combined with external economic pressures and concurrent demand led pressures. Council officers and services continue to respond with partners to changing circumstances at pace, interpreting and implementing new guidance and regulations as they arise.

LIST OF APPENDICES

Appendix 1 – Corporate Risk Register

Appendix 1 - Corporate Risk Register – October 2023

Council Priority	Risk	Risk No.	Q1 23/24 Likelihood	Q1 23/24 Impact	Q2 23/24 Likelihood	Q2 23/24 Impact	Current position	Residual Exposure	Status	Lead Director/ Risk Owner
Being ruthlessly financially efficient	Commercial, contract management and procurement risks, rules, outcomes, social value, management of spend and contractor performance management.	1	3	4	3	4	<p>The Council has a well-established Corporate Procurement Team. The Contracts Assurance Board meets weekly to ensure governance compliance, consider new future procurement legislation, the major medium-term procurements that are in progress and to update our policies e.g., Social Value Policy, as necessary.</p> <p>Under the IT system category procurement portal, Digital Services supports departments through the procurement process with Strategic Relationship Managers and project delivery team – however, these are project delivery experts and not procurement experts. The current model – where services are meant to nominate a business lead for their digital and IT contracts – is under-resourced and will be reviewed. With the new Public Sector Procurement Bill coming into effect from October 2024, there is an increased risk that the lack of resourcing around digital and IT procurement could lead to procurement failure and/or an inability to secure the best value for the contract. There is also a significant cybersecurity risk if adequate resourcing is not in place to ensure suppliers are properly assessed and monitored throughout the lifetime of a contract. A robust process to comply with standing orders exists as well as fortnightly contract monitoring process.</p> <p>The Assistant Director Procurement and Commercial is leading on a number of workstreams including Category Management (shared with SLT), Sourcing Strategy agreed at Cabinet, refresher training on procurement/evaluation of social value and progressing the operational delivery plans.</p> <p>A Forward Plan was also recently considered by SLT, and further work is required by departments to refine their forward planning processes.</p> <p>The Council is also refreshing the reporting of performance against the main contracts, with a view to preparing for the new procurement regulations focus on performance.</p>	M	Stable	Sukvinder Kalsi
Being ruthlessly financially efficient	Failure to maintain services to residents in the event of IT systems being compromised and affecting service resilience.	3	4	4	4	4	<p>The Council continues to monitor and mitigate external risks which may affect its IT systems, including attempts to breach our network through cyber-attacks, on-going security patching, the robustness of our supplier chain and overall disaster recovery provision against a backdrop of increasing costs. Digital services held mitigation workshops with service leads to provide advice and prompt consideration of alternative options actions to take in the event of IT systems being unavailable. This will both inform Digital Services' disaster recovery plans and assist services to update business continuity plans where appropriate.</p> <p>Digital Services has enhanced its email security, improving the filtering and monitoring of traffic from devices to prevent phishing attacks and malware contained within email which may result in user credentials becoming compromised. Digital Services are strengthening the security of shared tenancy data through standardising H&F, RBKC and WCC policies and controls to reduce the risk that a compromise of one boroughs data could affect all. Internal Audit continue to provide assurance in this area, with the most recent audit report dated September 2022 on Ransomware Prevention finding the councils controls for an attack as providing 'satisfactory assurance'.</p> <p>In Feb 2023 Digital Services participated in an expert led cyber security workshop and will be working through the key recommendations of the Cyber Treatment Plan to identify opportunities to improve the security of our systems further. Digital Services are seeking assurances from third parties who provide/support multiple systems and platforms for the Council that they have adequate cyber security arrangements in place to mitigate the potential for loss of services provided.</p>	H	Stable	Nicola Ellis
Being ruthlessly financially efficient	Information management and digital continuity, regulations, legislation, and compliance.	4	3	4	3	4	<p>The nature of the Council's business activities means that there are ongoing information governance risks, including network security, which continue to be managed. These risks are managed through a range of organisational measures including Information Management (IM) & Information security (IS) mandatory training, maintenance of policies, guidance documents, standards, and codes of practice. The Council deploys technical measures to protect its network and infrastructure.</p> <p>The Council continues to monitor the regulatory environment to ensure continued compliance with information governance obligations. Digital services engaged with services across the council to update H&F's Information Asset in 2021 and procured a software solution to enable the maintenance of H&F's asset register in 2022 leading to improved compliance with information assets laws and quicker identification, assessment, and mitigation of information related risks. work has begun in 2023 to improve the quality of data in the system working alongside service area contacts. In partnership with other London Boroughs and the London Office of Technology and Innovation (LOTI) H&F has documented data sharing agreements with the Police, Probation Service, Health Service, and other partners to support the lawful sharing of personal data in an efficient way. Digital Services has recruited to its new target operating model, and recruitment of a Senior Information Security Officer has taken place to support delivery of our Cyber Treatment Plan.</p>	M	Stable	Nicola Ellis
Creating a compassionate council	Managing statutory duties, equalities, human rights, duty of care regulations, highways. * Health and Safety moved to new Risk 32	5	3	3	3	3	<p>The Chief Executive chairs the Statutory Accountabilities Board, whose membership includes the Monitoring Officer (Director of Resources), Section 151 Officer (Director of Finance), Director of Children's Services, Director of Social Care and Director of Public Health. The remit of the Board is to review and consider the Council's compliance with its statutory duties.</p> <p>The potential for ongoing changes in the regulatory environment post-Brexit is kept under review, with reporting taking place to SLT and Finance PAC.</p>	M	Stable	All SLT Members

Appendix 1 - Corporate Risk Register – October 2023

<p>Creating a compassionate council</p>	<p>i) Standards and delivery of care, protection of children and adults and associated data quality and information risks. ii) Reliance on external assurance providers and providers to identify and communicate issues arising from inspections e.g., Ofsted and Care Quality Commission</p>	<p>6</p>	<p>3</p>	<p>4</p>	<p>3</p>	<p>3</p>	<p><u>Children's Services</u> Ofsted: Our Annual Assurance conversation with Ofsted recognised our effective support for vulnerable children evidenced through the range of previous inspection activity and further evidence through our annual self- assessment. QA programme: Practice week completed recently in October, analysis in process. HMIP: July 2022 inspection rated the YJS outstanding. No further inspection expected for 2-3 years. Corporate BI - Continued focus on data requirements for the SEND Inspection Framework and on completion of CYPS statutory returns. School Improvement Team: 100% of schools are rated good or outstanding. SEND Inspection: SEF has been updated and shared with stakeholders. Inspection prep group has been meeting regularly in ensure plans are in place. Recent QA processes are also being honed to focus on inspection readiness.</p> <p><u>Adult Social Care</u> ASC commissioning work closely with commissioned providers to manage risk through regular and focused contract monitoring meetings. Contract monitoring meeting will now include an agenda focussed on what resident have said about services and what providers are doing to address these issues. For homecare providers, weekly SITREP meeting are held and commissioning in liaison with our Quality Assurance Leas also carry out regular visit to provider locations and carry out quality checks in resident's own homes. Quality Lead are focused on understanding home care provider systems and processes to suggest improvements have been assigned to each main homecare provider. For our four nursing homes focussed, monthly Joint Operational Group meetings involving the provider, health, GPs, and H&F are held to support the entire health and social care system and hospital discharge pathway. Three out of four care homes are now rated as Care Quality Commission – Good. This is a significant improvement in quality and demonstrates the work that has gone into improve standards. Where providers evidence consistent poor performance contractual sanctions are considered, and performance improvement plans put in place to support improvements and keep our residents safe. This feeds into discussions that take place at as monthly ASC Care Governance & Quality Assurance Board. The board meets to share, discuss, and agree actions in relation to information received both internally and externally regarding providers of services. Monthly forums with all providers are in place. The Strategic Director also chairs a six-weekly CQC area leads meeting where all parties are keeping abreast on quality of care issues with regulated care providers. The cost of living crisis will have a potential impact on the care market as some providers may be forced to close. Shepherd's Bush Housing Group divestment is still ongoing but has been managed corporately. Discussions are ongoing between children's, adults, economy, Housing and property about how to best adapt and use council assets to meet needs and ensure more stable local provision is available going forward. Children services and community safety have purchased a number of the shepherds bush housing group properties, and this has lowered risks. Notting Hill Genesis services have been sold and novated over to Housing 21 who are keen to work with the council moving forward. Adult social care is developing a positive and constructive partnership with Housing 21.</p>	<p>M</p>	<p>Reduced</p>	<p>Jacqui McShannon/ Linda Jackson</p>
<p>Being ruthlessly financially efficient</p>	<p>Failure to identify and address internal and external fraud.</p>	<p>8</p>	<p>3</p>	<p>4</p>	<p>3</p>	<p>4</p>	<p>Policies are reviewed bi-annually at SLT Assurance and the Audit Committee. Refreshed Fraud Response Plan, Anti-Money Laundering and Bribery Policies have been reviewed and were presented to the Audit Committee in June 2021. The Council's Anti-Fraud and Corruption Strategy spans 2020-2023 and contains an action plan to provide SLT with a tool to ensure progress and transparency regarding counter-fraud activities. Performance is reported to both the Audit Committee and SLT to demonstrate how counter fraud work aligns with the Strategy and contributes to the Council's overall fraud resilience. Reporting also identifies emerging fraud risks and proposed mitigations. Fraud Awareness training is available on the Learning Platform to all staff and a bespoke course was assigned to staff in the Social Care department. The Council has joined the London Fraud Hub which matches a number of data sets across councils in London to highlight potential fraud cases for investigation.</p>	<p>M</p>	<p>Stable</p>	<p>David Hughes</p>
<p>Taking Pride in Hammersmith & Fulham, doing things with, not to residents</p>	<p>Failure to ensure compliance with the statutory duties to undertake inspection regimes covering management of asbestos, electrical testing, fire risk, plant and equipment, water testing/Legionella.</p>	<p>9</p>	<p>3</p>	<p>4</p>	<p>3</p>	<p>4</p>	<p>Corporate property remains compliant with 90% compliant score over the last three years and completion of recommended remedials within the reports. Internal audit review is currently underway to assure FM's compliance and repairs practice. Housing stock remains compliant across key areas - gas, electrical safety, water, gas, asbestos, and fire – monthly rolling monitoring programme in place. Risk based assessment in place for 19 buildings over 18+ metres with combustible spandrels/infill panels. Data uploaded to LFB portal. New Fire Safety Regulations came into force 23 Jan 23; systems in place, reporting will be via monthly compliance-based report. The Building Safety Act requires all buildings over 18 metres must be registered with the new regulator by 30 September; all Housing's 49 High Rise Buildings have been registered. Compliance based capital works, including fire door upgrades, sprinkler installation, wet riser installation etc continues including tower blocks at Edward Woods and Charecroft. Fire Risk Assessments (FRAs) are undertaken in line with fire safety management system. The resulting actions (1,815), which fluctuate as new FRAs are completed are monitored weekly and prioritised according to risk, currently there are zero Priority 1 hazards outstanding. Programme of lone working training & devices continues to be rolled out to officers. Independent Audit undertaken by external auditors, Pennington, all areas satisfactory and audits by Mazars satisfactory too. A programme of structural surveys is being drawn up as part of on-going monitoring of the housing portfolio. The initial focus is on buildings over 11 metres in height, 49 HRBs are complete. Structural works to address known identified issues are in train, there is no known evidence of Reinforced Autoclaved Aerated Concrete.</p>	<p>M</p>	<p>Stable</p>	<p>Jonathan Pickstone</p>

