

London Borough of Hammersmith & Fulham

# Audit, Pensions and Standards Committee

## Minutes



Tuesday 22 March 2016

### **PRESENT**

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

**Officers:** Hitesh Jolapara, Geoff Drake, Moyra McGarvey, Mike Robinson, Martin Calleja, Nick Austin, Ian Hawthorn, Mike Sloniowski, and David Abbott

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

#### **RESOLVED**

The minutes of the meeting held on 13 January 2016 were agreed as a correct record and were signed by the Chair.

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

Apologies for absence were received from Councillors Michael Adam and Nicholas Botterill.

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

There were no declarations of interest.

### 4. **CERTIFICATION OF GRANT CLAIMS 2014/15**

Hitesh Jolapara presented the report that detailed the findings of the external auditor, KPMG, when certifying the Council's grant claims for the financial year 2014/15. He highlighted the unqualified housing benefit subsidy claim which was amended and the teacher's pensions end of year certification return that required two minor adjustments. There were no recommendations arising from the report.

#### **RESOLVED**

That the Committee noted the KPMG letter.

## 5. RISK MANAGEMENT IN ADULT SOCIAL CARE AND HEALTH

Mike Robinson (Director of Public Health) and Martin Calleja (Head of Transformation, Adult Social Care) presented the report that outlined the risk management arrangements in both Adult Social Care and Public Health.

Mike Robinson drew the Committee's attention to section 4 of the report (page 18), *Managing Current Strategic Risks*, and highlighted three key risks for Public Health:

- **Public Health grant reductions and removal of the ring-fence** - The service had reviewed its contract arrangements to identify efficiencies and had set up a task and finish group to look at alternative delivery models.
- **Clinical governance risk** - A clinical governance clause had been written into all NHS contracts to ensure robust governance was undertaken by the provider. There would be a review of other partners later this year.
- **Public Health restructure risk** – The current Public Health team was hosted within Westminster City Council and had not undergone any significant change since its inception. While there was no current pressure to reduce costs the service was looking to increase its effectiveness and make sure its skills were accessible across all council departments.

Martin Calleja highlighted five key risks for Adult Social Care on page 20 of the report:

- **Reducing resources** – Successive years of budgetary reductions and ever increasing demand on resources made this a key risk for the service.
- **Responding to changing legislation** – The Care Act had created new requirements for the service. In response to this officers were working to change their service model to focus more on prevention and reablement to contain carer costs. Work was ongoing to identify further savings opportunities through service redesign and 'smarter budgeting'.
- **Reducing customer satisfaction** – There was an increased risk of reducing customer and carer satisfaction as the service carried out significant change programmes. To mitigate this risk the service was investing in more effective communications and change management.
- **Workforce risks** – There were recruitment and retention risks for social care staff, both internal and commissioned. In response to this the service had formed a workforce board and written a workforce management plan.
- **Market unable to provide services** – The adult social care market was fragile and there was a risk it would not provide the necessary level of services. The service was undertaking market management and development in partnership with the West London Alliance.

Mike Robinson and Martin Calleja both noted that the managed services programme continued to be a risk across both departments and they were working with HR and Finance colleagues to mitigate the impacts.

Members asked why the risks identified by Adult Social Care were so much more severe than those identified by Public Health; was there a different approach to risk management or did it simply reflect the reality of the different services? Mike Robinson responded that he was not aware of any difference in approach between

the two services. Adult Social Care was a high risk area while Public Health, at least in the short term, was less so. Martin Calleja added that officers would ensure there was greater consistency in future.

Members asked officers which, of the risks that had increased in score over the past 12 months, were the most concerning. Martin Calleja responded that the risks around budgetary pressures and increasing demand were the most uncertain. Balanced budget were anticipated across the three boroughs this financial year but 2016/17 would be very challenging.

Members noted that the risk management reports were badly presented, with tiny text and colour keys that were useless when agendas were printed in black and white. Officers agreed to improve them for the next meeting.

Members highlighted instability shown within the commissioning team on page 21 of the report under 'Workforce risks' where 39 of the 63 posts required external recruitment. Members asked how the service would resolve those recruitment issues. Martin Calleja responded that the workforce management plan and the commissioning risk register contained more detail on how that would be managed but some mitigations included extending notice periods for staff and looking to make managers into commissioners.

