

# Audit Committee

## Agenda

Monday 9 December 2024 at 7.00 pm

Ground Floor - Clockwork Building, 45 Beaver Lane, London W6 9AR -  
Clockworks Building

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 Lisa Homan	Councillor Adrian Pascu-Tulbure	Councillor David Morton

**CONTACT OFFICER:** Tiffany Yip  
Governance and Scrutiny  
Email: [Tiffany.Yip@lbhf.gov.uk](mailto:Tiffany.Yip@lbhf.gov.uk)  
Web: [www.lbhf.gov.uk/committees](http://www.lbhf.gov.uk/committees)

Members of the public are welcome to attend, but spaces are limited so please contact [Tiffany.Yip@lbhf.gov.uk](mailto:Tiffany.Yip@lbhf.gov.uk) if you'd like to attend. The building has disabled access.

Date Issued: 29 November 2024

# Audit Committee Agenda

<u>Item</u>		<u>Pages</u>
<b>1. APOLOGIES FOR ABSENCE</b>		
<b>2. DECLARATIONS OF INTEREST</b>		
	<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>	
<b>3. MINUTES OF THE PREVIOUS MEETING</b>		4 - 15
	<p>To approve the minutes of the previous meeting and to note any outstanding actions.</p>	
<b>4. MID-YEAR TREASURY MANAGEMENT REVIEW 2024/25</b>		16 - 23
	<p>This report provides an update on the implementation (six months to 30 September 2024) of the 2024/25 Treasury Management Strategy, approved by full Council on 12 February 2024, and presents the Treasury Management Strategy 2024/25 mid-year review.</p>	
<b>5. INTERNAL AUDIT UPDATE 2024/25</b>		24 - 35
	<p>This report summarises the status of work included in the 2024/25 Internal Audit Plan as at the end of October 2024.</p>	

- 6. RISK MANAGEMENT UPDATE** 36 - 41
- This report provides an update on risk management across the Council, including the steps being taken to refresh the Corporate Risk Register and to update the Risk Management Strategy.
- 7. CORPORATE ANTI-FRAUD SERVICE HALF-YEAR REPORT - 1 APRIL 2024 TO 30 SEPTEMBER 2024** 42 - 54
- 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.
- 8. DATE OF NEXT MEETING**
- To note the date of the next meeting:
- 10 March 2025

# Agenda Item 3

London Borough of Hammersmith & Fulham

## **Audit Committee Minutes**



**Wednesday 6 November 2024**

### **PRESENT**

**Committee members:** Councillors Patrick Walsh (Chair), Florian Chevoppe-Verdier, Lisa Homan, Adrian Pascu-Tulbure and David Morton

**Other Councillors:** Councillor Alex Sanderson (Deputy Leader) and Councillor Rowan Ree (Cabinet Member for Finance and Reform)

### **Officers:**

Sharon Lea (Chief Executive) (attended remotely)  
Sukvinder Kalsi (Executive Director of Finance & Corporate Services)  
Nicola Ellis (Strategic Director, Chief Operating Officer)  
David Hughes (Director of Audit, Fraud, Risk and Insurance)  
Richard Shwe (Director of Housing)  
James Newman (Assistant Director of Finance)  
Paul Neary (Head of Corporate Safety)  
Patrick Rowe (SFM Treasury and Pensions)  
Sophie Green (Treasury Manager)  
Debbie Yau (Committee Coordinator)

### **Guests from Grant Thornton LLP**

Paul Dossett (Key Audit Partner)  
Nick Halliwell (Senior Manager)  
Alisha Nor Ezannee (In Charge Accountant)

### **1. APOLOGIES FOR ABSENCE**

There was no apology for absence. Sharon Lea, Chief Executive, attended remotely.

The Chair welcomed Cllr Lisa Homan who was attending the meeting for the first time.

### **2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

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

*Matters arising*

Councillor David Morton asked about the detailed information he had requested at the last meeting on discretionary secondary succession to social housing tenancy. David Hughes (Director of Audit, Fraud, Risk and Insurance) advised that the response would be made available for Committee members reference shortly.

## **RESOLVED**

The minutes of the meeting held on 31 July 2024 were agreed as an accurate record.

## **4. STATEMENT OF ACCOUNTS 2023/24**

Sukvinder Kalsi (Executive Director of Finance & Corporate Services) presented the London Borough of Hammersmith & Fulham's 2023/24 Statement of Accounts (SoA), including the Pension Fund Accounts and Annual Governance Statement for approval.

Paul Dossett (Key Audit Partner, Grant Thornton LLP) said Grant Thornton was on target of delivering 3 audits within a calendar year against the context of backstop legislation and Select Committee's concern on local audits. He attributed the achievement to the arduous work of responsive finance officers and their excellent engagement with his colleagues. He added that LBHF was nowhere near the backstop deadline of February 2025 for 2023/24 as that year's SoA would be signed off shortly.

Nick Halliwell (Senior Manager, Grant Thornton LLP) summarised the auditing work of the Statement of Accounts 2023/24 which took place between June and September 2024 as follows:

- a few issues around property valuations had been identified and the Council had been requested to follow up with the valuers in October 2024. Upon Grant Thornton's satisfaction about the updated SoA and its signing, it could then give an audit opinion for the 2023/24 SoA. After that, the authority would return to a more typical pre-pandemic audit timetable.
- the materiality levels were £13 million for which reasonable assurance was given. A number of findings and adjustments (p. 202 – 206) had been made including fixed asset accounting and determination of the pension liability however these adjustments were technical in nature and had no impacts on the General Fund. They just impacted the unusable reserve and valuations of property and pensions in the audit findings report.
- five new backstop dates would be introduced when parliamentary time permitted. (p. 209) The dates were being moved to 30 November in 2027 and 2028 from January/February in previous years.

Councillor Rowan Ree (Cabinet Member for Finance and Reform) expressed appreciation for the contribution of both sides in getting through three sets of annual figures within a calendar year. The impressive work also helped to show how well-run was this Council while some local governments were struggling in balancing the books. The audit findings spoke highly of the organisation and reflected the hard

work of the professional officers. Going forward, the Council would continue to rely on the advice of the external auditors on ways to conduct its business better.

Echoing his view, Councillor Florian Chevoppe-Verdier quoted from the report that an auditor was “not aware of any issues or matters that would lead to a modified opinion” (p. 16) and that “the Council had continued to face some of the most difficult financial circumstances it had ever faced. Funding from central government had reduced by 55% in real terms and 23% in cash terms, from £164m in 2010/11 to £126m in 2024/25. The economic impact of the last few years had put further pressure on Council finances.” (p. 142) which in his opinion was a piece of underrated news. He also noted from the narrative report of the Executive Director of Finance and Corporate Services had pointed out that the Council, “like most local authorities, continued to face significant financial challenges. For over a decade, national and local public finances had been under significant pressure whilst demand for our services had increased.” (p. 25) Councillor Chevoppe-Verdier found the local finances being safe and sound was a relief in this turbulent world.

The Chair also applauded at this substantial achievement and appreciated the hard work, dedication and collaboration of both sides. He asked about any London councils among those audited by Grant Thornton, had also completed multiple audits in a year. Paul Dossett confirmed that this had been done for a number of councils. It was expected that by the end of this calendar year, 80% of the 2022/23 or earlier audits and 25 – 30 % of 2023/24 audits nationally would have been signed. The latter would include Westminster City Council and Royal Borough of Kensington and Chelsea which had their 2023/24 accounts signed off already. The figures for 2023/24 would go up at the end of next February, the backstop deadline. Paul highlighted the difficulties for councils to re-establish the audit process which usually took a long time and were aggravated by the challenges related to public interest reports and the lack of resources in the audit market.

On the Chair’s question about the difference between audits with assurances and audits done by the backstop, Paul Dossett explained that the former was the highest standard for an audit whereby members and officers could have full assurance in setting the next year’s budget with an accurate base of figures prepared by the finance team and audited with a true and fair opinion. Audits in backstop territory meant that a council had produced a set of accounts but the auditor had stopped its work due to various reasons and gave a disclaimed opinion which meant the opening balances were disclaimed while in-year expenditures and closing balances could be signed off. Paul pointed out that the gap between the two was huge and re-establishing the assurance audits was a lengthy process of recovery.

Councillor Lisa Homan appreciated the assurance audits of SoA which helped boost her confidence in the Council’s finance. Referring to the “follow up to prior year recommendations” on p.199, she asked whether the recommendations were reviewed throughout the year or just annually. Paul Dossett noted that for every audit, there would have some form of recommendations agreed with the management and to be dealt with in different ways. Those recommendations related to the production of financial statement might not need to be followed up instantly. Otherwise, there might be programme to address those recommendations as part of the audit planning for next year. He pointed out that a lot of these recommendations

were meant for improvement. Nick Halliwell added that there were seven outstanding prior year recommendations, four of them had been cleared and two downgraded. The remaining one was raised in March 2023 and therefore had not been addressed in year.

#### Addressing Councillor Adrian Pascu-Tulbure's concerns

- about the increase in Capital Finance Requirement (CFR) from £77.1 million in 2022/23 to £120.7 million in 2023/24 (p. 32), Sukvinder Kalsi explained that capital fundings were set aside to meet the expenditures of capital programmes such as housing and all the development works in the near future. No external borrowing was required to maintain the increase in CFR since March 2020 but some borrowing was expected in relation to the housing assets under the Housing Revenue Account.
- about the movement of the Pensions Reserve from 2022/23 to 2023/24 (p. 52) on the Council's SoA, Patrick Rowe (Strategic Finance Manager, Treasury and Pensions) advised that as the funding levels had increased, the deficit on the general fund balance sheet had moved to surplus, so the movement was something positive for the Council.
- about housing fire safety and ways of disseminating the details to residents (p. 152), Richard Shwe (Director of Housing) noted that the Council had undertaken a rolling programme inspecting the properties which had a rate of compliance between 99% to 100% for the top six areas, and they were subject to internal and external audits. In addition, the Council also provided free fire door upgrades.
- about the delivery of the Civic Campus Programme as the overall structure, terms of reference, and delivery plans had been subject to review (p. 153), Sukvinder Kalsi advised that Civic Campus was a major iconic development involving 200+ affordable homes and some commercial space. It was expected to be completed and commissioned over the next year or so. The Cabinet had been keeping track of its development.
- about the mechanism in deciding the level of remuneration for senior officers (p. 81), Sukvinder Kalsi noted that the remuneration included salary, fees and allowance as well as pension contributions. He said that the levels of remuneration were regularly benchmarked against other local authorities and scrutinised by Members. Councillor Ree added that the total number of strategic directors had been halved following a recent organisational redesign such that the next year's remuneration figure would be smaller.