Appendix 1 - Corporate Risk Register – October 2023

All Council Values	Unable to retain talented people in key posts at LBHF.	12	3	4	3	4	<p>Our percentage turnover is currently showing a downward trend, slightly above the corporate target of 10%.</p> <p>In terms of key posts, whilst we have signed up to the social worker London Pledge to help control costs, we continue to work closely with business leaders and wider partnerships to identify initiatives to grow our own talent and promote more widely the benefits of working for H&F.</p> <p>Work continues across London Councils to broaden the appeal of Local Government in the employment market to make an impact on attracting suitable, high-quality candidates and we have joined and are actively involved in the LGA Local Government Recruitment Campaign</p> <p>We are carefully monitoring our turnover position and our HR Business Partners are working closely with SLT leads and their management teams to identify workforce planning needs going forward. Whilst we are seeing some churn, our retention and turnover rates are stable but under constant review.</p> <p>People and Talent continue to lead on activities to further improve our Employer Value Proposition (EVP) and ensure we can continue to attract and retain talent. We have signed up to secure accreditation with Timewise which will help to promote H&F as a fair and flexible employer. We have moved up a level in our accreditation for Disability Confident and have signed up to Purple Space and Opening Doors. Other initiatives we are actively promoting to raise our EVP and secure talent for the future is our H&F Academy (apprenticeships, graduates, supported interns & Get Ahead) for which we have been awarded Winners with PPMA Excellence in HR. We are also shortlisted finalists in the category of Best Large Employer and have been approached by the LGA and have published a recent blog on what we are doing at the Council to embrace and embed our commitment to inclusion.</p> <p>The Council is committed to staff wellbeing, learning and development and continues to deliver online and virtual wellbeing and learning and development events including Get Ahead, World Class Managers, Aspiring World Class Managers, Emerging Leaders, an Introduction to Project Management and much more.</p> <p>Our internal progression initiative is pivotal in helping us to retain key skills.</p>	H	Stable	Nicola Ellis
Doing things with, not to residents	Failure to deliver the Civic Campus Programme.	14	3	4	3	4	<p>The project has been delayed due to the impact of the site incident in May 22 and the consequences of the termination of the original architects by the contractor, together with wider commercial and contractual discussions. In terms of Contract A (Town Hall building), the collapsed steel work has been replaced and work is now progressing well on site and is being monitored by the Client Management Team (CMT) daily. A revised build programme was received from the contractor in May 23 which includes a revised completion date of early summer 24. This is subject to ongoing detailed scrutiny and challenge by the CMT. Regarding contractual issues, the contractor has recently submitted a loss and/or expense claim in respect of Contracts A and B which is currently being assessed by the Council. Additional expertise has also been brought into the Council team including in the areas of contract delay analysis and damp specialists. The commercial strategy for the town hall is being advanced, including the procurement strategy for various catering operations within the building, retail/food and beverage space, 6th floor restaurant, cinema operator and office accommodation.</p> <p>In terms of contract B (new build homes and commercial space) construction work continues to progress at a good pace with completion programmed for summer 24. The residential sales marketing suite and show apartment on King Street opened in June 23, several marketing events were held throughout the summer and early autumn. Sales of the private flats are progressing steadily despite the wider economic challenges of high interest rates etc. Affordable units to be launched early 2024.</p>	H	Stable	Jon Pickstone
Creating a compassionate council	High needs budget pressure continues, impacting on provision of services for vulnerable young residents.	16	3	4	3	3	<p>The SEND Transformation programme: All key SEND documents have now progressed through governance and final versions published.</p> <p>Delivery of savings targets: Small surplus forecast for 2023/24 subject to delivery of agreed savings programmes which remain on track.</p> <p>COVID Impact: SEND growth has remained in line with predictions.</p> <p>Therapist shortages: Successful recruitment by SALT provider with new capacity on stream this term to mitigate remaining gaps.</p>	M	Stable	Jacqui McShannon

Appendix 1 - Corporate Risk Register – October 2023

All Council Values	Management of complaints, requests for information, members enquiries	18	4	4	4	4	<p>Performance concerns persist regarding the completion of repairs and resolving complaints. However, an improvement plan is currently being developed and will be shared with SLT and politicians by July 2023.</p> <p>The Housing Ombudsman cases continues to present a significant ongoing risk as we are now under active investigation by them (June 2023). We previously reported that we had nine severe finding in six cases, whilst now we have 14 findings in nine cases, the majority of which are associated with historic cases (as noted previously), and we have undertaken their recommendations. The housing Ombudsman has also contacted us for evidence prior to them making a judgement on the handling of H&F housing related complaints. This report is due in January, and we have provided them with all the requested information.</p> <p>Our previous update noted that the Social Housing Regulator requested information on nine points. We have now provided them this information and have also been producing monthly reports to demonstrate how our complaints, repairs and tenant satisfaction meets consumer standards. We are still awaiting their judgement. The Social Housing Regulator has also requested a response to nine separate points to determine whether H&F have not met consumer standards for residents. We are meeting the Regulator in July to discuss our response to them.</p> <p>In order to mitigate against the complaint failures, we have set up the Complaints and Disputes Resolution team, which have been instrumental in resolving historic cases and significantly reducing open complaints. As also previously reported, housing complaints performance is also overseen by an SLT chaired board, with regular oversight of the progress being made.</p> <p>Previously it was noted that Stage 1 & 2's would move over to Housing from Corporate, and this has now happened. Housing Management complaints will move over in November whilst the remaining complaints for housing will follow suite later.</p> <p>In terms of RAG Rating, the risk remains high as we are still awaiting judgements from both the Housing Ombudsman and Social Housing Regulator. However, our performance in terms of complaints management has improved substantially with no overdue housing repair complaints outstanding since the 24th September. The RAG status will be reviewed once the judgement has been made.</p>	H	Stable	Jon Pickstone/ Nicola Ellis
Being ruthlessly financially efficient Page 128	Financial Management - Medium-Term Planning.	19	3	4	3	4	<p>The Council's financial operating environment remains challenging (with the macro-economic inflationary/interest pressures, lower household incomes and rising unemployment). This will increase all operating costs including pay and external service contracts, affect the affordability of regeneration programmes, reduce our commercial income, and increase arrears on rents, council tax, business rates as households, visitors and businesses reduce costs. It will also impact of services especially homelessness and other welfare services. In addition, there are many national reforms in progress (business rates, social care funding, social housing rent caps) and there are substantial demographic and new legislative burdens.</p> <p>The Council has a well-developed and established medium term financial planning process (for revenue, capital, and treasury management). SLT have been provided with a preliminary MTFS budget gap for the period 2024/25 to 2027/28. There will be considerable work taking place corporately across summer 2023 to meet the 2024/25 budget gap. The General Fund financial position is relatively strong (stable debt levels, reserves, and cash balances) but the outlook is more difficult on the HRA (although the recent decision by Cabinet on the 6 February 2023 on rents/service charges has increased financial resilience of the HRA). The Council has established strong in-year financial governance arrangements (from Finance SLT to DMTs).</p>	M	Stable	Sukvinder Kalsi/
Creating a compassionate council	Financial Management - in year budget 2022/2023 and Medium-Term Planning: Social Care	20	2	4	2	4	<p>The adult social care and public health budgets will balance this year 22/23 and have delivered their required savings.</p> <p>The required savings and growth have been agreed for 23/24 following the MTFS process.</p> <p>The adult social care budget continues to be very pressurised due to the requirements of the Fair Cost of Care funding reforms; inflation and price increases and the market volatility.</p>	M	Stable	Linda Jackson
All Council values	Corporate management of Health and Safety	21	3	4	3	4	<p>The health and safety board continues to meet every 8 weeks. Corporate health and safety report no Health and Safety Executive enforcement this quarter and for the previous quarter.</p> <p>The annual health and safety at work report highlighting the council's activities and performance for 2022/23 was presented to the Council's Audit Committee on 26th July 2023.</p> <p>Staff training programmes and activities have been extended including a risk assessment training course which has been added to the learning zone. In addition, a large part of the IOSH Managing Safely Course concentrates on risk. To date numerous teams across the council have successfully completed the course and attained IOSH accreditation. Those teams taking up the training have included HR, Events, Housing, Fire Teams, and Adult Social Care. The risk assessment database has been added to the accident and reporting system and is now in operation with a training module attached as well as monthly training sessions for staff.</p> <p>The Corporate Safety Team are in the process of reviewing team risk assessments as part of their audit process over the next three months. A new training module is being finalised to go on the learning zone on the topic of violence and aggression and will be shared at the next meeting of the health and safety board in November, also at that meeting will be the fire strategy document for the new campus site.</p>	M	Stable	Jonathan Pickstone
Taking Pride in Hammersmith & Fulham, Doing things with, not to residents	Impact on the local economy and businesses from the closure of Hammersmith Bridge to pedestrians, road, and river traffic.	22	3	4	3	4	<p>Works for stabilisation is in the final stage with the jacking operation starting in late July. Procurement has started for the main works. CCSO and monitoring continues and 24/7 personnel on the bridge. Work continues to stabilise the bridge with the pedestals in case in concrete and the next phase will be to Jack the bridge to replace the barings.</p>	4	Stable	Bram Kainth