Members asked how many vacancies there were in the commissioning service at the present time. Officers responded that there were 24 vacancies but the service was using interims and moving staff from other areas of the business to support. The reason for the high number of vacancies was that the service was changing to adapt to a very different type of commissioning than was required in the past.

Members asked if there were comparable levels of vacancies within the Public Health service. Mike Robinson noted that the restructure referenced in the report was just a proposal and the current team was relatively stable with few vacancies.

Members asked if the Medium Term Financial Strategy had required a restructure. Mike Robinson responded that the restructure was not being planned to address cost savings but rather was designed to better integrate Public Health in other council services and spread understanding and accountability for health outcomes.

Members noted concerns about the recruitment issues highlighted in 4.3.4 of the report and asked officers to look again at their provision for that risks and return to the Committee with a more robust mitigation strategy.

Members asked officers if other local authorities were offering more competitive salaries and benefits. Martin Calleja responded that this problem was a national issue and the best staff had a wide range of options. Frontline care managers and frontline carers were most affected by these issues.

Members asked if the current level of funding was sufficient for the level of people with complex needs in the borough. Martin Calleja said that funding did not completely cover the increased levels of demand but the service was working closer with health colleagues and investing in initiatives like the Better Care Fund

and the 'whole systems' programme to help manage demand. Members asked for the cost of provision above the allocated budget.

Members, referring to 4.4.1 of the report, asked if the managed services programme was causing significant problems for the service. Martin Calleja reported that Adult Social Care had suffered serious problems such as direct payments not being paid but they had put in various contingencies to lessen the impact on vulnerable people and carers. Officers noted that managed services was improving but there was still a way to go before it was up to the required operational standard.

Members asked if the changing priorities and pressures of the shared service arrangements had contributed to staff recruitment and retention problems. Martin Calleja said that some staff liked the challenge and variety of working across the boroughs while others found it problematic.

Members, in reference to 4.3.5 of the report, asked if it was possible the Council was partly to blame for not communicating correctly with the market. Martin Calleja responded that the service needed to be facilitators of the market but many providers were facing squeezed profit margins and workforce retention difficulties that were difficult to address.

Members asked if there was a risk that the Council was taking certain aspects of the delivery programme, that relied heavily on the market, for granted. Members also noted that perhaps companies should be considered partners rather than suppliers. Officers said they would reflect further on these points and feedback to the senior leadership teams.

Members asked if there was a genuine culture of risk management within the services and that it was not just seen as a box-ticking exercise.

Mike Robinson responded that in Public Health they held monthly staff meetings to discuss the risks of particular options. Staff consider the desired outcomes, interventions, and associated risks. Martin Calleja noted that in Adult Social Care there were staff workshops looking at how to improve service processes. By making sure staff were fully involved in the redesign it also gave them confidence about reducing the risks of managing with reduced resources.

Members asked officers for an example of where the risk management process had generated real action. Martin Calleja responded that the risks associated with financial delivery and meeting demand made officers put the customer journey project on twelve week accelerated programme to address savings concerns. He noted that risk management was a core part of the culture of the management team.

## **RESOLVED**

1. That the Committee reviewed the risk management arrangements that have been put in place by both the Adult Social Care and Public Health services and endorse the mitigating actions for each key high-level strategic risk.
2. Members asked senior officers to address the recruitment issues in the Adult Social Care commissioning team and provide an update on progress to the Committee outside of the meeting. Members asked that the note to

the Committee included detail of how the number of vacancies got to be so high.

**6. INTERNAL AUDIT QUARTERLY REPORT FOR THE PERIOD 1 OCTOBER TO 31 DECEMBER 2015**

Geoff Drake presented the report that summarised internal audit activity in respect of audit reports issued during the period 1 October to 31 October 2015. Geoff Drake noted that since the publication of the agenda officer had been informed that four out of the five recommendations relating to the ICT service had been implemented and all recommendations related to Kenmont Primary school had been reported as implemented.

Members asked if Internal Audit were on track to reach their target of 95 percent deliverables completed during the period. Geoff Drake said they were expecting to achieve the target.

Members, in reference to the summary of outstanding recommendations at Appendix E on page 120 of the agenda, highlighted that the required six week reviews had not taken place and felt it was illustrative of wider staff issues within the Adult Social Care service that needed addressing as a priority. Martin Calleja noted that the six week review was a 'light-touch check in' that was considered to be a part of good customer service, the challenge would be capacity to carry out the annual review. To address these issues a performance board had been set up and a consultant had been brought in to look at case management. The service was doing all it could to improve performance.