Noting that the Department for Transport (DfT) and Transport for London (TfL) would fund two-thirds of the total project costs for the Hammersmith Bridge, Councillor David Morton sought information on the actual figures involved. Sukvinder Kalsi highlighted the background of the Grade II Listed 134-year-old Hammersmith Bridge and noted that since the transferral of the Bridge to its custody some years back, LBHF had been working with DfT and TfL on a package of measures to actually finance and complete the renovation and restoration of the Bridge. The

Government had re-established the task force to, among others, arrange financing for the Bridge.

Councillor Morton noted the Mayor's concern about the Council's plan to fund its one-third contribution from a new road user charging scheme or a toll. Councillor Ree noted that the Council had submitted a business case to the DfT about 18 to 24 months ago and it was keen to receive the feedback with a view to re-opening the Bridge early.

## **RESOLVED**

That the Committee agreed

1. To approve the 2023/24 Annual Governance Statement which is included in the Statement of Accounts (Appendix 1).
2. To approve the Statement of Accounts for 2023/24, including the Pension Fund Accounts (Appendix 1).
3. To note the content of the external auditor's 'Audit Findings Reports' (ISA260), (Main Audit and Pension Fund) including the auditor's findings, recommendations and the Council's response to those recommendations (Appendices 2 and 3).
4. To approve the 2023/24 management representation letters (Appendices 4 and 5).
5. To approve the Pension Fund Annual Report 2023/24 (Appendix 6).
6. To note that the accounts remain 'unaudited' until final sign-off by the external auditor.
7. To delegate authority to the Chair of the Audit Committee, in consultation with the Executive Director of Finance & Corporate Services to approve any further adjustments to Appendices 1, 2, 3, 4, 5 and 6 which may be required as part of the completion of the audit work.

## **5. ANNUAL AUDIT REPORT (VALUE FOR MONEY) 2023/24**

Paul Dossett (Key Audit Partner, Grant Thornton LLP) introduced the Annual Audit Report (AAR) 2023/24 which was the auditor's commentary relating to the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (commonly known as "value for money" arrangements). He recalled that in presenting the same report for 2022/23 in last November, he had commented on the Council's arrangements as being strong with some challenges including the regulatory challenges of the Housing Ombudsman and the financial sustainability of the Housing Revenue Account (HRA) which was operating in the context of cost of living crisis, inflations, the war in Ukraine, covid and the new regulatory requirements driven by the Grenfell incident and damp & mould issues across the country. While these issues could not be resolved overnight, significant changes/actions had since been made/taken to address them and put the HRA back on a more sustainable footing.

Paul Dossett remarked that the financial sustainability of the General Fund and the governance arrangements of the Council were strong. In terms of economy



efficiency and effectiveness, the Council ran some good services and achieved good regulator scores. That was why the commentary on financial sustainability and housing performance were both downgraded from red to amber. It was expected to see the measures taken to address those issues would be fully in place beyond 2023/24 to bring about further improvements in 2024/25. Paul highlighted that among all the councils that he had worked with, LBHF had probably done one of the best recoveries from a poor position and it was moving in the right direction on top of the issues.

Noting that the direction of travel for three out of the four issues listed under the overall summary of value for money assessment of the Council's arrangements (p. 362) were upward, Councillor Florian Chevoppe-Verdier asked whether the trend would continue at the next audit.

In response, Paul Dossett advised that the challenges on HRA was first raised in July 2022 and the progress of work ever since had been positive and moving in that direction. When the same report was delivered by this time next year, he expected that aspect would move from amber to green.

The Chair noted that the auditor had recommended the Council to include scenario planning as part of developing the annual budget. Given the market shocks in the past few years such as Brexit, mini-budget, the war in Ukraine which were unique scenarios with unique challenges, he was concerned how scenario planning could be embedded in developing the budget.

Paul Dossett said that councils used to develop the medium-term financial plan based on the information currently available including demand pressures, inflation forecasts, ongoing impact of the events mentioned earlier. Scenario planning was to adjust information e.g. revising the rate of forecast inflation, or having spiking demand for children's services, and then assess the scale of challenges reflected in the plan. It might also help push down particular path in terms of revenue raising or savings. Paul stressed that it was more about the medium-term financial plan rather than the whole year's budget.

The Chair referred to the risk register which monitored and tracked risks over time and asked if scenario planning could be incorporated within the existing exercise of the risk register. Paul Dossett considered it might be a robust bottom-up approach to do so as the risk register could crystallise the risks in scenario planning and put a financial value against various ranges that might have material impact on the service provided. The outcomes needed to be challenged and reviewed by the Finance team colleagues.

Sukvinder Kalsi (Executive Director of Finance & Corporate Services) outlined the Finance office's existing practice of scenario planning and risk analysis in budget development. Going forward, the practice would be formalised considering the best- and the worst-case scenarios in assessing the impacts.

In response to Councillor Adrian Pascu-Tulbure's enquiry about the financial performance of the HRA, Councillor Rowan Ree (Cabinet Member for Finance and Reform) noted that during the current budget setting process, efforts had been made

to deliver a 10-year business plan for the HRA that sought to build and maintain a stronger reserve now that the structural deficit had been eliminated. Sukvinder Kalsi added that the previous deficit balance in the HRA was an arrangement put in place as part of the recovery plan. As the Council was coming out of the plan, the balance could be maintained at the level of £5 million (5% of the HRA turnover) which should be sufficient to accommodate all major financial risks envisaged.

Sukvinder Kalsi took the opportunity to express his appreciation to the support of Grant Thornton in auditing the Council's enormously complicated accounts comprising assets over £2 billion plus a pension fund of £1.2 billion. He thanked Paul and his team for their diligence and thorough reviews and the auditor's unmodified statement of the accounts gave residents assurances that the Council's finances were on a solid footing. Sukvinder said he was pleased to note that the housing service had moved from red to amber rating and expected to see the service progress in that direction. He remarked that the Council's finance team would continue to work to their utmost for the sustainable future such that residents would continue to be provided with the excellent services they deserved. Sharing the sentiment, Councillor Ree added he was thankful to everyone who had done a lot of work on the HRA and made its turnaround possible.

Echoing their views, Sharon Lea (Chief Executive) noted the professional finance team had worked very well with the external auditor and exchanged views with them about the challenges in housing in an open and transparent manner. It was also challenging to the officers to work for an ambitious Administration who were ruthlessly financially efficient. With their dedication and collaborative efforts with colleagues in internal audit and housing teams, the finance team had proudly concluded the Council's accounts for the past three years. Their excellent work was reflected in the AAR 2023/24 and Paul's earlier compliments. She expressed a heartfelt thanks to Paul and his team.

## **RESOLVED**

That the Committee agreed to note the contents of the "Auditor's Annual Report for the Year Ended March 2024" from Grant Thornton LLP (Appendix 1).

## **6. HEALTH AND SAFETY UPDATE APRIL 2023 TO MARCH 2024**

Paul Neary (Head of Corporate Safety) introduced the report which highlighted the Council's activities and performance in health and safety at work for the financial year 2023/2024 as follows:

- there was an increase in incidents, and incidents relating to violence and aggression in a lot of areas, particularly libraries.
- eight RIDDORs (Reporting of Injuries, Diseases and Dangerous Occurrence Regulations) were reported to the Health and Safety Executive (HSE) which did not issue any follow up responses.
- additional training was conducted for staff on the accident and incident recording system, AssessNET and the new Risk Assessment module.

Councillor Lisa Homan understood that some incidents of violence and aggression against LBHF's staff had been reported to the Police. She enquired about the number of prosecutions, if any, and the support provided to the victims during the process.

Paul Neary noted that there was no record of prosecutions which would happen only if the victims wanted to take the case forward. Nonetheless, each case would be investigated by the Corporate Health and Safety team to see if the relevant training delivered by the Community Safety team or Civil Enforcement team needed any adjustment. Any colleagues having issues and concerns could seek help from the Employee Assistance Programme via their manager.

Councillor Florian Chevoppe-Verdier expressed grave concern about local public servants being attacked while providing public services. He asked about the point of friction in libraries leading to incidents of violence and aggression. Paul Neary pointed out that libraries were not the quiet place they used to be. Some people went into libraries to get off the street, and get warm. Sometimes, violence and aggression occurred when staff requested them to lower their voice or stop searching the bins. The responsible director was currently looking into the feasibility of deploying security staff in libraries.

Sharon Lea (Chief Executive) remarked that libraries in H&F were a wonderful resource for the community, and were well used by many residents for gaining knowledge through reading, doing research and/or participating in activities. People causing disturbance or violence and aggression in libraries were only a small minority. While violence had increased in society generally across many areas, the Council had worked closely with the public-facing library staff and supported them with the excellent CCTV network and unique Law Enforcement Team. Deploying additional resources to make library staff feel safer must be done with them as they might not prefer having security staff on the premises. The Health and Safety Officer responsible for libraries had written to the Director and Assistant Director about further measures that could be taken to ensure the safety of library staff.

On incidents of violence and aggression against H&F staff and prosecution, Sharon Lea reassured the Committee that she personally would take up the matter with the Police. It was the staff's decision to pursue further having regard to their willingness to be a witness or their preference to come back to work sooner. To prevent these incidents from happening again, the Council had recently run a public awareness campaign about valuing people who worked with residents and a zero tolerance approach to abusing H&F staff.

Councillor Chevoppe-Verdier thanked Sharon's reassurances in looking after H&F staff and shared her view that library staff might prefer to diffuse the situation instantly rather than calling security. He understood a piece of legislation making attacking government staff/public servant a separate criminal offence was on the pipeline and looked forward to its enactment.

Councillor Adrian Pascu-Tulbure said he was shocked to note an incident at a school had caused a staff's bone fracture and asked about the outcome. Paul Neary

advised that the incident was reported and investigated by the school, with oversight provided by a health and safety advisor who did a RIDDOR report to the HSE.