Appendix 1 - Corporate Risk Register – October 2023

Rising to the challenge of the climate and ecological emergency	Failure on the part of the Council to mobilise its response to the Climate Change emergency.	26	3	4	3	4	<p>The Climate Emergency Unit and climate strategy for a net zero borough by 2030 are in place along with a Climate Strategy Implementation Group to increase scrutiny and deliver actions at pace. A detailed audit of the Council's carbon footprint is now an annual activity to track progress against our action plan and to provide a robust evidence base for costing and prioritising organisational carbon reduction activity. Quick win workstreams to influence emissions through policy have been progressed, including emissions-based policies on parking, council fleet, energy procurement, and wider procurement. Engagement is underway with local businesses and organisations through the H&F Climate Alliance, and H&F has been a leader in designing and implementing the UN's climate education programme. Flooding has expedited the need for a climate adaptation plan to prepare residents, businesses and the council for more extreme weather including heavy rainfall and heatwaves. Individuals, households, and infrastructure will need to adapt and prepare for more of occurrences and the council has an important supporting role.</p>	M	Stable	Bram Kainth
Taking Pride in Hammersmith & Fulham, Doing things with, not to residents	Repair system and contractor management not delivering performance at the required levels. leading to reputational damage, enforcement action and external intervention, legal disrepair cases and Category 1 Hazards, HHSRS, Damp, Mould, etc.	27	4	4	4	4	<p>Overall, we are trying to mitigate against this risk, in-line with direction set by internal audit, the monitoring officer, the Housing Ombudsman, and the Social Housing Regulator.</p> <p>The repairs team are focused on the day to day contract and WIP management of our external contractors and our in-house Direct Labour Organisation (DLO), with 70% of all current jobs within a three month window which is a positive movement of completions. The service is delivering over 1,000 jobs per week and new contractors for Plumbing and Electrical works are being on boarded in November 2023 for winter volumes of repairs.</p> <p>The DLO has been expended and will be focused on in dwelling repairs during the winter months to further manage and support leaks and repairs and we have recruited and mobilised additional external contractors, which are fully focused on Voids, Ombudsman, Stage 2, disrepair and Mould and Damp cases.</p> <p>Internal staffing structures recruited with a Head of operations employed with a team dedicated and focused on Capital works and complex repairs and disrepair cases.</p> <p>Contractual levers are being used to deal with performance failures and to further protect the council's position financially and contractually with our client obligations.</p> <p>Damp and Mould cases have reduced to less than 41 jobs outstanding and within a 30-day period. Disrepair cases being managed and run down with positive gains on Communal repairs. Staff structure and new resources under way and the service is targeting 80% of WIP within 3 months.</p> <p>Reprofiling of estates and repairs across the existing lots are under reviewed with a proposal to target early service failures (New jobs) with an aim to have all live jobs delivered in time. Target 80% by end of December 2023.</p> <p>In order to fund this additional capacity, we have refocused £43 million of spend onto repairs over the forthcoming three years, in addition to existing repairs budgets. This is mostly capital spend given the complexity of many jobs in our backlog.</p> <p>We have several priorities including reducing the backlog of legal disrepair cases, complaints including Ombudsman cases, and keeping our residents safe. We also seek to reduce the backlog of work-in-progress (WIP) to sustainable levels and reduce revenue loss to the council by reducing the number of outstanding voids.</p> <p>Key risks remain managing across multiple critical priorities and substantial long-term and ongoing challenges, managing a greater number of repairs contractors, and improving the repairs service without excessively pressuring the Housing Revenue Account.</p>	H	Stable	Jonathan Pickstone
Being ruthlessly financially efficient, Rising to the challenge of the climate and ecological emergency	Failure to manage the requirements of the New Environmental Act which will change the way in which the Waste service operates and how it contributes to the Council's carbon zero commitment.	30	3	3	3	3	<p>Work to feed into any further Defra consultation on potential changes. Likely and foreseeable changes have been factored into the new waste service contract, however there is little clarity on how the Act will be implemented at present until detailed regulations and guidance have been published. Requirements specifically for food waste collections and some other waste streams were made available on 21st October with a 4-week consultation period. We will participate in the consultation and identify any opportunities as well as risks that the proposals present for LBHF.</p>	M	Stable	Bram Kainth

Appendix 1 - Corporate Risk Register – October 2023

Taking pride in Hammersmith and Fulham	Failure to manage the negative impact of flooding, due to adverse weather conditions, on residents and businesses. Consequences of the Climate Emergency. One in a hundred events that lead to the overloading our surface water systems (gullies) which results in widespread flooding and consequent damage to homes and businesses. Fluvial flooding as the most at risk London Borough.	31	3	4	3	4	<p>Mitigations:</p> <ol style="list-style-type: none"> 1. Tree management system allowing water to collect underneath the tree and slow release into the ground has been installed in Bloemfontein Road, Seagrave Road, Overstone and Gallaway Roads. Number of green infrastructures are increasing. Seven more schemes in the programme for this year. 2. x2 Countess Creek Project with Thames Water have been completed and are working the Thames water Independent Review confirm that they had worked during the flooding event on 12th July 2021. 3. Working with Economy on their regeneration projects to deliver enhance flood risk. 4. Continued to work with Thames water on delivering flood mitigation they have offered assistance on the de-paving programme we will roll out and offered flow data on the first phase of flood risk scheme in Brackenbury. 5. Developing our own programmes of works on the public highway Including doing further work on retrofit measures in a number of borough streets that will have impact on reducing flood risk. 6. Highways are delivery de-paving schemes. 7. Sewer network remains a Thames Water asset that we have no remit over so we will continue to work with them to ensure we reduce the water flow off our highway to a minimum where possible. 8. Flood Risk Board set up and meeting regularly and officers working Cllr Rowbottom (Flood Risk Czar) 9. Bi-monthly meetings with Thames Water set up – Challenge on action plan, programme and seek funding opportunities and joint working. 10. Action plan approved by SLT 11. Thames Water delivering a programme of adding Non Return Values (NRV) to often further protection to properties. 12. Thames water undertaking surveys to add further measures they have written to 1,461 properties in H&F. 331 of them that had previously reported their flooding and 1,500 believed to have flooded. Thames Water have installed NRV in key locations such as Hammersmith Grove. 13. Working with other boroughs such as Camden, Westminster and RBKC who are part of the chain of sewers that impact Hammersmith and Fulham on other initiatives such as lobbying for insurance provisions for London properties, joint bids for funding and aligning projects. 14. Creation of a London Surface Water Management group to push for increased mitigation for London. 	M	Stable	Bram Kainth
Appendix 130 Priorities	Failure to maintain services to residents or progress works or development because of provider failure or market failure. (This includes a legal requirement to step in where care agencies fail even if the council does not commission them)	32	4	3	4	3	<p>The following frameworks are in place to mitigate the potential risks:</p> <ol style="list-style-type: none"> 1. Departments have well developed business plans, and these are being refreshed. 2. Risk assessment of markets and high-risk contracts being undertaken by Contract. 3. Assurance Board to inform where alternative provision or arrangements may need to be planned. 4. Forward Plan of major contract re-procurements over the next 18 months has been developed. 5. Risk management plan established for any residents who may be impacted. 6. Regular reports to SLT Assurance. 	M	Stable	Sukvinder Kalsi

Appendix 1 - Corporate Risk Register – October 2023

Key

16-25	Red	High risk, immediate management action is required.
11-15	Amber	Medium risk, review controls for appropriateness and effectiveness
1-10	Green	Low risk, monitor and if escalates quickly check controls
	Blue	Opportunity risk

Likelihood and Impact Based on a 1 to 5 scale with 1 Very Low and 5 Very High, the Score then is automatically calculated by multiplying them together.