The Committee agreed that the Chair should write to the Chair of the Adult Social Care, Health, and Social Inclusion Policy and Accountability Committee noting the staffing issues and their effect on the provision of services and recommending a review of those functions.

Members thanked officers for their open and honest approach in bringing these issues to the attention of the Committee.

Members noted that a number of the service responses were filled with acronyms and obfuscating technical language. They asked officers to give clearer responses in future that members of the public would be able to understand.

**Outstanding Recommendation – Organisational Health and Safety**

Nick Austin (Director for Environmental Health) addressed the Committee and outlined the audit recommendations under his responsibility. He highlighted recommendation 10, requiring all service lines to provide a copy of their risk registers to Corporate Health and safety, and noted that it was taking longer than anticipated but expected it to be completed by the end of April.

Members asked that officers reported any services who did not complete their risk register by the end of April to the Committee.

**ACTION: Nick Austin**

Members asked Nick Austin if the Council's departments took risk management seriously. He responded that it varied from service to service but in general there was a good culture of risk management in the organisation. Senior managers had recently completed health and safety training that had good outcomes. A link to the training would be circulated to the Committee for their reference outside of the meeting.

**ACTION: Nick Austin**

### **Outstanding Recommendation - Rechargeable Street Works**

Ian Hawthorn (Head of Highway Maintenance and Projects) addressed the Committee and outlined the audit recommendations under his responsibility. He informed the Committee that rechargeable street works comprised works that were carried out to repair damage, caused by utilities companies for example.

Members felt the performance indicators against recommendation 11 were unclear and should include an indicator for 'percentage of works completed within the allocated time frame' or similar. The Committee requested more information on the current performance indicators and target dates for delivery.

**ACTION: Ian Hawthorne**

### **RESOLVED**

That the Committee noted the contents of the report.

## **7. RISK MANAGEMENT HIGHLIGHT REPORT**

Mike Sloniowski presented the report that provided an update on the status of key operations risks identified by Council departments. He noted that other departments would be invited to present their risk reports as Adult Social Care and Public Health had done.

The Chair noted that some services, e.g. Housing, had provided full detailed responses but other sections such as the Safer Neighbourhoods Team were left blank. It was suggested that Environmental Services were invited to the next meeting of the Committee to present their risk report.

Members requested that the Housing risk register be used as an exemplar for other departments.

Members asked if it was possible to standardise the format of the risk reporting system and ensure that papers were printed in colour on A3 paper to aid readability.

Members, referring to *Market Testing Risks* on page 39 of the report, recommended that the commissioning and procurement plans reported to Cabinet be open to the public if possible to ensure transparency. Officers would take this feedback into consideration when writing and categorising the reports.

Members, referring to *Information Management and Digital Continuity* on page 42 of the agenda, noted that the Committee had expressed concern about the risk of large penalties from the Information Commissioner in the past and asked why the 'direction of travel' for this risk was going up. Mike Sloniowski responded that staff training on information security had been completed but he would have to consult with ICT colleagues and inform members outside of the meeting if there had been any specific issues that had increased the risk.

Members, with reference to *Housing Stock Transfer* on page 48 of the agenda, asked for an update on the position of the Department for Communities and Local Government. Mike Sloniowski said he would consult with Finance and Housing colleagues and update the Committee outside of the meeting.

Members noted that risk registers from some departments, particularly Children's Services, were not detailed enough and asked that officers showed them good examples of effective risk registers to emulate in the future.

Members noted, with reference to *Earl's Court Regeneration* on page 75, asked why the direction of travel for the risk was going down by the overall risk score remained at the highest possible level. Officers would consult with colleagues and provide an answer outside of the meeting.

Councillor Ben Coleman, with reference to Market Testing Risks on page 39, asked to be sent the CapitalESourcing Nil Assurance Report from Westminster City Council.

Members asked if there had been any assessment of the direct or indirect impacts of Britain voting to leave the European Union. Officers responded that the management team would need to consider this but it was anticipated that the Local Government Association and the Department for Communities and Local Government would do detailed analysis in this area.