The Chair was concerned about the Council's roles in providing statutory services through staff who had previously been assaulted or abused by a resident. He asked about the procedures in place to protect the staff concerned. Paul Neary referred to the Employee Protection Register, which could be added to by Directors. There were tailor-made sanctions to ban them from contacting the council officers for 6 months or longer. The Corporate Health and Safety team would then add that person to the register after they had sighted the letter informing them the details. Currently, there were 14 people on the Employee Protection Register (updated every Monday) and compliance was between 90% and 100%.

Councillor Lisa Homan was concerned about the potential implications of Martyn's Law to local authorities in terms of health and safety for example it might cover venues licensed by the Council. Paul Neary said Martyn's Law applied to venues having more than 200 seats and it was currently undergoing parliamentary scrutiny. The Corporate Health and Safety team was reviewing the policy details and would prepare the relevant documents after enactment.

## **RESOLVED**

That the Committee agreed to note the health and safety at work performance of the Council during the period of April 2023 to April 2024.

## **7. ANNUAL COMPLAINTS REPORT 2023/24**

Nicola Ellis (Strategic Director, Chief Operating Officer) presented the report which summarised the Council's performance and learning from resident complaints during the period 1 April 2023 to 31 March 2024 and included all complaints covering stage 1, 2, Ombudsman and statutory complaints. She highlighted the importance to recognise repairs and housing were on an ongoing improvement journey and issues highlighted in the report was as at that point in time. She summarised the report as follow:

- the Council's performance in managing complaints had improved with an increase in the responses at stage 1 and stage 2 complaints being closed within the corporate timescales, with an uplift of 8% on stage 1 and 29% on stage 2 complaints compared to 2022/2023.
- more complaints were received than the previous year because of improvement around complaint handling and accessibility. The increase enhanced learning from feedback and helped improve the services.
- the Repairs Service delivered 58,310 reactive repairs and received 2,254 stage 1 complaints equating to 4% service dissatisfaction.
- a total of 483 complaints were received for the waste service which mainly related to missed or incomplete refuse and recycling collections. During

2023/24 3.4m bins were collected which equated to a low dissatisfaction rate of 0.014%.

- In relation to the annual letter of the Local Government Social Care Ombudsman (LGSCO), the Council's performance was positive in comparison with other boroughs, having the lowest number of upheld LGSCO decisions per 100,000 residents and was second lowest for the upheld % rate (excluding City of London).
- as a percentage of all findings of fault across 53 cases identified by the Housing Ombudsman (HO), 84% were maladministration.
- on Friday 25 October the HO confirmed that the Council had completed the 10 recommendations from the Paragraph 49 of the Special Report published in February 2024.

Councillor Florian Chevoppe-Verdier referred to LGSCO's letter (p 508) and found it reassuring and encouraging to receive the positive remarks from an independent third party. Addressing his enquiry, Nicola Ellis noted that the Council had completed the self-assessment against the HO's Complaint Handling Code and was compliant with all the areas. Similar exercise would be conducted against LGSCO's code in April 2025.

Councillor Adrian Pascu-Tulbure noted that there was a significant increase in compensation paid during the period April 2023 to March 2024 – up from £519,521.37 in 2022/2023 to £792,007.18. He questioned whether the Council had done its utmost to serve the residents.

Richard Shwe (Director of Housing) remarked that now, the Repairs team was still dealing with the HO's backlog complaint from 2020, and the amount of compensation was determined by the HO. More recent complaints were being dealt with properly, with staff working seven days a week. There was no overdue stage 1 and stage 2 complaints since this September. Richard said they had discussed with the HO on the compensation culture and the Council's policies about the levels of compensation.

Sharon Lea (Chief Executive) considered complaint handling was a major project of learning and improvements and she always encouraged management teams to track the complaints for any trends. She said on top of HO's backlog of complaints, the Housing Department had a backlog of repairs in the last 24 months because of failures of certain former contractors and the undesirable complaint handling. While dealing with historical HO's complaints made in 2021, the Housing Department had made a lot of changes for the better, for example, complying external guidance on complaint handling and HO's compensation policy. The Housing Department was now responding to stage one and two complaints and delivering the repairs service on time. Sharon considered that it was right and proper to apologise and pay appropriate compensation to the residents who had been inconvenienced to the detriment. The Council aimed at providing good service for residents and encouraged them to lodge complaints with the Council instead of going to the HO or resort to the no-win-no-fee legal route. She was pleased to note that the learning and

improvements made as demonstrated in the current performances of the Housing Department were acknowledged by the external auditor.

Councillor Lisa Homan referred to the compliments received over 2023/24 (p. 455) which in her opinion, were noteworthy as people took time to make a compliment for the services they were entitled to. Nicola Ellis remarked that these compliments were not text/email surveys but residents' personal writing in emails.

The Chair noted estate residents who shared very little from the compensation even if they won the case through the no-win-no-fee legal services. He asked whether the Council could collaborate with the residents along the process with a view to resolving the issues outside the court. Richard Shwe highlighted the Housing teams were acting proactively to resolve the repair issues at the first instant to avoid overdue and backlog. To help reduce disrepair cases and resolve the issues quicker, the Council having consulted the legal colleagues might act on behalf of those residents who did not understand the actual undertaking.

## **RESOLVED**

That the Committee agreed to note the Council's performance on complaints during the year 2023/24 and the organisational learning from them.

## **8. TREASURY MANAGEMENT OUTTURN REPORT 2023/24**

Patrick Rowe (Strategic Finance Manager, Treasury and Pensions) and Sophie Green (Treasury Manager) briefed members on the report, including

- the treasury position as at 31 March 2024;
- the borrowing strategy for 2023/24;
- the borrowing outturn for 2023/24;
- compliance with treasury limits and prudential indicators;
- investment strategy for 2023/24; and
- investment outturn for 2023/24.

Councillor Rowan Ree (Cabinet Member for Finance and Reform) remarked that treasury management was very crucial in ensuring the Council was able to pay its bills and manage its finances in the most efficient way possible. He highlighted the team's prudence in adhering to treasury limits and prudential indicators when undertaking for the treasury function in 2023/24. He also appreciated the team's efforts to raise money to tackle climate change through issuing the Community Municipal Investment (CMI), a bond like instrument commonly referred to as the Green Bond which was the largest of its kind.

Agreeing that the CMI (Green Bond) was a unique and impressive initiative having attracted the most individual investors out of all CMIs to date, Councillor Florian Chevoppe-Verdier sought details about the idea initiation and implementation. In response, Councillor Ree said the CMI (Green Bond) had raised £1.75 million in two tranches for investment into green projects. The outreach programme had been particularly effective in attracting more individual investors than any other local authority's funds. He further mentioned about plans to launch another tranche soon

with the limit capped at £5 million. At the time of launching the first tranche, it was the largest target of all CMIs. Councillor Ree noted it was important to learn what had worked well last time and make them better.

**RESOLVED**

That the Committee agreed to note the report.

**9. DATES OF FUTURE MEETINGS**

The Committee noted the dates of future meetings:

- 9 December 2024
- 10 March 2025

Meeting started: 7.00 pm  
Meeting ended: 8.45 pm

**Chair** .....

**Contact officer** Debbie Yau  
Committee Coordinator  
Governance and Scrutiny  
E-mail: Debbie.Yau@lbhf.gov.hk

# Agenda Item 4

## LONDON BOROUGH OF HAMMERSMITH and FULHAM

**Report to:** Audit Committee

**Date:** 9 December 2024

**Subject:** Treasury Management Strategy: Mid-Year Review 2024/25

**Report author:** Sophie Green, Treasury Manager

**Responsible Director:** Sukvinder Kalsi, Director of Finance

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### SUMMARY

This report provides an update on the implementation (six months to 30 September 2024) of the 2024/25 Treasury Management Strategy, approved by full Council on 12 February 2024, and presents the Treasury Management Strategy 2024/25 mid-year review.

Treasury management comprises the management of the Council's cash balances, ensuring that funding for the Council's capital programme follows its

strategy and that surplus cash balances arising from the day-to-day financial operations of the Council are invested appropriately 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 2024/25 to include the treasury position as at 30 September 2024;
- a review of the Council's borrowing strategy for 2024/25;
- a review of compliance with Treasury and Prudential Limits for the first six months of 2024/25;
- an economic update for the first part of the 2024/25 financial year.

The Council's Treasury responsibilities are well managed and some of the key highlights so far in 2024/25 are set out below.

During the first six months of 2024/25, cash balances decreased marginally from £159.3m at 31 March 2024 to £116.9m at 30 September 2024. These funds were invested at competitive rates with an average yield of 5.21%. The average rate fell from 5.62% at 31 March 2024 following a 0.25% decrease in the Bank Rate.

The Council has also repaid some historic borrowing (£4.3m in total) and therefore external borrowing has reduced from £268.5m to £264.1m, with the average interest rate of all debt also reducing marginally from 3.72% to 3.67%.

The Council has operated within the Treasury Limits and Prudential Indicators.

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## RECOMMENDATIONS

1. The Committee is asked to note the Treasury Management Strategy 2024/25 mid-year review.

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**Wards Affected:** None

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<b>Our Priorities</b>	<b>Summary of how this report aligns to the H&amp;F Priorities</b>
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.

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## Contact Officers

Name: Phil Triggs  
Position: Director of Treasury and Pensions  
Telephone: 0207 641 4136  
Email: ptriggs@westminster.gov.uk  
Verified by: Sukvinder Kalsi, Director of Finance

Name: Jade Monroe  
Position: Chief Solicitor Social Care  
Telephone: 0208 753 2695  
Email: jade.monroe@lbhf.gov.uk

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## Background Papers Used in Preparing This Report

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext of holder of file/copy</b>	<b>Department/ Location</b>
	Treasury Management Strategy Statement 2024/25	Phil Triggs	Tri-Borough Treasury and Pensions

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## 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 2024;
- the borrowing strategy for 2024/25;
- the borrowing position at 30 September 2024;
- compliance with treasury limits and prudential indicators;
- the investment strategy for 2024/25; and
- the investment position at 30 September 2024.