Help

Risk Description	Risk described in a language that articulates clearly what could go wrong or what opportunity could be achieved.
Residual Exposure	Extent of the risk once the controls are currently in place. This is known as the residual risk and is calculated by multiplying impact of risk and likelihood of occurrence.
Existing Controls	Not all risks can be managed, but those that can are managed using a variety of controls. The art of risk management is to apply controls that are effective and efficient in reducing the exposure.
Risk Owner	This is the person or team best positioned to manage the identified risk

Agenda Item 9

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 27 November 2023

Subject: Internal Audit Progress Report (April to October 2023)

Report of: David Hughes

Responsible Director: Director of Audit, Fraud, Risk, and Insurance

Summary

This report summarises the status of work included in the 2023/24 Internal Audit Plan as at the end of October 2023. Two audits have been finalised, both of which received positive assurance opinions, with a further six audits at draft report stage.

The status of audits confirmed for inclusion within the Plan, is shown in Appendix 2.

Recommendations

1. For the Board to note and comment on the report.

Wards Affected: None

H&F Values

Our Values	Summary of how this report aligns to the H&F Priorities
Building a shared prosperity	Internal audit work covers a wide range of services including those which are delivered in partnership with local and national companies. Assurance may be required over governance arrangements to demonstrate the benefit to residents of co-delivered services.
Creating a compassionate council	Internal audit provides assurance that the Council's resources are managed appropriately to provide the most effective support to the most vulnerable residents.
Doing things with residents, not to them	Where engagement with residents is part of service development, internal audit will consider how well co-production and resident access is embedded in a process.
Being ruthlessly financially efficient	The work undertaken by Internal Audit helps to ensure that management have robust controls and practices in place to safeguard the Council's assets, controlling expenditure and maximising potential income to protect and invest in essential frontline services which are in place to meet the Council's priorities.
Taking pride in	Investment in public realm services such as waste

Our Values	Summary of how this report aligns to the H&F Priorities
H&F	collection, street cleaning and open/park spaces is significant. The internal audit strategy identifies services for cyclical review, including contract management for outsourced services and performance delivery for in-house services.
Rising to the challenge of the climate and ecological emergency	Internal Audit consider the impact of strategies, including, the Climate and Ecology Strategy, in a number of different reviews that form part of the Internal Audit Plan.

Contact Officer:

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Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Internal Audit Work to October 2023

1. The Audit Committee are provided with updates at each meeting on progress against the Annual Audit Plan and on any limited or no assurance audits issued in the period.
2. The Audit Plan for 2023/24 was reviewed by the Audit Committee in March 2023. To ensure that the Annual Audit Plan is more responsive to changing risks and challenges, it has been developed as a '3 plus 9-month' plan. This approach allows for the first three months to be identified in detail with the remaining nine months being more flexible to suit the needs of the Council at the time. The Plan is reviewed and updated following discussions with Directors, taking into account changing risks and priorities. The revised Plan is reported to the Committee on a quarterly basis and any significant changes in the coverage of the Plan will be highlighted.

- Four assurance levels are used and when an audit is completed, an assurance opinion is provided. A description of each of the assurance levels is summarised below:

Assurance Level	Description
Substantial Assurance:	There is a sound system of internal control designed to achieve their objectives and the control processes tested are being consistently applied.
Satisfactory Assurance:	While there is generally a sound system of internal control, there are weaknesses which put some of the objectives at risk; and/or there is evidence that the level of non-compliance with some of the control processes may put some of the objectives at risk.
Limited Assurance:	Weaknesses in the system of internal control are such as to put the objectives at risk; and/or the level of non-compliance puts the objectives at risk.
Nil Assurance:	Control processes are generally weak, leaving the processes/systems open to significant error or abuse; and/or Significant non-compliance with basic control processes/systems open to error or abuse.

- Since the last report to Committee, two audits have been completed:

Department	Audit	Assurance Opinion
Children's Services	Direct Payments	Satisfactory
Environment	Modern Slavery Strategy	Substantial

Internal Audit Opinion

- Although no overall assurance opinion can be given at this stage, the S151 Officer and the Committee can be assured that sufficient internal audit work is in progress to ensure an appropriate assurance opinion can be provided by the end of the financial year.
- Appendix 1 shows the finalised audits as at the end of October 2023 and the status of the remaining planned audits is shown in Appendix 2.

Follow ups

- A total of 69 recommendations have been followed up in the year to date. Implementation of medium and high priority recommendations has been consistently effective with 82% of medium and high priority recommendations fully implemented with a further 7% partly implemented. One recommendation was no longer applicable and four recommendations have yet to be implemented. Further follow up will be undertaken on the recommendations partly or not yet implemented.

Consultation

8. The report has been subject to consultation with the Strategic Leadership Team.

Legal Implications

9. Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:
 - a. facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - b. ensures that the financial and operational management of the authority is effective; and,
 - c. includes effective arrangements for the management of risk.
10. Regulation 5 requires the Council to ensure that it undertakes an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account public sector internal auditing standards or guidance.
11. There are no particular legal implications arising from this report.
Implications verified by Grant Deg, Assistant Director, Legal Services on 06 November 2023.

Financial Implications

12. The Internal Audit Plan for 2023/24 will be delivered within the approved revenue budget for the service. Actions required as a result of audit work, and any associated costs, are the responsibility of the service managers and directors responsible for the areas which are reviewed.
13. Any resource implications from the implementation of the recommendations by services will have to be contained within the relevant Directorate approved budgets.

Implications verified by Sukvinder Kalsi, Director of Finance on 30 October 2023

Risk Management

14. The Internal Audit Plan is developed and delivered to cover the key risks faced by the Council, to provide assurance on the key controls in operation and the effective management of key risks.

Implications verified by Moira Mackie, Head of Internal Audit on 26 October 2023.

List of Appendices:

Appendix 1 Summary of Audit Reports finalised as at end of October 2023

Appendix 2 Audit Plan 2023-24 Status Report

**Internal Audit – Finalised Audits
2023/24**

Plan Area	Auditable Area	Issued	Assurance level given	High Priority Recs	Medium Priority Recs	Low Priority Recs	Reported to Committee
Children's Services	Direct Payments	Oct-23	Satisfactory	0	4	4	Nov-23
Environment	Modern Slavery Strategy (2022/23)	Jun-23	Substantial	0	0	0	Nov-23

Definitions of Recommendations:

Priority	Description
High (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Medium (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Low (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

AUDIT PLAN 2023/24 STATUS REPORT

The Plan is reviewed and updated following discussions with Directors, taking into account changing risks and priorities. The status of audits in the current Plan is shown below:

Plan Area	Draft Report Issued	In Progress/ Due to Start	Not yet Due	Deferred
Cross-cutting	<ul style="list-style-type: none"> Contract Monitoring (May-23) 		<ul style="list-style-type: none"> Gifts & Hospitality (staff) – new system ongoing Declarations of Interest (TBC) 	<ul style="list-style-type: none"> Risk Management (defer to 2024/25)
Finance		<ul style="list-style-type: none"> Pensions Administration: Cyclical Review VAT 	<ul style="list-style-type: none"> Partnerships (TBC) 	
Corporate Services		<ul style="list-style-type: none"> Digital: New Acquisitions (Q2) 	<ul style="list-style-type: none"> Digital: Cyber Resilience (Possible addition Q3) Digital: Disaster Recovery (Q3) Digital: Local Business Continuity Planning (TBC) People & Talent: Right to Work (TBC) People & Talent: DBS Checks (TBC) 	<ul style="list-style-type: none"> People & Talent: On-line Appraisal System – Consider in 2024/25 as too early to review in 2023/24. Digital: Revs & Bens Application (defer from 2023/24 other priorities)
Children's Services	<ul style="list-style-type: none"> New Placements Team (Mar 2023) 	<ul style="list-style-type: none"> Supporting People Claims (on-going) Adoption Services (Q2) 	<ul style="list-style-type: none"> Children's & Finance – Business Support (Advisory) (TBC) Shared Service Governance (TBC) Fostering - Implementation of Case Management System (TBC) Safeguarding (Q3) Early Years (Q4) 	