## **RESOLVED**

1. That the Committee noted that quarterly reviews of strategic risks faced by the Council were undertaken by Hammersmith and Fulham Business Board.
2. That the Committee considered the risks and corresponding mitigations in the register for appropriateness, attached as Appendix 1, the Strategic Register, and Appendix 2, the Service Level Register.

## **8. ANNUAL GOVERNANCE STATEMENT ACTION PLAN AND OUTSTANDING RECOMMENDATIONS FOR EXTERNAL AUDIT**

Geoff Drake presented the report that summarised progress on the implementation of recommendations arising from the External Audit Report 2014/15 and the Annual Governance Statement.

Hitesh Jolapara noted that the roll-out of the income manager module in managed services was now expected to be completed by March or June.

Members asked if there was still a risk of a qualified audit. Hitesh Jolapara responded that there was still a risk. Auditors would be looking for a stable control environment of at least twelve months which would be a challenge. It was expected that the accounts would be qualified but officers had serious concerns about the control environment.

**RESOLVED**

That the Committee noted the contents of the report.

**9. INTERNAL AUDIT ANNUAL PLAN 2016/17**

Geoff Drake presented the report that summarised the approach used to develop the Internal Audit plans for the 2016/17 year and the audit plans.

**RESOLVED**

That the Committee noted the 2016/17 year Internal Audit plan.

**10. LBHF PEER REVIEW OF INTERNAL AUDIT - DECEMBER 2015**

Geoff Drake presented the review of internal audit carried out by the Head of Anti-Fraud and Internal Audit at the London Borough of Southwark. The review confirmed that internal audit 'generally conforms' with the UK Public Sector Internal Audit Standards, meaning that the relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least complied with the requirements of the section in all material respects.

**RESOLVED**

That the Committee noted the contents of this report.

**11. DATE OF THE NEXT MEETING**

The next meeting was scheduled for 15 June 2016.

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

**RESOLVED**

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



### **13. EXEMPT MINUTES OF THE PREVIOUS MEETING**

#### **RESOLVED**

That the exempt minutes of the meeting held on 13 January 2016 were agreed as a correct record and were signed by the Chair.

### **14. INTERNAL AUDIT REPORT - CARRIAGE AND FOOTWAY MAINTENANCE**

The Chair, with reference to the table at the bottom of page 153 of the agenda, asked why the 'percentage of repudiated claims closed as a percentage of the total closed' figure was so much higher for Kensington and Chelsea than it was Hammersmith and Fulham. Ian Hawthorn explained that it was due to the quality of the street networks in each borough. Kensington and Chelsea had one of the best street networks in London while Hammersmith and Fulham had to take a more reactive approach to street maintenance.

The Chair asked how our pavement and road quality compared with Wandsworth or another similar borough. Ian Hawthorne said there was significant variation between boroughs, for example Enfield had around 10,000 potholes on its network, Hammersmith and Fulham had around 1000, and Kensington and Chelsea had just 50.

The Chair asked how much more Hammersmith and Fulham spent on reactive repairs compared with Kensington and Chelsea. Ian Hawthorn informed members that the Council spend around £1,000,000 per year on reactive repairs while Kensington and Chelsea spent just £200,000. Members said they would be interested to know the difference in insurance costs between Kensington and Chelsea and Hammersmith and Fulham.

**ACTION: Ian Hawthorn**

Ian Hawthorn informed members that the new highways management programme, due to go before Cabinet this year, recommended that the Council moved to a longer term, planned model that would improve the quality of the network asset and bring down the number of reactive works.

Members, with reference to Appendix 1 – Service Objective 3, asked if officers would complete the target by the allotted deadline. Officers responded that the issued had been caused by the managed services programme and were taking a considerable amount of officer time to track and resolve. The Council had gone from being one of the best payers to one of the worst due to these issues and monthly contractor meetings had to be held to check all payments.

Members asked what work had been delayed or shelved due to managed services problems. Ian Hawthorn responded that service improvement work had been deferred including shared service workshops and preparation work for the new code of practice scheduled for June.

**15. INTERNAL AUDIT REPORT - KENMONT PRIMARY SCHOOL**

Members considered the internal audit report on Kenmont Primary School.

**16. INTERNAL AUDIT REPORT - PREMISES LICENSING**

Members considered the internal audit report on premises licencing.

Meeting started: 7.00 pm  
Meeting ended: 10.00 pm

Chair .....

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