3. The Council’s debt, all held with the Public Works Loan Board (PWLB), with the exception of a £1m Green Bond, and investment positions at the beginning of 2024/25 and at the six-month point were as follows:

	<b>31 March 2024 (£m)</b>	<b>Rate (%)</b>	<b>30 September 2024 (£m)</b>	<b>Rate (%)</b>
General Fund (GF)	53.0	3.69	52.2	3.65
Housing Revenue Account (HRA)	215.5	3.73	211.9	3.68
<b>Total Borrowing</b>	<b>268.5</b>	<b>3.72</b>	<b>264.1</b>	<b>3.67</b>
Total Cash Invested	159.3	5.62	116.9	5.21
<b>Net Cash Invested</b>	<b>(109.2)</b>		<b>(147.2)</b>	

4. The Housing Revenue Account (HRA) is responsible for servicing 80.2% of the Council’s external debt and the General Fund is responsible for the remaining 19.8%.

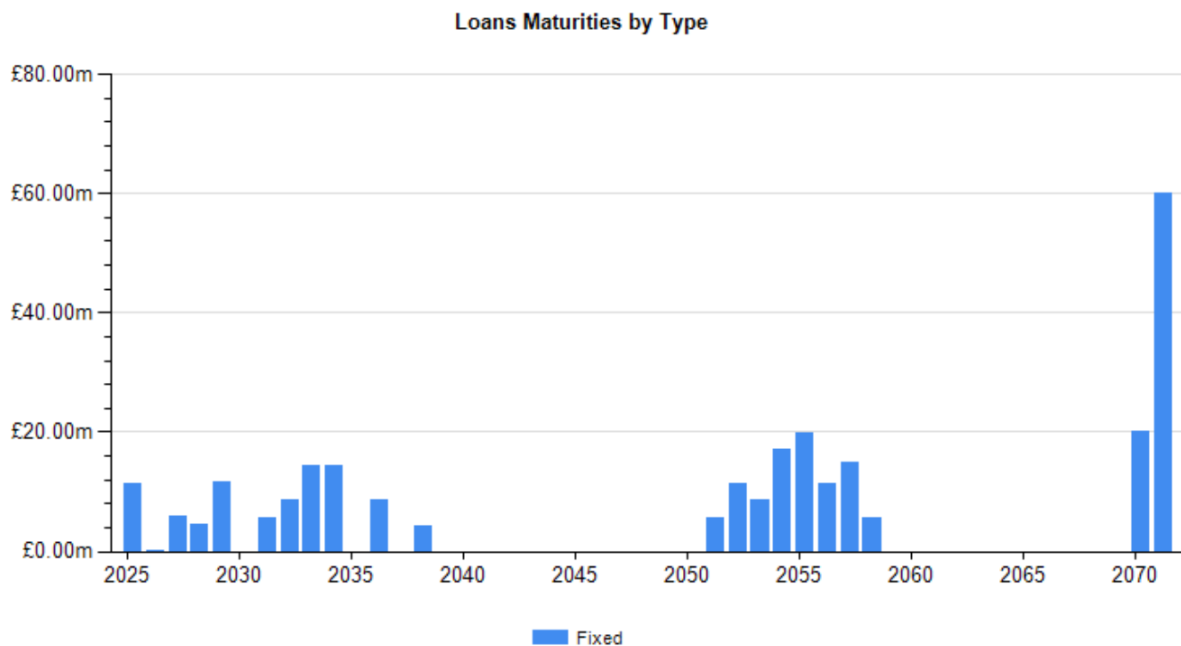
5. The table below shows the split of investments by duration as at 30 September 2024:

<b>Maturity Period</b>	<b>Call (£m)</b>	<b>Fixed (£m)</b>	<b>MMF (£m)</b>	<b>Total (£m)</b>
Liquidity	0.0	0.0	56.9	<b>56.9</b>
< 1 Month	0.0	15.0	0.0	<b>15.0</b>
1 – 3 Months	0.0	45.0	0.0	<b>45.0</b>
3 – 6 Months	0.0	0.0	0.0	<b>0.0</b>
6 – 12 Months	0.0	0.0	0.0	<b>0.0</b>
<b>Total</b>	<b>0.0</b>	<b>60.0</b>	<b>56.9</b>	<b>116.9</b>

- The Treasury Management Strategy Statement (TMSS) for 2024/25 was approved by Full Council on 12 February 2024. 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

- £4.4m of borrowing has been repaid in the first half of 2024/25. Total borrowing therefore dropped from £268.5m to £264.1m and an average interest rate of 3.72% to 3.67%. All the Council's loans are at a fixed rate of interest. The table below shows the debt profile as at 30 September 2024:



- In the first six months of 2024/25, the HRA PWLB debt of £211.9m remained below the HRA Capital Financing Requirement (CFR) of £451.2m, which generates internal borrowing of £239.3m. A charge for this is made based on the opportunity cost to the General Fund of providing this financing. HRA reserves and working capital, represent cash balances, on which interest is allocated from the general fund.
- As at 30 September 2024, 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).
- The Council is likely to borrow for the HRA before the end of 2024. Cash balances and interest rates are constantly being monitored to determine the optimal time to borrow. The proposed duration is seven to ten years as this duration is currently the cheapest point of the yield curve. An EIP (Equal Instalments of Principal) loan structure is being considered as this spreads refinancing risk and creates the opportunity to refinance throughout the loan duration at cheaper rates.

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

	31 March 2024 CFR £m	31 March 2024 External Debt £m	30 Sep 2024 CFR £m	30 Sep 2024 External Debt £m
GF (Excluding DSG funded Schools Windows borrowing)	163.1	0.0	187.3	0.0
GF (DSG funded Schools Windows borrowing)	88.3	0.0	89.8	0.0
<b>Total GF Headline CFR</b>	<b>251.4</b>	<b>0.0</b>	<b>277.1</b>	<b>0.0</b>
Finance leases/PFI	14.3	0.0	11.7	0.0
<b>Total Closing GF CFR</b>	<b>265.7</b>	<b>53.0</b>	<b>288.8</b>	<b>52.2</b>
HRA	348.3	0.0	451.2	0.0
<b>HRA CFR Total</b>	<b>348.3</b>	<b>215.5</b>	<b>451.2</b>	<b>211.9</b>
<b>Total CFR/External Debt</b>	<b>614.0</b>	<b>268.5</b>	<b>740.0</b>	<b>264.1</b>

### Treasury Investments

11. At 30 September 2024, more than half of the Council's treasury investment portfolio (£60.0m) was held in fixed term deposits with local authorities and banks.

12. 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.

13. The investments outstanding at 30 September 2024 amounted to £116.9m invested in short-term deposits. This compares with £159.3m short-term investments at 31 March 2024.

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

	<b>31 March 2024 £m</b>	<b>30 September 2024 £m</b>
Money Market Funds	42.3	56.9
Term Deposits	117.0	60.0
<b>Total</b>	<b>159.3</b>	<b>116.9</b>

15. During the first six months of 2024/25, cash balances varied between £166.5m and £129.6m, 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).

16. The average return achieved on investments managed internally for the first six months was 5.21% compared with the average six-month SONIA rate of 5.25%. 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**

17. During the year the Council operated within the Treasury Limits and Prudential Indicators set out in the TMSS.

18. The table below provides a breakdown of the indicators and actual position for the six-month period ending 30 September 2024:

<b>Indicator</b>	<b>2024/25 Approved Limit</b>	<b>2024/25 Actual at 30 September 2024</b>	<b>Indicator Met</b>
Authorised Limit for external debt <sup>1</sup>	£850m	£264m	Yes
Operational Debt Boundary <sup>2</sup>	£805m		Yes
Capital Financing Requirement <sup>3</sup>	£784m	£740m	Yes
Capital Expenditure	£264m	£94m	Yes
Working capital balance	£0m	£0m	Yes

<sup>1</sup> 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.

<sup>2</sup> The Operational Boundary is the expected normal upper requirement for borrowing in the year.

<sup>3</sup> The limit for the Capital Financing Requirement is a guide not a hard limit, and actuals in excess are not a breach.

Limit on surplus funds invested for more than 364 days	£120m	£0m	Yes	
<b>Maturity Structure of Borrowing</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Actual</b>	<b>Indicator Met</b>
Under 12 months	0%	15%	3%	Yes
12 > months < 24	0%	15%	0%	Yes
24 > months < 5 years	0%	60%	11%	Yes
5 > months < 10 years	0%	75%	20%	Yes
Over 10 years	0%	100%	66%	Yes

<b>Indicator</b>	<b>2024/25 Forecast</b>	<b>2024/25 Actual at 30 September 2024</b>
Ratio of financing costs to revenue stream	GF 2.82% HRA 35.42%	GF (2.38%) HRA (1.10%)
Ratio of commercial/service investment income to net revenue stream	GF 1.80% HRA 3.41%	GF (2.76%) HRA (3.91%)

19. The variance for the ratio of financing costs to revenue stream is driven by changes to the prudential code which 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 2024/25 forecast for ratio of commercial/service investment income to net revenue stream due to this being a new requirement of the code.

### Reasons for Decision

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

### Equality Implications

21. 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

22. The purpose of this report is to present the Council's mid-year Treasury Management Report for 2024/25 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.

23. Risk levels were set in accordance with the approved 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.

24. 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.

25. Implications verified by: David Hughes, Director of Audit, Fraud, Risk and Insurance, tel. 07817 507 695

## **Consultation**

None.

## **LIST OF APPENDICES**

None.

# Agenda Item 5

## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 9 December 2024

**Subject:** Internal Audit Progress Report (April to October 2024)

**Report of:** David Hughes, Director of Audit, Fraud, Risk and Insurance

**Responsible Director:** David Hughes, Director of Audit, Fraud, Risk and Insurance

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### Summary

This report summarises the status of work included in the 2024/25 Internal Audit Plan as at the end of October 2024. Of the six audits issued as draft reports at the time of the last report to the Audit Committee (July 2024), five have now been finalised.

The status of audits confirmed for inclusion within the Plan and audit work carried forward from 2023/24, is shown in Appendix 1.

### Recommendations

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

**Wards Affected:** None

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### H&F Values

<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Priorities</b>
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.



Our Values	Summary of how this report aligns to the H&F Priorities
Taking pride in H&F	Investment in public realm services such as waste 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 several different reviews that form part of the Internal Audit Plan.

**Contact Officer:**

Name: David Hughes  
 Position: Shared Services Director for Audit, Fraud, Risk and Insurance  
 Telephone: 020 7361 2389  
 Email: David.HughesAudit@lbhf.gov.uk

**Background Papers Used in Preparing This Report**

None

**DETAILED ANALYSIS**

**Internal Audit Work to September 2024**

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 2024/25 was reviewed by the Audit Committee in March 2024. 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.