AUDIT PLAN 2023/24 STATUS REPORT

Plan Area	Draft Report Issued	In Progress/ Due to Start	Not yet Due	Deferred
Schools	<ul style="list-style-type: none"> Randolph Beresford Nursery (Oct-23) 		<ul style="list-style-type: none"> Kenmont Primary (Q4) Cambridge School (Q4) 	
Social Care & Public Health	<ul style="list-style-type: none"> Disabled Facilities Grants (Mar-23) 	<ul style="list-style-type: none"> CQC Risk Management (ongoing) Public Health: Drug and Alcohol Service (Q3) 	<ul style="list-style-type: none"> Out of Borough Placements (Q3) Compliments & Complaints (Q3) Day Care (TBC) 	<ul style="list-style-type: none"> MH Services (replaced with review of Out of Borough Placements) Performance Management & Governance (info on deep dives to be provided) Home Care (new contract defer to 2024/25)
Economy		<ul style="list-style-type: none"> Housing Voids Facilities Management 	<ul style="list-style-type: none"> Leaseholder Charges – Project Review (Q3) Leaseholder Charges (debt management) (Q4) Housing Allocations (Q3) Building Safety Act(TBC) Health and Safety Inc Fire Safety (TBC) Procuring Energy (TBC) Planning / Building Control (TBC) 	
Environment	<ul style="list-style-type: none"> Anti-Social Behaviour (Sep-23) Climate Change (Nov-23) 	<ul style="list-style-type: none"> NNDR (Q2) Council Tax (Q2) Housing Benefits (Q2) 	<ul style="list-style-type: none"> Licensing (Q3) Trading Standards (Q4) 	

Agenda Item 10

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 27/11/2023

Subject: Corporate Anti-Fraud Service Half-Year Report – 1 April 2023 to 30 September 2023

Report of: David Hughes, Shared Services Director for Audit, Fraud, Risk and Insurance

Responsible Director: Director for Audit, Fraud, Risk and Insurance

Summary

The Council takes its responsibilities to protect the public purse very seriously and is committed to protecting the public funds it administers. This report provides an account of fraud-related activity during the first half of the financial year to minimise the risk of fraud, bribery and corruption occurring within and against the Council.

Work is undertaken by the Corporate Anti-Fraud Service (CAFS), providing a complete, professional counter-fraud and investigation service for fraud attempted or committed against the Council and reinforces the Council's commitment to preventing, detecting and deterring fraud and corruption.

For the period 1 April 2023 and 30 September 2023, the Council identified 235 positive outcomes. The fraud identified has a notional value of over £680,000.

Recommendation

1. For the Committee to note and comment on the report.
-

Wards Affected: None

Our Values	Summary of how this report aligns to the H&F Priorities
Building shared prosperity	CAFS undertakes several proactive (preventative) and reactive (investigations) work across a wide range of Council services. Preventing and detecting fraud, and recovering money and assets obtained through fraud, protects vital frontline services for residents.
Creating a compassionate council	CAFS undertake both proactive (preventative) and reactive (investigations) counter-fraud activity across a wide range of Council services. Preventing and detecting fraud, and recovering money and assets obtained through fraud, protects vital frontline services which support vulnerable

	residents.
Doing things with local residents, not to them	CAFS engages with local residents and provides multiple reporting channels so that concerns about fraud against the Council can be reported and investigated.
Being ruthlessly financially efficient	CAFS supports the Council in its statutory obligation under Section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of preventing and detecting fraud and corruption.
Taking pride in H&F	CAFS works closely with a wide range of services to build fraud prevention into its processes. The service promotes its work, particularly successful outcomes achieved, demonstrating the Borough's commitment to tackling fraud.
Rising to the challenge of the climate and ecological emergency	CAFS seeks to ensure that the service supports the Council's aims and objectives around climate change and carbon reduction.

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Background Papers Used in Preparing This Report

None

1. INTRODUCTION

- 1.1. This report provides an account of fraud-related activity undertaken by the Corporate Anti-Fraud Service (CAFS) from 1 April 2023 to 30 September 2023 to minimise the risk of fraud, bribery and corruption occurring within and against the Council.
- 1.2. CAFS remains a shared service providing the Council with a complete, professional counter-fraud and investigation service for fraud attempted or committed against the Authority.
- 1.3. The report also details activity and performance against the Council's Anti-Fraud and Corruption Strategy to assess its effectiveness, highlights some of the current and emerging areas of fraud risk and provides an overview of the effectiveness of the Council's arrangements to minimise the risk of fraud.
- 1.4. Between 1 April 2023 and 30 September 2023, CAFS investigated 522 cases, including 78 new referrals, 211 Nation Fraud Initiative matches and concluded 269 investigations. A conclusion ranges from a successful prosecution,

through prevention activity to action that deters fraud or no further action where there is no case to answer.

1.5. The table below shows this activity and details the fraud types.

Activity	Cases	Fraud types	Closed	Live
Live cases as of 01/04/23	233	Tenancy & Housing cases	55	174
New referrals received	78	Internal Staff	4	12
NFI positive matches	211	NFI	190	21
Closed investigations (Positive outcome 235)	269	High/Medium risk fraud	16	19
		Low-risk fraud	3	7
Live cases as at 30/09/23	253	POCA	1	20

1.6. Between 1 April 2023 and 30 September 2023, the Council identified 235 positive outcomes. The fraud identified has a notional value of over £680,000, detailed in the following table. In comparison, notional values for the previous two half-years outturns were £443,000 and £331,000 respectively.

Activity	Fraud proved.	Notional Values (£'s)
Housing application fraud (<i>incl. tenancy correction</i>)	10	39,264
Right to Buy	11	160,050
Advisory Reports (pro-active)	-	-
Prevention subtotal	21	199,314
Tenancy Fraud (Council and Registered Providers)	12	238,205
Internal Staff	2	10,000
Business Grants and Interruption Fund (COVID support)		
High/Medium risk fraud (e.g. NNDR, Parking, Social Care)	8	12,458
Low-risk fraud (e.g. Freedom passes, Council Tax, SPD)	1	357
Detection subtotal	23	261,020
Proceeds of Crime (POCA)	1	19,710
Deterrence subtotal	1	19,710
National Fraud Initiative (Welfare benefit & CT cases)	190	201,056
Total	235	681,100

1.7. Notional values estimate the financial savings from counter-fraud work and reinforce the importance of tackling fraud head-on, particularly when every penny should be invested in delivering high-quality services to local people.

1.8. These values provide a good indicator of the financial benefits of counter-fraud work. In some instances, this will include savings attributed to preventative measures. However, not all the cause-and-effect of fraud can be financially valued, for example:

- Disruption to service delivery,
- Reputation damage and loss of public trust,
- Negative impact on the organisational culture, especially significant effect on staff morale, recruitment, and retention, or
- Damage to relationships with partners and stakeholders

1.9 Details of noteworthy cases are reported in Appendix 1.

2. WHISTLEBLOWING

2.1 The Council's whistleblowing policy continues to be the primary support route for staff reporting concerns.

2.2 Since April 2023, CAFS has received no new fraud referrals via the Council's whistleblowing policy. However, CAFS has supported colleagues in the Economy Department who received a Health and Safety referral currently under review.

2.3 Although the volume of whistleblowing is not high, the Council's whistleblowing policy provides an essential safeguard for those who speak out. It is an important strand of the Council's overall approach to risk management and protection against fraud.

3. ANTI-FRAUD AND CORRUPTION STRATEGY

3.1 The Council's Anti-Fraud & Corruption Strategy covering 2020/23 is based on five key themes: i) GOVERN, ii) ACKNOWLEDGE, iii) PREVENT, iv) PURSUE and v) PROTECT.

3.2 The Strategy, due for renewal at the end of this financial year, continues to drive the Council's fraud resilience and demonstrate its protection and stewardship of public funds.

3.3 This report is structured to demonstrate how work undertaken by the fraud service aligns and underpins these themes.

i) GOVERN

A robust framework of procedures and policies

3.4 This strategy element focuses on those charged with Governance and ensuring they support the counter-fraud activities by ensuring anti-fraud, bribery and corruption measures are embedded throughout the organisation.

3.5 To this effect, the Council has a robust framework of procedures and policies that supports the prevention, detection, and response to fraud within the Council. They promote a culture of transparency, accountability, and compliance, essential elements of an effective anti-fraud strategy.

3.6 The framework also deters potential fraudsters, demonstrating that there are established rules and consequences for fraudulent actions. They also provide clarity and consistency for the organisation, which reduces ambiguity and helps prevent unintentional or opportunistic fraud.

- 3.7 Policies and procedures also serve as a foundation for training programs. Employees must understand what constitutes fraud and how to prevent it, facilitated by well-documented guidelines.
- 3.8 CAFS regularly review and update anti-fraud policies to support and guide Council staff, ensure compliance with laws and regulations, and reflect evolving fraud threats and changing business conditions. Any material changes are presented to the Audit Committee for review and approval.

ii) ACKNOWLEDGE

- 4.1 The Strategy denotes that the Council needs to understand fraud risks and then demonstrate this by committing the proper support and appropriate resources for tackling fraud.