3. Four assurance levels are used when an audit is complete:

<b>Assurance Level</b>	<b>Description</b>
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.
No 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.

4. Recommendations made are categorised according to the table below:

<b>Priority</b>	<b>Description</b>
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.

5. In the last report to the Audit Committee in July 2024, six audits from 2023/24 had been issued in draft, five of these have now been finalised, four receiving satisfactory and one receiving a substantial assurance opinion:
- Local Safeguarding Children’s Partnerships
  - Compliments & Complaints
  - Trading Standards
  - Licensing
  - NNDR (substantial)
6. The advisory review of Out of Borough Placements is still being reviewed prior to the final report being issued.
7. Since the last report to the Committee, a draft advisory report on Local Business Continuity Planning has been discussed with the relevant service areas and additional information is being added by Internal Audit prior to this review being finalised.

8. Three audits from the 2024/25 plan have also been issued as draft reports:
  - Housing Health & Safety – Asbestos Management.
  - All Saints C of E Primary School.
  - Kenmont Primary School.

### **Election Readiness**

9. The 2024/25 audit plan included a review of Electoral Services which was due to be undertaken during the Greater London Authority (GLA) Election (May 2024) with learning applied when the General Election took place later in the year. A particular focus was on managing voter ID as this was the first time this was a requirement for those casting votes in person within the borough.
10. A review of processes in place commenced in mid-March in the lead up to the GLA Election, with further discussions held with the Electoral Services Manager covering the following areas:
  - Training for Polling Station officials
  - Voter ID and provision of Voter Authority Certificates
  - Postal Voting including handing in of votes and post-election notification of rejection of postal votes
  - Counting of votes (3-4 May)
  - Identification and confirmation of Polling Stations
  - Accounting for the costs of the election
  - Liaison with other boroughs
11. The Council worked with the three other boroughs in their designated constituency (West Central) and applied the training and accounting requirements of the GLA with the counting of votes undertaken for all three boroughs in the same location over 3 and 4 May.
12. The post-election discussions were held in mid-May with no specific issues identified following the introduction of Voter ID. The GLA Elections were a good opportunity for the staff and others involved in the election process to become familiar with the new rules on voter ID and how to manage this additional requirement efficiently and effectively.
13. Additional audit work was paused due to the announcement on 22 May that the General Election would take place on 4 July. The audit review resumed in late September to consider any lessons learned from the General Election.
14. The key findings from the review are:
  - The CEO (Returning Officer in the General Election and Deputy Returning Officer in Mayoral) was highly involved in the meticulous planning of all details of the 2024 elections from the start. This commenced with a planning meeting in March 2023 with the other two CEOs for the Mayoral election. From then the CEO chaired a monthly H&F senior officer group - cross-departmental forum that was established to plan every aspect of the elections from system and processes needed, postal voting, 68 polling stations, staffing – up to 600 people, print deadlines and engagement with candidates and agents through to the detailed management of the count including venue – staffing, systems and procedures and safety and security of polling

stations staff and the count. The forum initially met monthly then weekly and then in the pre-election period moved to daily sessions in the run up to the elections. Even though the General Election was called at minimum notice due the planning and preparation that had already occurred the H&F Election team and senior leadership team were able to manage all logistical arrangements extremely well.

- Despite the very short gap between the two Elections, the service was prepared with no significant issues or concerns identified.
- The Elections Team has good relationships with those who support the successful delivery of an Election, such as Finance, Digital and Facilities Management who are fully involved in the preparation for an Election as required.
- The Chief Executive is informed of the risks associated with running an Election and how these are managed and meets regularly with the Electoral Services Manager in the lead up to an Election to discuss issues arising and how they should be managed.
- Although some members of the Electoral Services Team were relatively inexperienced at the time of the GLA Election, having experienced two Elections in a short space of time has provided them with valuable experience in preparation for the Council Elections in 2026.
- The Electoral Services Manager is very experienced and respected in her role across the sector. At the time of the GLA Elections, there was another experienced member of the Team that could step up to manage the service if required. This officer had moved to a new job outside of the authority by the time of the General Election and, although the Manager was able to call upon other experienced officers outside the core Team to support the process, business continuity arrangements had to be considered to ensure that they were suitable in the event of the Electoral Services Manager being absent for a prolonged period or at a critical time in the Elections calendar.
- The Electoral Services Manager identified that ensuring sufficient resources were available to work at polling stations and the count was a concern across the sector. The short notice and timing of the General Election meant that some people were unavailable on the relevant days and the Service had to be prepared for unexpected absences. The Electoral Services Manager ensured there were additional resources available for the General Election to fill in where there were unexpected absences and all these resources were deployed.

### **Internal Audit Opinion**

15. 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.
16. Appendix 1 shows the status of the planned audits as at the end of September 2024.

### **Follow ups**

17. A total of 38 recommendations have been followed up in the year to date. Implementation of medium and high priority recommendations has been consistently effective with 83% of medium and high priority recommendations fully implemented with a further 13% partly implemented. Further follow up will be undertaken on the recommendations partly or not yet implemented.
18. Appendix 2 shows any high or medium priority recommendations not fully implemented at the time of the follow up.

### **Consultation**

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

### **Legal Implications**

20. This is a regular update report on the position of internal audits as against the Internal Audit Plan.
21. 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.
22. 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, considering public sector internal auditing standards or guidance.
23. The Constitution gives the Strategic Director of Finance responsibility for complying with the Regulations. The Audit Committee has responsibility for advising on strategic processes for risk, control and governance and the Statement on Internal Control. This report fulfils the obligations in the Regulations and the Constitution.
24. There are no other legal implications arising from this report.  
*Implications verified by Grant Deg, Director of Legal Services on 21 November 2024.*

### **Financial Implications**

25. The Internal Audit Plan for 2024/25 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.

26. 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, Executive Director of Finance and Corporate Services on 25 November 2024.*

### **Risk Management**

27. 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 20 November 2024.*

### **List of Appendices:**

Appendix 1 Audit Plan 2024-25 Status Report

Appendix 2 Implementation of Recommendations 2024/25

## AUDIT PLAN 2024/25 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
<b>Cross-cutting</b>	<ul style="list-style-type: none"> <li>Local Business Continuity Planning (2023/24) (Jul-24). Internal Audit updating in progress.</li> </ul>	<ul style="list-style-type: none"> <li>Review of Regulatory Burdens (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management (Jan-25)</li> <li>Performance Reporting (TBC)</li> <li>Capital Programme: Governance &amp; Pipeline (TBC)</li> </ul>	<ul style="list-style-type: none"> <li>Financial Systems (no areas due for review in year)</li> </ul>
<b>Finance &amp; Corporate Services (excl Digital &amp; Housing)</b>	<ul style="list-style-type: none"> <li>Elections Readiness (Nov-24)</li> </ul>	<ul style="list-style-type: none"> <li>FOIs/ SARs/ Member's Enquiries (Sep-24)</li> <li>Treasury Management (Oct-24)</li> <li>Housing Rents (Nov-24)</li> <li>People &amp; Talent: DBS Checks (Q3)</li> <li>Pensions Administration: Ongoing Cyclical Review</li> <li>Procurement: Ongoing discussions</li> </ul>	<ul style="list-style-type: none"> <li>Leaseholders Debt Management (Feb-25)</li> <li>Partnerships (TBC)</li> <li>People &amp; Talent: Other (TBC)</li> <li>Third Sector/ Trustees (TBC)</li> </ul>	<ul style="list-style-type: none"> <li>Revs &amp; Bens (reviewing frequency of audit cycle and scope for future year)</li> </ul>
<b>Digital Services</b>		<ul style="list-style-type: none"> <li>Digital Services Resilience (Oct-24)</li> <li>IHMS Housing Improvement Programme (Nov-24)</li> </ul>	<ul style="list-style-type: none"> <li>Revs &amp; Bens Application (TBC)</li> </ul>	
<b>Housing</b>	<ul style="list-style-type: none"> <li>H&amp;S – Asbestos (Oct-24)</li> </ul>	<ul style="list-style-type: none"> <li>H&amp;S – Water Hygiene (Oct-24)</li> <li>Damp &amp; Mould (discussions)</li> <li>Building Safety Regulator (discussions)</li> <li>Social Housing Consumer Standards (discussions)</li> </ul>	<ul style="list-style-type: none"> <li>Allocations (Jan-25)</li> <li>H&amp;S Electrical (Mar-25)</li> </ul>	

## AUDIT PLAN 2024/25 STATUS REPORT

Plan Area	Draft Report Issued	In Progress/ Due to Start	Not yet Due	Deferred
<b>People Services: Children's</b>		<ul style="list-style-type: none"> <li>No Recourse to Public Funds (Sep-24)</li> <li>Supporting People Claims (on-going)</li> </ul>		
<b>People Services: Schools</b>	<ul style="list-style-type: none"> <li>All Saints C of E Primary (Jul-24)</li> <li>Kenmont Primary (Oct-24)</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>		<ul style="list-style-type: none"> <li>James Lee Nursery (agreed with Finance, school staff changes)</li> </ul>
<b>People Services: Social Care &amp; Public Health</b>	<ul style="list-style-type: none"> <li>Out of Borough Placements (advisory 2023/24) (draft May-24)</li> </ul>	<ul style="list-style-type: none"> <li>Public Health Contract Management (Nov-24)</li> </ul>	<ul style="list-style-type: none"> <li>CQC Outcomes (discussions)</li> <li>Direct Payments (TBC)</li> <li>Client Affairs (TBC)</li> <li>Homecare Contract (TBC)</li> </ul>	
<b>Place</b>		<ul style="list-style-type: none"> <li>Waste Contract (Nov-24)</li> </ul>	<ul style="list-style-type: none"> <li>Facilities Management H&amp;S Compliance (Mar-25)</li> <li>Building Control (TBC)</li> <li>Emergency Planning (TBC)</li> <li>Commercial Property Management (discussions)</li> </ul>	<ul style="list-style-type: none"> <li>Food Safety / Environmental Health (discussions)</li> </ul>



## Implementation of Recommendations 2024/25

The high (1) and medium (6) priority recommendations not fully implemented at the time of the initial follow up are summarised in the table below and further follow up will be undertaken to confirm implementation.