Committing support and resources to tackle fraud

- 4.2 A vital element of a counter-fraud strategy is the ability of an organisation to call upon competent, professionally trained officers to investigate suspected fraud.
- 4.3 All CAFS investigators are members of the Government Counter Fraud Profession (GCFP), which provides a professional structure with common standards and competencies for those in counter-fraud roles.
- 4.4 By identifying risks, CAFS ensure that resources have also been focused in key areas, as demonstrated by the work on tackling tenancy fraud. It has ensured that the Council has successfully recovered 12 units that can now be allocated to those in genuine need of assistance.

Fraud awareness training

- 4.5 Corporate Anti-Fraud Service (CAFS) delivered a Fraud Awareness training session to eight Tri-Borough Internal Audit Team members. The training included examples of fraud recently occurring at schools across the Borough, providing insight into potential fraud indicators.
- 4.6 Fraud awareness training is crucial for auditors, who play a vital role in detecting and preventing fraud. By receiving training on various types of fraud schemes, red flags, and investigative techniques, auditors can enhance their ability to identify potentially fraudulent activities during the audit process.
- 4.7 It equips auditors with the knowledge of common fraud risks and the techniques used to manipulate processes or circumvent controls. This knowledge helps auditors assess the adequacy of anti-fraud controls and make informed judgments about risks.
- 4.8 Furthermore, fraud awareness training enables auditors to understand the psychology behind fraudulent behaviour, including motives and rationalisations. This understanding helps auditors identify potential

vulnerabilities in culture or control environment that may contribute to fraudulent activities.

- 4.9 The sessions have helped auditors enhance their effectiveness in detecting and preventing fraud, ensuring they maintain professional scepticism, which is critical to their role.

Demonstrating that it has a robust anti-fraud response

- 4.10 Counter-fraud activity is reported to the Audit Committee twice yearly, detailing performance and action in line with the Anti-Fraud and Corruption Strategy.
- 4.11 CAFS reports on investigation outcomes, including successful detections, prevention activity, actions that deter fraud, or no further action where assurance is obtained that there is no case to answer.

iii) PREVENT

- 5.1 The "Prevent" element of the Strategy focuses on detection and prevention activities, a significant part of CAFS work. It highlights the importance of enhancing anti-fraud controls and processes. CAFS continues to provide anti-fraud advice and support across the organisation, including the Council's partners and contractors.
- 5.2 CAFS reminds staff and management of their responsibilities to prevent fraud and corruption and raises awareness through training that highlights fraud's risks and the consequences on the Council and the wider community.
- 5.3 CAFS offer bespoke fraud awareness training that helps employees better connect the training messages to their daily responsibilities. It also helps staff identify suspicious activity and feel empowered to act against potential fraud.

Corporate Investigations

- 5.4 Corporate investigations cover a wide range of different counter-fraud activities. The work in this area is varied and extends beyond counter-fraud investigations to incorporate activities contributing to the organisation's assurance framework.
- 5.5 Since 1 April 2023, corporate investigation work has included:

Voters Register	Vigilant Electoral Services officers became suspicious of several new applications to register from individuals with the same surname, similar forenames, and very similar date of birth for three different addresses in the Borough. Additionally, each application failed the identity verification checks conducted by Electoral Services, and they were asked to provide further proof of identity and addresses per the process. Two failed to reply, but four provided images of UK driving licenses and gas bills, passed to CAFS to investigate further. CAFS's initial review suggested the documents were false, and various checks
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	<p>against the residential addresses, including sophisticated IP address authentication and mobile phone checking, showed that none of the applicants were residents. Furthermore, CAFS checks revealed that four of the driving licenses were forgeries.</p> <p>The cases were referred to the Police, although it is unlikely anyone will be traced because the applicants were deemed fictitious. It was suspected that the purpose of the attempted false registration was to enable identities to be created linked to residential addresses to facilitate a longer-term intention to commit fraud against financial institutions such as banks and credit card companies.</p> <p>However, the vigilance of officers, robust verification controls, and the subsequent investigation work have all combined to ensure the false applications were identified and rejected, maintaining the integrity of the register.</p>
Employee Fraud	<p>A member of the public raised a concern with the Council that they had observed an LBHF liveried maintenance van parked on the drive of a house in Ealing and the operative working on the property.</p> <p>The information, including vehicle registration, enabled Client Repairs to identify who the van was allocated to. The area supervisor was tasked with going to Ealing. Once there, he found one of his operatives undertaking private work at the Ealing address.</p> <p>Once his actions were uncovered, the maintenance operative took sickness leave before suspension could be considered.</p> <p>CAFS was commissioned to investigate further and found five different addresses outside the Borough where the van had driven to during daytime hours when the operative was meant to be working in LBHF. However, before the investigation could be concluded, the operative resigned while CAFS was still gathering further evidence for the disciplinary process.</p> <p>When potential misconduct occurs, the Council will always consider whether disciplinary action should proceed regardless of a resignation. In this instance, the cost of further investigations and the impact on senior officers hearing the case meant it was not in the public interest to proceed, and the resignation was accepted.</p>
Agency worker	<p>Human resources were informed of a potential employee fraud when a team manager brought a concern about an agency worker to their attention.</p> <p>The temporary employee joined the Council through an agency in August. The manager soon became alert to rumours that this person was also working elsewhere. The manager raised the alarm with human resources, who asked CAFS to investigate.</p> <p>Their subsequent enquiries revealed that the employee was also undertaking agency work with another London council, where they had worked since March 2023. However, this employment was not disclosed to LBHF when they joined us.</p> <p>The team manager undertook a fact-finding interview with the employee per the Council's policy, but the employee terminated their position with immediate effect.</p>
Social Housing Decarbonisation Fund	<p>The Council successfully secured grant funding through the Social Housing Decarbonisation Fund, per our Net Zero Carbon goals.</p> <p>As part of the grant acceptance process, the Area Regeneration Team were</p>

	<p>required to submit a Fraud Risk assessment, which CAFS helped to complete.</p> <p>The grant will help to fund the retrofit works on 385 Council-owned and 85 leasehold properties. These retrofit works aim to improve resident comfort by creating warmer homes, combat the cost-of-living crisis by reducing energy bills, and join the efforts against climate change by reducing carbon emissions.</p> <p>CAFS identified and described the controls which mitigated the risk they had identified, recording how the controls mitigate the risk, and detailing any limitations of the mitigation.</p> <p>Many of the fraud risks suggested by the Department for Business, Energy and Industry Strategy (BEIS) had been mitigated due to the planning process. However, for completeness, these were recorded, reviewed and risk assessed.</p>
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Housing/Tenancy Fraud

- 5.6 Given the desperate shortage of affordable homes, demand for social housing continues to grow. It is an asset to the public and often a lifeline to the people it's meant for. Finding and stopping social housing fraud can rapidly reduce homelessness and poverty among families living in rented properties.
- 5.7 CAFS provides an investigative service to all aspects of housing, including requests for the succession or assignment of tenancies, allegations of subletting or other forms of tenancy breaches, and right-to-buy applications.
- 5.8 Between 1 April 2023 and 30 September 2023, CAFS successfully recovered 12 properties which were being misused. These have now been allocated or made available to those in genuine need of housing support within the community.
- 5.9 Where investigative actions result in the return of keys and vacant possession, the Council can obtain control without requiring lengthy and costly legal action, ensuring properties are promptly reallocated.
- 5.10 Full details of the successful investigation activity regarding social housing are detailed below:

Landlord	Location	Postcode	Size (bedrooms)	Reason for recovery	Outcome
Council	Fulham Court	SW6	1	Abandonment	Keys returned
Council	Sullivan Court	SW6	3	Abandonment	Court Possession
Council	St Stephen's Avenue	W12	2	Abandonment	Keys returned
Council	Lugard House	W12	1	Subletting	Keys returned
Council	Crefeld Close	W6	1	Abandonment	Keys returned
Council	Benbow Court	W6	2	Abandonment	Court Possession
Council	Stanlake Road	W12	1	Abandonment	Keys returned
Council	Barton Road	W14	1	Abandonment	Keys returned
Council	Minford Gardens	W14	4	Subletting	Keys returned
Council	Champlain House	W12	2	False succession	Court Possession
Council	Exhibition Close	W12	4	False succession	Court Possession
Council	Poynter House	W11	1	Abandonment	Court Possession

5.11 Details of noteworthy cases are reported in Appendix 1.

Right to Buy

5.12 CAFS support the right-to-buy process within prevention activities that check and review new applications. CAFS has devised a due diligence process that challenges tenants through a series of questions to ensure they fulfil the right-to-buy criteria.

5.13 Questions include confirmation of all individuals participating in the right-to-buy transaction, including financing the purchase. This information is required to ensure all parties reside at the property. On occasions, visits are required to verify the details provided and household compositions.

5.14 The right-to-buy checks are conducted to maintain the integrity and probity of the scheme. However, since 1 April 2023, this prevention process has led to the cancellation of eleven applications, including recovering a property when the checks identified a potential right-to-buy address being unlawfully sublet.