Ref	Audit	High Priority	Medium Priority	Recommendation(s) in progress/ not implemented and original implemented date	Status	Revised Implementation Date
1	<p>ASC Supervision (Satisfactory)</p> <p>Audit Issued: August 2021</p> <p>Initial follow up: September 2023</p> <p>Next follow up: In progress (Oct 2024)</p>	0	2	<p>1) Line managers should be reminded of the importance of completing and submitting their supervision monitoring form (due Nov-2021).</p> <p>2) The Council should seek to undertake reporting of supervision to senior management monthly. KPIs should be introduced, which can be used to measure current performance (due Oct 2021).</p>	<p>1) Plan to complete and submit monitoring forms was instigated, however put on hold due to the Principal Social Worker (PSW) post being vacant. Now a Principal Social Worker is in post the recommendation is due to be implemented.</p> <p>2) Plan for KPIs to build into monitoring &amp; reporting systems was put on hold due the PSW vacancy. Now that a PSW is in post the recommendation is due to be implemented.</p>	<p>1) October 2023</p> <p>2) November 2023</p>
2	<p>William Morris Sixth Form (Limited)</p> <p>Audit Issued: October 2022</p> <p>Initial follow up: February 2024</p> <p>Next follow up: In progress (Oct 2024)</p>	1	0	<p>The Voluntary Fund Account(s) should be reconciled monthly with the reconciliation signed and dated by the appropriate officer. The reconciliation should be reviewed, by a second officer with this review evidenced.</p> <p>Voluntary Fund Accounts should be audited by a registered auditor on an annual basis and presented to the FGB for review and approval (due Feb 2023).</p>	<p>The reconciliation was implemented in Feb-2022 when the new SBM joined.</p> <p>The 19-20 accounts were presented to the Finance Staffing and Resources Committee in May 2021. The accounts for 21-22 and 22-23 are still with the external auditor as the school had trouble finding paperwork for the 21-22 accounts which delayed the audit.</p>	May 2024

Ref	Audit	High Priority	Medium Priority	Recommendation(s) in progress/ not implemented and original implemented date	Status	Revised Implementation Date
3	<p>Community Safety Anti-Social Behaviour (Satisfactory)</p> <p>Audit Issued: November 2023</p> <p>Initial follow up: September 2024</p> <p>Next follow up: In progress (Nov 2024)</p>	0	2	<p>1) The Service should review their ASB and Community Trigger policies and procedures to ensure that they reflect updates to the Anti-Social Behaviour, Crime and Policing Act where necessary, and to ensure that they reflect best practice (due Apr 2024).</p> <p>2) The Council should review their Community Trigger Procedure and decide if they wish to keep the timescales as currently written and if they are feasible or adjust the Procedure so that it aligns with their current process. The Service should introduce a mechanism to monitor steps taken in community trigger review to provide an opportunity to the team to identify potential delays prior to occurring (due Oct 2023).</p>	<p>1) ASB Policy and Hate Crime Policy has been drafted and is awaiting sign-off on 24 July by Lead Members to allow for resident consultation. Current ASB Case Review Policy and process is being reviewed and updated.</p> <p>2) This work is scheduled as part of the overhaul of the ASB and Hate Crime procedures. There is a project manager in place to assist with the development of the ASB policies and procedures, of which this work is a feature.</p>	<p>1) October 2024</p> <p>2) September 2024</p>
4	<p>Children's Services Direct Payments (Satisfactory)</p> <p>Audit Issued: November 2023</p> <p>Initial follow up: July 2024</p> <p>Next follow up: January 2025</p>	0	2	<p>1) The Service should review the Direct Payment Policy to reflect that a specific 'care plan' does not exist, and it should reflect the actual process in practice. Furthermore, the Service should consider reviewing the defined requirement of parent/carer approval of the 'care plan' and consider whether the Policy should be amended to reflect the process in practice. Where the Service decides to keep the requirement of approval, the Service should ensure that they receive</p>	<p>1) The direct policy and guidance have been updated to reflect that there is no longer a requirement for a specific 'care plan' document to be in place. The policy instead notes the need for agreed outcomes. However, this amended policy is not yet implemented, partly due to the general election, but is going through appropriate governance steps for approval prior to sharing with families. It is expected that the new policy</p>	<p>1) December 2024</p>

Ref	Audit	High Priority	Medium Priority	Recommendation(s) in progress/ not implemented and original implemented date	Status	Revised Implementation Date
				<p>approval of the finalised care package from the parent/carer by undertaking a check prior to processing the payment to confirm this has taken place. Where agreement is outstanding, the Service should take proactive steps to engage with parent/ carer to receive this (due Mar 2024).</p> <p>2) The Council should consider formulating an action plan documenting and scheduling the reviews for all direct payments. Timeliness of the six-month monitoring reviews should be monitored to provide opportunity to identify where further resourcing may be needed to complete the reviews (due Dec 2023)</p>	<p>will be implemented by end December 2024. The policy and guidance have been shared with Internal Audit.</p> <p>2) An audit started in October and individual casework actions were completed, no action plan was required. The April audit of 149 families is on-going. All 149 have been reviewed with actions for 84 completed. 22 have on-going significant actions mostly recovery of funds. The other 43 have minor issues which are in the process of being resolved (mostly explaining minor underusage).</p> <p>Some of the actions identified from the audit will be implemented alongside the new policy later this year.</p>	<p>2) December 2024</p>

# Agenda Item 6

## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 9 December 2024

**Subject:** Risk Management Update

**Report of:** David Hughes, Director of Audit, Risk, Fraud and Insurance

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### SUMMARY

The purpose of this report is to provide members of the Audit Committee with an update on risk management across the Council, including the steps being taken to refresh the Corporate Risk Register and to update the Risk Management Strategy.

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### RECOMMENDATION

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

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**Wards Affected:** None

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

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## Financial Impact

The current and future strategic operating environment for local government represents a significant risk to the council with the ongoing challenge of delivering services with increased demand and legislative pressures. This is further impacted by wider economic factors leading to rising costs from inflation and reduced funding. This has seen the Council incur additional expenditure whilst at the same time seeing pressures 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 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*

## Legal implications

There are no particular legal implications arising from this report.

*Comments verified by Grant Deg, Assistant Director of Legal Services*

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## Background Papers Used in Preparing This Report

None

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## DETAILED ANALYSIS

### Background

1. To achieve the ambitions, outcomes and priorities set out in the Council 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 Russian invasion of Ukraine, Brexit, Gaza, Lebanon, and the potential impacts of the incoming Trump administration in the USA, unforeseen 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 fiscal 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 Executive 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 proven robust risk management arrangements in place which feed into the Corporate Risk Register. 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. This report provides the Committee with an update on the steps being taken to refresh the Corporate Risk Register and to review and update the Council's Risk Management Strategy.

### **Corporate Risk Register review**

10. SLT Assurance reviewed the Corporate Risk Register in October 2024, and no new risks have been identified or existing risks closed since the previous report to the Audit Committee in July 2024. There have been no changes in risk scores since the last report, confirmation that controls continue to be applied to manage and monitor the risks.
11. It is recognised that many of the risks on the corporate register are long term and are not expected to change significantly over time. This is borne out by recent reports to the Committee. Several risks on the Council's corporate register are commonly seen on corporate risk registers across London.
12. The Risk and Assurance Manager is working with departments to both review their corporate risks and departmental risk registers, along with the risk registers on major programmes. This both helps to provide assurance on the management of risk in departments and on major programmes as well as ensuring that new and emerging risks which need to be raised to the corporate register are identified and discussed.
13. SLT continues to review the number of risks on the register to ensure they are satisfied that the correct risks are being reported and monitored.
14. Taking account of the stability of existing risks on the register and changes in the corporate management structure, the Director of Audit, Fraud, Risk and Insurance and the Risk and Assurance Manager continue to review and update the Corporate Risk Register so that it provides more focus on planned mitigations which are intended to maintain or reduce the risk over time. This will include a new depiction of the risks with a consideration and separation of issues from risks.
15. This will provide enhanced assurance to SLT, Executive Directors and Members that planned actions are being implemented, are having the desired effect and provide opportunities to take corrective action where appropriate.

### **Refresh of the Risk Management Strategy**

16. The council has a vision to improve people's lives, and to do this, objectives are set in the business plan that are intended to deliver this vision. It is essential that risks to the Council delivering these objectives are identified, monitored, and managed.
17. The Council's current risk management strategy (approved by the Committee in 2019) was developed just before the Covid pandemic, where risk management arrangements came to the fore and played a significant part in the management and oversight of the Council's response. Since then, the Council has faced significant challenges, along with other councils, in terms of the exit from the European Union and an uncertain economic climate, leading to high interest rates and cost of living for residents.

18. It is timely that the corporate risk management strategy should be revised to support the delivery of the H&F Vision to ensure the Council continued to support its residents and communities and deliver quality services within a challenging financial envelope.
19. In addition to refreshing the Corporate Risk Register, a review of the Council's Risk Management Strategy will be undertaken and presented to SLT Assurance in March 2025, prior to being presented to the Audit Committee. The refreshed Corporate Risk Register and Risk Management Strategy will be reported to the Committee at its meeting on 5<sup>th</sup> March 2025.
20. Following the adoption of the new Risk Management Strategy and Corporate Risk Register, training sessions will be held for Heads of Service and managers across the Council which will cover both risk management and the internal audit process. This will help to further embed good risk management practice and improved design and operation of controls to manage risk across the Council.

### **Risk appetite**

21. 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.
22. The ongoing situation in Ukraine, Gaza and Lebanon continues to impact on the cost of domestic and business energy costs and fuel costs for activities such as transport and heating. While reported inflation is falling, interest rates remain significant whilst the cost of living crisis continues to impact on residents resulting in a continuing demand for services where residents need more support.
23. 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.
24. 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.
25. 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.



26. Regular reporting to the Committee 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**

27. 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.
28. Taking the opportunity to both review the format and content of the Corporate Risk Register and to review and update the Council's Risk Management Strategy will help to ensure that robust risk management arrangements are embedded across the Council and that reporting to SLT Assurance and Members on the corporate risks is enhanced.