5.15 Details of noteworthy cases are reported in Appendix 1.

iv) PURSUE

6.1 Stopping fraud and corruption from happening in the first place must be our primary aim. However, those who keep on trying may still succeed. It is, therefore, essential that a robust enforcement response is available to pursue fraudsters and deter others.

Collaborating across departmental, geographical and sectoral boundaries

6.2 Collaboration is one of the critical themes under the "Pursue" strategic objective. Local authorities can tackle fraud locally and across geographical boundaries by collaborating effectively.

6.3 CAFS continue to actively maintain the authorities' membership of the National Anti-Fraud Network (NAFN) and the London Borough of Fraud Investigators Group (LBFIG), with officers from CAFS sitting on the Executive Board of both bodies.

National Fraud Initiative

6.4 A vital component of the anti-fraud and corruption strategy is making better use of information and technology. To this effect, the Council participates in the biennial National Fraud Initiative (NFI), an electronic data-matching exercise coordinated by the Cabinet Office.

- 6.5 Over 1,200 public and private sector organisations participate in the NFI, including councils, the Police, hospitals, and nearly 100 private companies, all helping to identify potentially fraudulent claims and errors. The latest outcomes for the 2022/2023 NFI matching exercise are detailed below.
- 6.6 The 2022/2023 NFI exercise began with data collection in September 2022, followed by matches in March 2023. To date, the Council has scrutinised and closed over 360 matches. Outcomes to date are detailed below.

Matches	Fraud/Error	Amounts
Council Tenancy – non-residency CAFS investigation	1	£13,115
Common Housing Register – removed following CAFS investigation	9	£34,764
Housing Benefits – overpayments recorded by DWP	8	£75,690
Council Tax Replacement Scheme – change in circumstances	4	£5,838
Council Tax – SPD removed & adult non-deps	178	£119,528
	200	£248,935

V) PROTECT

Protecting the Authority and its' residents from fraud

- 7.1 This aspect of the Strategy covers counter-fraud activity to protect public funds, residents and the community from fraud and the Council from future scams.
- 7.2 In support of this, CAFS continue to provide an investigative capability for key stakeholders across the Borough. This is no more important than working with local housing associations to protect their stock from fraudulent misuse, ensuring affordable housing is available to those in the community who need it.
- 7.3 CAFS also remain an active National Anti-Fraud Network (NAFN) member. NAFN disseminate national fraud alerts, which are circulated by CAFS, to the appropriate departments. The early warning about possible future scams helps to ensure that CAFS can protect the Council against new and emerging fraud risks.

CONSULTATION

- 8.1 The report has been subject to consultation with the Strategic Leadership Team.

EQUALITY IMPLICATIONS

- 9.1 There are no equality implications arising from this report.

LEGAL IMPLICATIONS

- 10.1 A range of legislation governs the work of CAFS, including the Police and Criminal Evidence Act, the Criminal Procedures Investigation Act, the

Regulation of Investigatory Powers Act, the Fraud Act, the Prevention of Social Housing Fraud Act, the Proceeds of Crime Act, and Data Protect Act.

10.2 There are no particular legal implications arising from this report.

Implications verified by Grant Deg, Assistant Director, Legal Services on 8 November 2023.

FINANCIAL AND RESOURCES IMPLICATIONS

11.1 Resources required to deliver on the Council's Counter-Fraud Strategy are funded from the budget allocated to the Corporate Anti-fraud Service. There are no additional resource implications arising from this report. Successful investigations and prosecutions can lead to the recovery of Council assets and money required to protect frontline services.

Implications verified by Sukvinder Kalsi, Director of Finance, on 8 November 2023.

RISK MANAGEMENT

12.1 The delivery of the counter-fraud strategy and associated policies contribute to the management of fraud risks faced by the Council, with proactive exercises supporting managers to put effective counter-fraud and corruption controls in place in their systems and processes.

Implications verified by Jules Binney, Risk and Assurance Manager, on 8 November 2023.

List of Appendices:

Appendix 1 – Counter-fraud notable cases.

Case Description	
1.	<p>RIGHT TO BUY & TENANCY FRAUD – In October 2002, the Council accepted a homeless application from a man claiming to be a Kosovan national, and he was accepted as having priority needs for housing. The following year, he was granted a secure tenancy in a one-bedroom flat in Fulham Court, Fulham Road, SW6.</p> <p>Unbeknown to the Council, his leave to remain in the UK expired, his subsequent appeal was refused, and in 2008, he was deported, leaving his Fulham Court property. He should have informed the Council that he could no longer live in the UK. Instead, he continued claiming Housing Benefits for the address until October 2010. The individual then re-entered the country in 2013 as an Albanian national and admitted that he had initially entered the UK illegally under the guise of a Kosovan national. He was granted entry clearance and returned to the UK to continue his tenancy in 2014.</p> <p>During his deportation and re-entry, five years passed, and unknown persons lived there. However, this only came to light when he made a right-to-buy application. At this point, CAFS investigators conducted due diligence checks, and they began to find a series of discrepancies dating back to 2008 when he was initially deported.</p> <p>The investigators discovered he had sub-let and/or parted with possession of the property between 24 July 2008 and 10 October 2012 (during the period of his absence from the UK following deportation) without the consent of the Council. However, when he was interviewed under caution, he denied the allegations even though CAFS had gathered weight of evidence to show that several unknown individuals were listed on the utility bills, voter registration details, bank records and mobile phone data, all at the Fulham Court address.</p> <p>Shortly after the interview, the right-to-buy application was withdrawn, and after that, the keys were returned, and vacant possession was gained. A referral was made to DWP regarding benefit fraud, but on the barrister's advice, CAFS did not pursue criminal charges. However, the investigation had stopped tenancy fraud; it recovered a one-bedroom property and prevented a potential fraudulent right to buy.</p>
2.	<p>ABANDONMENT: This case arose from the National Fraud Initiative (NFI) data-matching exercise, which helps public sector organisations identify and prevent fraudulent activity. The NFI uses analytic techniques to compare data from different public bodies to identify anomalies that might suggest fraud or error. In this instance, the match suggested that the tenant of a one-bedroom flat in Barton Road, Baron's Court W14, was not resident but instead living in Fulham, just off Dawes Road, where she received DWP benefits.</p> <p>The tenant was visited at the Fulham address, where investigators questioned her and confirmed she had been living with her brother for the last six months. She admitted that she had no intention to return to the tenancy address and agreed to terminate her tenancy forthwith. She signed a statement confirming the above, completed a vacation notice and handed over keys to the property, which was brought back into the Council's possession in June 2023.</p>

<p>3.</p>	<p>SUCCESSION: The tenant of a three-bedroom flat in Sullivan Court, SW6, passed away, and her son applied for succession.</p> <p>Succession is a legal term used when a person takes over a tenancy when the tenant dies and relates to the statutory right of certain people to succeed in the tenancy. Sometimes, a qualifying family member can succeed if residing with the late tenant for 12 months before death.</p> <p>Details in the succession application contradicted a file note on the council tax account from the tenant's daughter advising that the property was empty and due to be returned to the Council. Her message was dated June, but a later note from the son, in October, advises that he was caring for the tenant and was staying at the property.</p> <p>Checks on the son revealed overseas travel to France. They showed him out of the country for most of the 12-month qualifying period before the death of his mother. Therefore, the applicant was interviewed and denied being out of the country. He provided documentation, including bank statements from a French bank and a letter to Lloyds bank inviting him to confirm where he lived for tax purposes. This suggested they had records of him living overseas.</p> <p>The interview was ended, but a complete review of the documents he provided raised additional questions, and a letter asking for further details was sent. In reply, he called the investigator and confessed to being in France for the qualifying period. In a subsequent interview, he accepted that he does not qualify for succession. The tenancy was terminated, and the Council recovered a valuable three-bedroom property.</p>
<p>4.</p>	<p>SUBLETTING: A housing officer covering the W12 area raised concerns about the illegal subletting of a Council property in Lugard House, Bloemfontein Road.</p> <p>CAFS's initial review of the allegation included finance checking, which linked the tenant to various addresses in Kent. In contrast, a study of Council data suggested that both the council tax bills and rent for the address were being paid by an unknown third party from a NatWest bank account. This same account was also responsible for paying utilities and the TV license.</p> <p>As the investigation progressed, the unknown third party was revealed to be the tenant's sister, the accounts in her married name.</p> <p>Using powers under the Proceeds of Crime Act, the investigator made more in-depth enquiries into the tenant's finances and found he had a Halifax Bank account, and the transactions on this account suggested the tenant was spending most of his time in Kent and rarely in west London.</p> <p>The tenant was invited to attend an interview, which he did with his sister. However, he refused to engage with officers even when he was shown the evidence. His sister tried to interject, but officers explained that the tenant needed to answer the questions. At the end of this no-comment interview, the investigators asked if they could go to the property for an inspection, but he finally answered them and refused.</p> <p>The officer began compiling court papers when, a few days after the interview, the tenant returned the keys to this one-bedroom property without any notification, giving vacant possession back to the Council.</p>

5.	<p>SUCCESSION: The Council received a statutory succession application for a four-bedroom property in the White City area. Following the tenant's death, her son applied to succeed the tenancy. However, the housing team suspected it was fraudulent because the son was not a resident at the tenanted address during the qualifying period.</p> <p>CAFS commenced enquiries and soon began compiling a case file of evidence contradicting the application. For example, the late tenant had only claimed benefits as the sole tenant and received a single-person discount. There was no record of the son on the voters' roll, and further interrogation of Council records found correspondence in which the late tenant stated that her son used the address for correspondence, but he did not live with her. Further information was gathered, and a complete file was passed to Legal, who commenced repossession action.</p> <p>The case was heard at Willesden County Court. The defendant failed to attend, and the judge granted the Council outright possession unchallenged, which was recovered via bailiffs in July 2023.</p>
6.	<p>SUCCESSION: Following the death of a tenant living in a two-bedroom flat in Champlain House, W12, the Council received a succession application. However, Housing colleagues were suspicious that the applicant had not been residing at the tenanted address fully during the qualifying period and had links to other properties in Sheffield.</p> <p>Initial enquiries by CAFS corroborated their suspicions, finding several links between the applicant and addresses in Sheffield, including ownership of a property there. The information was backed up by Sheffield City Council, who confirmed that the applicant was liable for council tax.</p> <p>The succession application was refused but appealed, and in a final attempt to convince LBHF, the applicant submitted a copy of an old application form for his three children to attend St John XXII Catholic primary school, claiming these children were all living with him and now attending this school. However, enquiries with St John XXII Catholic primary school confirmed no trace of the children. Still, additional checks found them all attending a primary school in Sheffield.</p> <p>The Council was granted possession, unchallenged at Willesden County Court, and eviction occurred in July 2023.</p>
7.	<p>ABANDONMENT: CAFS were sent a referral following from colleagues in the Gas Safety Team. They had undertaken a forced entry to a property in Poynter House, W11 and found that the gas was already capped. It had stayed the same since their last safety inspection, which also required a forced entry.</p> <p>CAFS commenced their enquiries by interrogating Council records and found correspondence from the tenant who claimed they were not always at home, spending all day at their elderly father's property.</p> <p>Additional information suggested the tenant had not lived at the address for some time. This was further confirmed when investigators obtained certified evidence of utility usage for the flat, including gas and electricity. The evidence was collated, eviction proceedings commenced, and the</p>

	property was recovered in July 2023.
8.	<p>SUCCESSION: CAFS received a referral from the Housing Team about a succession. The tenant of a two-bedroom flat in Benbow Court, SW6, passed away, and her son applied to succeed the tenancy. However, the Housing Team were suspicious of the circumstances when they discovered that the tenant died in Grenada, which alluded to her non-residency and a breach of tenancy before her death.</p> <p>CAFS undertook UK border agency checks, indicating that the late tenant travelled to Grenada and remained there for long periods. This evidenced that she spent more time overseas than in the UK. Therefore, it suggested the tenanted address was not a sole and principal home.</p> <p>The late tenant's pension was paid into her Barclays bank account, and the transactions did not show everyday transactions associated with someone residing in the United Kingdom and using their account regularly.</p> <p>Enquiries were also made to the Attorney General's Chambers of the Government of Grenada, and they confirmed her residency in Grenada.</p> <p>The Council commenced repossession action, culminating in a court hearing in April 2023, where the judge granted a possession order and awarded costs.</p>
9.	<p>NON-RESIDENCY: CAFS was contacted by immigration colleagues who wanted to enquire about a flat in Sharnbrook House where our tenant was alleged to have breached a deportation order.</p> <p>Immigration provided a photo of the subject's deportation order and a witness statement. The statement confirmed that the tenant had been deported by breached the order by re-entering the UK. His parents may have been living at the Sharnbrook House while our tenant was now living in Banbury, Oxfordshire.</p> <p>Based upon this new information, a Notice to Quit was served on the property, and Legal commenced repossession action. However, while awaiting a court hearing, the subject was arrested and charged by Thames Valley Police, who bailed him to an address in Banbury, Oxfordshire, reaffirming our case against the tenant's non-residency. The local Council also confirmed he was liable for Council Tax at the Banbury address.</p> <p>At trial, immigration officers were in attendance. This may have influenced the individual's decision to instruct his solicitors to accept a possession order, unchallenged, and vacate the tenancy address.</p> <p>The tenant was not seen in court during the court hearing, but the property has now been returned to the Council's possession.</p>

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 27/11/2023

Subject: Audit Fees 2023/24

Report author: Christopher Harris - Head of Corporate Accountancy, Finance Systems and Tax)

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

This report provides an update on the external audit fees for 2023/24 as set by Public Sector Audit Appointments (PSAA) and the Council's response to the recent consultation on the proposed framework for fees.

RECOMMENDATIONS

1. To note the update on the external audit fees as set by Public Sector Audit Appointments (PSAA) and the Council's response to the recent fee consultation. (Appendix 1).
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Wards Affected: All

H&F Values

Our Values	Summary of how this report aligns to the H&F Values
<ul style="list-style-type: none">• Being ruthlessly financially efficient	As part of the financial governance of the Council, and to ensure the Council is using its resources effectively, there is a need to appoint a suitable external auditor.

Financial Impact

The approved budgets for 2023/24 include provision for the new proposed fees (this is estimated at between £0.45m to £0.5m) and needs to be considered in the context of our overall resources and our complexities as a local authority (including Pension Fund).

Legal Implications

There are no direct legal implications in relation to this report.

Section 17 of the Local Audit and Accountability Act 2014 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 and gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

The Regulations set out the procedure that must be followed for setting the fee scale for audit of accounts (reg 16) before the start of the financial year to which the scale of fees relates including consulting opted in authorities and the scale of fees may take account of the costs or expenses and anticipated costs and expenses. This report sets out that process of consultation.

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Background Papers Used in Preparing This Report

None

PSAA Audit Fee Consultation

1. It was reported to Audit Committee in November 2022 that Public Sector Audit Appointment (PSAA) – being the “appointing person” for local authority external audit – had indicated a likely significant increase in the audit fee for the 2023-28 audit cycle.
2. The scale fee for 2023/24 will be finalised by 30 November but has provisionally been indicated to increase by 151% (remaining in line with the increase reported to the Audit Committee in November 2022).
3. The PSAA has set out the reasons for this significant increase in the scale fee, of which the key reasons are as follows:
 - Audit requirements have increased in recent years as a result of:

- changes to audit work required under the Code of Audit Practice
 - updated auditing and financial reporting standards
 - increased regulatory challenge
- Local authority audit is not attracting enough audit suppliers. This is in line with the findings of the 2021 “Redmond Review” and has led to significant procurement challenges.
4. The PSAA invited comments on the proposed audit fee increase through a recent consultation exercise. The Council’s response to this consultation is attached at appendix A.

LIST OF APPENDICES:

Appendix 1 – PSAA Scale Fee – LB Hammersmith and Fulham Consultation response – October 2023

Tony Crawley
Chief Executive, PSAA
Email: workandfeesconsultation@psaa.co.uk
(via email)

PSAA Scale Fee – Consultation response – Oct 2023

Dear Tony,

You have kindly invited comments from local authorities in respect of the recently proposed scale fee increase for PSAA audits for 2023/24. We have set out below comments on behalf of the London Borough of Hammersmith and Fulham.

As you have set out, the scale fee for LB Hammersmith and Fulham is proposed to increase by 151% (after adjustments to the prior year fee for new audit requirements etc.). This will increase our scale fee from £171k to £430k, excluding potential one-off charges of circa £80k based on 2022-23. We understand that this increase is substantially driven by the increase in underlying audit fees and that this is in keeping with similar authorities.

From a budgetary perspective this significant increase in the scale fee is, naturally, disappointing. As the PSAA will be aware, our sector continues to face significant financial challenges and whilst some funding has been indicated by government to support local audit, this is both temporary and only covering a fraction of the proposed increases. The proposed increase in the scale fee will, in the main, need to be met through compensating savings and reductions in spend in key statutory services.

We have taken on board the commentary that the price increase reflects the wider problems in the local authority audit market and changes to the regulatory landscape. These problems and changes have been elucidated through the Redmond review and we, like many authorities, have experienced them first-hand through significant audit delays. We understand that there is a pressing need to fix this and that this, in part, will be governed by commercial realities.

We accept that the pricing is pursuant to a competitive procurement process however would counsel that this process can only be as competitive as the underlying market in the first place. In the long-term we would urge the PSAA and other relevant bodies to consider ways to address potential market failure in this area.

On the basis that the proposed fee increases proceed, we firmly believe that this needs to be reflected in improvements to audit resourcing and timeliness and are

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pleased that absolute mandatory deadlines for both 2021/22 and 2022/23 are now in place (we are working with our auditors to sign off 2022/23 and 2021/22 is substantially complete).

We will gladly work with the PSAA in future in trying to secure the objectives that we have proposed above.

Yours sincerely,

Cllr. Patrick Walsh,
Chair – Audit Committee
LB Hammersmith and Fulham

Sukvinder Kalsi
Director of Finance
LB Hammersmith and Fulham