# Agenda Item 7

## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 9 December 2024

**Subject:** Corporate Anti-Fraud Service Half-Year Report – 1 April 2024 to 30 September 2024

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

**Responsible Director:** David Hughes, Shared Services Director for Audit, Fraud, Risk and Insurance

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### 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 2024 and 30 September 2024, the Council identified 40 positive outcomes. The fraud identified has a notional value of over £400,000.

### Recommendation

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

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**Wards Affected:** None

<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Priorities</b>
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.

**Contact Officer(s):**

Name: Andy Hyatt  
Position: Head of Fraud  
Telephone: 020 7361 2777  
Email: andy.hyatt@lbhf.gov.uk

**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 2024 and 30 September 2024 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 2024 and 30 September 2024, CAFS investigated 608 cases, including 51 new referrals and concluded 361 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 tables below provide a breakdown of investigations, including fraud types encountered and reasons for case closure.

Activity	Cases	Fraud types	Closed	Live
Live cases as of 01/04/24	557	Tenancy & Housing cases	28	181
New referrals accepted	39	Internal Staff	2	21
NFI positive matches (new)	12	NFI	317	-
Closed investigations (Positive outcome 40)	361	High/Medium risk fraud	4	15
		Low-risk fraud	9	6
Live cases as at 30/09/24	246	POCA	1	23

Reasons for cases closure	
Successful prosecution	1
Confiscation order	1
Disciplinary action	2
Property recovered	8
Positive outcomes other	28
Closed – not proved	12
Closed – genuine occupation	7
Closed – open in error	1
NFI data matching – <i>no fraud &amp; false positives</i>	301
<b>Closed</b>	<b>361</b>

- 1.6. Between 1 April 2024 and 30 September 2024, the Council identified 40 positive outcomes. The fraud identified has a notional value of over £400,000, detailed in the following table.

Activity	Fraud proved.	Notional Values (£'s)
Housing application fraud ( <i>incl. tenancy correction</i> )	-	0
Right to Buy	3	56,850
Advisory Reports (pro-active)	1	2,000
<b>Prevention subtotal</b>	<b>4</b>	<b>58,850</b>
Tenancy Fraud (Council and Registered Providers)	8	153,650
Internal Staff	2	10,000
High/Medium risk fraud (e.g. NNDR, Parking, Social Care)	7	45,389
Low-risk fraud (e.g. Freedom passes, Council Tax, SPD)	6	9,018
<b>Detection subtotal</b>	<b>23</b>	<b>218,057</b>
Proceeds of Crime (POCA)	1	83,020
Successful prosecution	1	23,000
Press release	1	2,000
<b>Deterrence subtotal</b>	<b>3</b>	<b>108,020</b>
National Fraud Initiative (Welfare benefit & CT cases)	10	21,748
<b>Total</b>	<b>40</b>	<b>406,675</b>

- 1.7. Notional values estimate the financial savings from counter-fraud work and reinforce the importance of tackling fraud head-on, particularly when all monies 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 2024, CAFS has received no new fraud referrals via the Council's whistleblowing policy although it remains 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 2024-2027 is based on four key themes: i) GOVERN, ii) UNDERSTAND, iii) PREVENT, iv) RESPOND.

3.2 The Strategy continues to drive the Council's fraud resilience and demonstrate its protection and stewardship of public funds. This report is structured to demonstrate how work undertaken by the fraud service aligns and underpins to themes of the Strategy.

### **i) GOVERN**

#### **A robust framework of procedures and policies**

4.1 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.

4.2 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.

4.3 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.

4.4 Policies and procedures also serve as a foundation for training programs. Employees must understand what constitutes fraud, how to identify it, how to communicate instances of fraud to the correct teams and how to prevent it. This is supported by well-documented and communicated guidelines.

- 4.5 CAFS regularly review and update anti-fraud policies to support and guide Council staff, ensure compliance with laws and regulations, as well as to reflect evolving fraud threats and changing business conditions. Any material changes are presented to the Audit Committee for review and approval.

## **ii) UNDERSTAND**

- 5.1 The Strategy denotes that the Council needs to understand how fraud, bribery and corruption impact the organisation and then mitigate the associated fraud risks by committing the proper support and assign appropriate resources for tackling fraud.

### **Committing support and resources to tackle fraud**

- 5.2 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.
- 5.3 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.

### **Demonstrating that it has a robust anti-fraud response**

- 5.4 Counter-fraud activity is reported to the Audit Committee biannually , detailing performance and action in line with the Anti-Fraud and Corruption Strategy.
- 5.5 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 requirement to answer.

## **iii) PREVENT**

- 6.1 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.
- 6.2 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.
- 6.3 CAFS create fraud awareness training tailored to specific departments and roles enabling participants to better connect fraud risks with their daily responsibilities. This increases their confidence to voice their concerns or challenge instances of potential fraud.

## **iv) RESPOND**

7.1 Stopping fraud and corruption from happening in the first place is our primary aim. However, it is recognised that individuals attempt to circumvent anti-fraud measures may ultimately succeed. It is therefore essential that a robust enforcement response is available to detect fraud, pursue fraudsters, prosecute them and as a result deter others from trying.

### Corporate Investigations

7.2 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.

7.3 Since 1 April 2024, corporate investigation work has included:

<p>Disabled parking</p>	<p>A staff member was reported for improperly using a Blue Badge to park to attend work. On street checks found the vehicle parked close to their place of work, with a tabard featuring LBHF branding visible in the back seat.</p> <p>The Blue Badge holder was identified, and it linked them to a suspect that worked for the Council. The employee's shift pattern was reviewed, and an operation was set up to intercept him as he returned to the vehicle. On the day of the operation, an officer approached a man at the vehicle who identified themselves and admitted they were a Council employee. The officer issued a caution and seized the badge.</p> <p>When interviewed the employee admitted using the badge, which belonged to his mother, and acknowledged that displaying the Blue Badge exempted him from parking fees even though he was not the badge holder.</p> <p>After a disciplinary hearing, the employee was dismissed.</p>
<p>Secondary employment</p>	<p>An NFI data match linked an employee to a position at Transport for London (TFL). This match revealed that the employee was working 35 hours per week at TFL while also working 20 hours per week for LBHF.</p> <p>The employee held a grade that permits secondary employment, and an investigation showed that he had requested a reduction in hours at LBHF prior to starting at TFL. However, he cited childcare as the reason for the change in hours instead of mentioning his secondary job at TFL.</p> <p>During the investigation, the employee's timesheets were examined, and there were no conflicts between his LBHF hours and TFL shifts. On two occasions, LBHF shifts were adjusted to fit around TFL work, but there was no evidence of any misconduct.</p> <p>The employee received a warning for not disclosing the secondary employment, but no further action was taken.</p>

### Housing/Tenancy Fraud

7.4 Given the shortage of affordable homes, demand for social housing continues to grow. It is an asset to the public and often a lifeline to the residents who require it. Detecting and stopping social housing fraud can help alleviate some

of the strain on the Council's housing resources thereby freeing up homes for those who need them.

- 7.5 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.
- 7.6 Between 1 April 2024 to 30 September 2024, CAFS successfully recovered eight properties which were being misused. These have now been allocated or made available to those in genuine need of housing support within the community.
- 7.7 Full details of the successful investigation activity regarding social housing are detailed below:

<b>P/Code</b>	<b>Size (bedrooms)</b>	<b>Reason for recovery</b>	<b>Outcome</b>	<b>Notional value</b>
SW6	3	False succession	Court possession	£29,800.00
SW6	Studio	Subletting	Keys returned	£14,050.00
W11	1	Subletting	Keys returned	£14,050.00
W14	1	Subletting	Keys returned	£14,050.00
W6	1	Abandonment	Keys returned	£14,050.00
W12	1	Abandonment	Keys returned	£14,050.00
SW6	3	Non residency	Keys returned	£30,800.00
W12	2	Non residency	Keys returned	£22,800.00

- 7.8 In addition to the eight successfully recovered properties, there are an additional ten cases where possession has been awarded, but we are awaiting eviction. There are also 16 more cases due to be heard in court. The table below highlights the pending cases where there are realistic prospects of property recovery.

Pending eviction	10
Tenancy fraud cases pending court hearing	16
Legal case conferences	3
	<b>29</b>

- 7.9 The duration for the cases mentioned above can differ, but typically, the Council may experience a wait of six months or longer to secure a court date for a repossession hearing. Eviction processes are usually quicker but can follow a similar timeline, because they are influenced by the availability of bailiffs and the scheduling organised by the courts.
- 7.10 In an effort to minimise waiting periods, the Council's Director of Legal Services convened a meeting with the Court Manager at Wandsworth County Court to discuss the challenges faced and to investigate potential solutions for expediting LBHF cases. The Director also reached out to Central London County Court for assistance; however, they indicated that they were unable to accommodate additional cases.



## Right to Buy

- 7.11 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.
- 7.12 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.
- 7.13 The right-to-buy checks are conducted to maintain the integrity and probity of the scheme. Since 1 April 2024, this prevention process has led to the cancellation of three applications where CAFS enquiries identified anomalies or led to withdrawals.
- 7.14 These inquiries frequently uncover additional irregularities that aid in fraud prevention. For instance, a recent joint application from a married couple conflicted with a single person discount associated with the same address. After conducting checks, the discount was revoked, and the property received an updated Council Tax bill reflecting the full amount, with the £308 single person discount eliminated.

## National Fraud Initiative

- 7.15 A vital component of the anti-fraud and corruption strategy is the continued use of technology to tackle fraud. To this effect, the Council participates in the biennial National Fraud Initiative (NFI), an electronic data-matching exercise coordinated by the Cabinet Office.
- 7.16 The 2022/2023 NFI exercise began with data collection in September 2022, followed by matches in March 2023. In the last financial year, the Council scrutinised and closed over 360 matches and identified fraud and error valued at £248,935.
- 7.17 Since April 2024 the Council has been closing off the 22/23 matches in ready for the next exercise starting in September 2024. Most of these matches were deemed low risk and classified as "no fraud" after review. However, 12 new cases of fraud and error were identified during this final phase of the exercise, as outlined in the table below.

Matches	Fraud/Error	Amounts
Payroll to Payroll	1	£2,500
Student Loans – HB overpayment created	7	£17,317
CTRS to HB at other Councils – CTRS/HB overpayment created	3	£4,430
Parking Permit to Parking Permit other Councils	1	£625
	<b>12</b>	<b>£24,872</b>

## **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 specific legal implications arising from this report.

*Implications verified by Grant Deg, Director, Legal Services on 12/11/24*

## **FINANCIAL AND RESOURCES IMPLICATIONS**

11.1 The resources necessary for implementing the Council's Counter-Fraud Strategy are financed through the budget designated for the Corporate Anti-fraud Service. This report does not introduce any additional resource requirements. Effective investigations and prosecutions may result in the recovery of Council assets and funds essential for safeguarding frontline services.

*Implications verified by Sukvinder Kalsi, Director of Finance, on 12/11/24.*

## **RISK MANAGEMENT**

12.1 The implementation of the counter-fraud strategy and the associated policies assists in managing the fraud risks encountered by the Council. Proactive measures support managers in establishing effective anti-fraud and corruption controls within their systems and processes.

*Implications verified by Jules Binney, Risk and Assurance Manager, on 12/11/24.*

## **List of Appendices:**

Appendix 1 – Counter-fraud notable cases.

	Case Description
1.	<p><b>SUCCESSFUL PROSECUTION:</b> An investigation began in 2019 when maintenance workers at Lannoy Point, SW6, expressed concerns about a tenant's residency, who had also applied for the right to buy. Officers discovered that all communications were being routed through international phone numbers or the tenant's relatives.</p> <p>CAFS initiated inquiries, but when a decision was made to demolish Lannoy Point and redevelop the Aintree Estate, a man showed up at the first resident engagement meeting claiming to live in the tenant's flat. He was not the actual tenant but presented a tenancy agreement, stating that his landlord resided overseas. This tenancy led investigators to a letting agency in Fulham Broadway, where it was revealed that the tenant's brother-in-law had contacted them to rent out the Lannoy Point address.</p> <p>The tenant was invited to an interview under caution where he claimed he had no knowledge of the sub-letting. He shifted the blame to his brother-in-law and stated that Housing staff were aware of his absences from the property. However, when pressed, he could not specify when he had been away, when he left the UK, or when he returned. When confronted with the fact that he had been out of the UK for nearly three years, he chose to end the interview.</p> <p>The investigator continued the investigation and, through a European Investigation Order authorised by Westminster Magistrates' Court, collaborated with Belgian police to gather evidence from an airline regarding the tenant's travel dates to the UK from Angola via Belgium. This investigation also uncovered the use of two other airlines, and when all the information was compiled, it showed that the tenant had only spent about 34 days in the UK between 2014 and 2019. In view of the evidence that was amassing the Council initiated criminal proceedings against the tenant, although progress was hindered by the pandemic and the subsequent decant of tenants from Lannoy Point in preparation for the redevelopment of Aintree Estate. Ultimately, the case was presented at Isleworth Crown Court in April 2024.</p> <p>During the trial, the tenant maintained his innocence, claiming to the court that he had given the keys to Lannoy Point to his sister and was unaware of any sub-letting. However, evidence showed that his sister had been depositing money into his bank account. Without these deposits, the tenant would not have had enough funds to cover his rent and council tax. The court heard the tenant's travel records, which indicated he spent only 34 days in the UK from 2014 to 2019. He stayed in hotels during his visits, not at Lannoy Point. One of these stays was at the Premier Inn in Hammersmith, which contradicted his claim of being on a spiritual retreat.</p> <p>The jury found him guilty on two counts of fraud: fraud by false representation and fraud by failing to disclose information.</p> <p>Sentencing was scheduled for July 2024, with the tenant receiving a two-year prison sentence, suspended for two years. He was ordered to complete 200 hours of community service within a year and adhere to a curfew from 8 PM to 5 AM for three months, monitored by an electronic tag. Additionally, he is required to pay LBHF £18,000 at a rate of £500 per month starting in September 2024.</p>

2.	<p><b>SUCCESSION:</b> Following the death of a tenant living in Clem Atlee Court, her son applied for succession.</p> <p>Succession, in the context of tenancy, is a legal process that allows certain individuals to take over a tenancy when the tenant dies. It grants the right to succeed the tenancy to specific individuals, such as qualifying family members who have been living with the deceased tenant for at least 12 months prior to their death.</p> <p>In this matter, the investigation found an alternative address for the son in Kensington. The collation of evidence, including council tax records and tenancy agreements, proved that the son was not residing with his late mother 12 months before her death and did not qualify for succession.</p> <p>A notice to quit the address was served, but the son failed to comply, and the matter was referred to court. The son contested the findings, and the case was listed for a civil hearing. However, at court, he decided not to contest the matter, and a possession order was granted by the judge, and bailiffs completed the eviction. This provided LBHF with a valuable three-bedroom property that can now be allocated to a family in need of support.</p>
3.	<p><b>RIGHT-TO-BUY (RTB):</b> CAFS plays a crucial role in the RTB process by incorporating it into their prevention efforts, which include thorough examination and assessment of new applications. The evaluations carried out by CAFS uphold the honesty and integrity of the scheme.</p> <p>A recent RTB application submitted by a couple residing in Field Road, W6, raised suspicions as one of the applicants was found to be associated with their mother's address. Upon closer inspection, it was revealed that they did not fulfil the residency requirement.</p> <p>When asked to provide evidence of uninterrupted residency, they decided to retract their application.</p>
4.	<p><b>RESIDENT PERMIT:</b> The NFI data match revealed that a resident possessed two parking permits for the same vehicle, one in Brighton and the other in Burnfoot Avenue, SW6.</p> <p>A review of council records showed that the resident was an owner occupier but not the individual holding a resident permit at the address. A financial check showed the permit holder held a financial history in LBHF, but there have been no active accounts since 2022, and that since then all records linked to Brighton.</p> <p>While conducting investigations in the vicinity, officers undertook a visit to Burnfoot Avenue for completeness, where the owner of the property was found at home. He confirmed that the permit holder had previously rented the property from him but had moved out approximately a year ago and is no longer a resident.</p> <p>To ensure our records were updated and to prevent any further loss of parking revenue due to the use of an unlawfully obtained permit, the permit was immediately cancelled.</p>

5.	<p><b>SUBLETTING:</b> During the NFI data matching exercise, a case was initially flagged for potential abandonment at an address on the Edward Woods Estate and investigators visited to confirm the tenant's residency. Upon arrival, a man answered the door and stated that the tenant was not present. He mentioned that he knew the tenant as Sam, not by the name registered with the council.</p> <p>Investigators continued questioning and the man explained that he occupied the bedroom while the tenant resided in the living room. When asked about the number of occupants, he indicated that it was just the two of them. He also pointed out women's shoes in the hallway, belonging to the tenant's wife who had supposedly relocated overseas, but he was unsure of the exact country. The man informed that the tenant was at work and usually returned home after 6 pm, adding that the tenant frequently visited his wife abroad. He disclosed that he had been living at the property for 3 months and paid rent solely for the room.</p> <p>The visit prompted further inquiries into the tenancy, leading to the collection of the tenant's NatWest bank statements as evidence. The statements revealed transactions in the Merton area of south-west London, indicating a consistent rental income of £650 per month, which had gradually increased to £850 per month.</p> <p>The tenant was invited to an interview which he attended and evidence suggesting potential subletting was presented to him. Although he acknowledged having a lodger, he denied subletting the entire property, asserting that he continued to reside there. When investigators proposed accompanying him back to the property to verify residency, he declined the offer. At the conclusion of the meeting, he was provided with a Vacation Notice Form to consider terminating the tenancy, and it was suggested that he should seek legal advice.</p> <p>A few days later, the tenant contacted to confirm that he had signed the Vacation Notice Form and expressed his intention to vacate the property.</p>
6.	<p><b>DIRECT PAYMENTS (PERSONAL BUDGETS):</b> A referral was received from Direct Payments concerning a deceased service user. The daughter of the deceased client reported the death, but this notification occurred 18 months ago, during which Direct Payments continued without interruption.</p> <p>The investigation uncovered that a different sister was overseeing her mother's direct payments and was depositing the funds into her own account. Production orders were secured to review the accounts, revealing that the Direct Payments were being spent long after the mother's passing.</p> <p>Further investigations regarding the sister indicated that pursuing legal action was not in the public interest. Instead, every effort was directed towards recovering the overpaid funds.</p> <p>The total identified overpayment is £32,320.98. After discussions, an agreement was drafted and signed by this sister, and a monthly direct debit was set up, with the first monthly payment of £540 being collected in August 2024.</p>

7.	<p><b>COUNCIL TAX:</b> Following the passing of a tenant in College Park and Old Oak Ward, the Council updated its records, which included the termination of any welfare benefits and transferring the council tax bill to the Executors' name. However, a bereaved family member reached out to the landlords, Peabody, to take over the tenancy, claiming they had been living with the tenant up until their death.</p> <p>CAFS collaborates with all housing associations within LBHF, and when Peabody made a data protection request to CAFS to verify the relative's residency, the CAFS investigator identified that the Council's council tax records also needed correction. By working together with Peabody, accurate information regarding the residents of the property and unknown information regarding the household composition was obtained. This led to the issuing of a revised council tax bill, ensuring the correct amount of council tax (£2,737.54) was being recovered.</p>
8.	<p><b>SUBLETTING:</b> A referral was received from colleagues within the Supported Moves Team. They had tried to decant a resident in Baron's Court to conduct maintenance work but were unable to speak with the tenant. There was however someone else at the property who said the tenant was in Ireland.</p> <p>The investigator began efforts to track down the tenant, uncovering multiple reports of the tenant's criminal activities in Westminster, Norfolk, and Essex. These reports included information about prison sentences, prompting the investigator to reach out to the probationary services for assistance.</p> <p>The Probation Service had information on him living in Paddington and Kentish Town, with the latter being the last known address associated with the tenant. This was verified when the investigator conducted checks on financial records.</p> <p>Contact was established with the tenant at this address, leading to a scheduled meeting at the residence in Baron's Court, where both the tenant and another individual were present. Upon questioning about his residency, it became evident that the tenant had no personal belongings at the property and could not provide evidence of living there, claiming that all bills were under his friend's name.</p> <p>The tenant was invited to an interview under caution which he attended, but he soon terminated the interview before investigators could put all their questions to him. He said he wouldn't be attending another interview, but before the case could be progressed via Legal Services, the tenancy was terminated, and keys returned.</p>