

MINUTES OF THE MEETING OF THE CORPORATE COMMITTEE HELD ON TUESDAY, 31ST JANUARY, 2017

PRESENT:

Councillors: Barbara Blake (Chair), Charles Adje, Isidoros Diakides, Stephen Mann, Sheila Peacock, Reg Rice, Viv Ross, Gail Engert and Gina Adamou

113. FILMING AT MEETINGS

The Chair referred Members present to agenda item 1 in respect of filming at this meeting and Members noted the information contained therein.

114. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies for absence were received from Cllr Ejiofor and Cllr Griffith.

115. URGENT BUSINESS

There were no items of urgent business.

116. DECLARATIONS OF INTEREST

There were no declarations of interest.

117. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

There were no such items.

118. MINUTES

The Committee noted that the attendance for the previous meeting needed to be amended to reflect Cllr Engert's attendance and that apologies for absence had been received from Cllr Rice. With these amendments it was:

RESOLVED

That the minutes of the meeting of the Corporate Committee held on 29 November 2016 be approved as a correct record and signed by the Chair.

119. TREASURY MANAGEMENT STRATEGY STATEMENT

The Committee considered the report on the Treasury Management Strategy Statement (TMSS) 2017/18, introduced by Oladapo Shonola, Head of Finance,

Treasury and Pensions. It was noted that the strategy covered borrowing to cover capital expenditure, investment principles and the prudential indicators. The Council's strategy complied with guidance from the CLG, the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. It was noted that there was broadly no change to the previous TMSS as economic conditions remained much the same as they had been, and the Committee was advised that the only proposed change to the TMSS was in relation to the Minimum Revenue Provision, which had been revised in order to better reflect the rules set out in the prudential code and government guidance and which would have a positive impact on the Council's finances.

The Committee asked about the borrowing expected for the coming year, what this was for, the length of term and whether such borrowing was prudent in the current financial climate. The Head of Finance - Treasury and Pensions, advised that the Council's Capital Programme, approved by Cabinet, established the borrowing required and that some borrowing may also be required for the refinancing of maturing debt. It was noted that all borrowing was provided for in the Council's revenue budget, and was therefore considered prudent; in particular, the refinancing of any maturing debt would be at a much lower interest rate than the existing loans and would therefore be positive for the Council. With regards to the term of any proposed borrowing, it was confirmed that the maturity rate would be spread in line with the indicators set out in the strategy, in order to minimise risk to the Council.

The Committee noted the section on bail-in legislation within the TMSS, which meant that depositors would carry the risk of any bank failure, and asked whether a risk assessment was undertaken to ensure that the Council was able to deal with the implications of any such event; it was confirmed that this was taken into consideration in the formulation of the limits that the Council set for itself within the TMSS. The Committee asked about the implications of Brexit on the Council's Treasury Management strategy, in particular where current guidance was based on EU legislation. The Head of Finance – Treasury and Pensions, advised that it was not anticipated that Brexit would have a material impact on the areas of activity covered in the TMSS, and that a briefing would be provided for Members on the potential implications for the Council's Treasury Management arrangements arising from the decision to leave the EU.

Action: Head of Finance - Treasury and Pensions

The Committee asked whether loans taken out by the Council were secured against Council property. The Head of Finance – Treasury and Pensions advised that this was not the case, and it was agreed that this would be confirmed outside the meeting and a briefing circulated to Members.

Action: Head of Finance - Treasury and Pensions

The Committee was pleased to note that there had been no breach of the Council's prudential indicators in the previous year, but expressed concern at the significant difference in the approved reserves/revenue contributions and projected out-turn for 2016/17, as set out in Table 4 of the TMSS relating to capital financing and asked for an explanation of the discrepancy. While it was noted that this was outside the scope of the TMSS report, it was agreed that Members would be provided with a briefing on this, covering how the difference arose and any implications for the Council. It was

noted that this would also form part of the forthcoming Budget reports to Cabinet and Full Council in February.

Action: Deputy s151 Officer, Head of Finance - Treasury and Pensions

The Committee asked for an update on the position with the Council's Lender's Option Borrower's Option (LOBO) loans and it was agreed that an update on this would be provided. It was noted that the position remained largely unchanged; the Council's external auditor had been asked to review the process by which these loans had been taken out back in 2007-8 and had come to the conclusion that this was a reasonable decision to have been taken at that time. It was noted that a legal ruling was awaited in respect of whether there had been a technical breach of the Council's treasury management limits at the time when the loans were taken out, which related to whether these loans should have been classified as variable or fixed borrowing, and that it was not possible for the auditors to finally sign off their opinion until a decision was made on this point. It was not felt, however, that this would make a difference as to whether the decision had been a reasonable one.

Action: Head of Finance - Treasury and Pensions

The Committee discussed paragraph 4.9 of the TMSS in respect of LOBOs, and whether the wording of the final sentence should be amended to read "No further LOBO loans will be considered", removing the option of any further such loans being taken into after discussion with the Corporate Committee. The Head of Finance – Treasury and Pensions advised against removing the option of considering such products altogether, as there was the chance the Council could miss out on a favourable borrowing option in future, but suggested that the wording could be amended such that the approval of the Committee was required in order to undertake any such borrowing. The Committee discussed the proposal to amend the wording of this section at this stage, and agreed that this was an issue that the Committee would discuss in greater detail later on during the year.

RESOLVED

- i) That the Committee recommend the Treasury Management Strategy Statement for 2017/18 to Full Council for approval.
- ii) That briefings for Members be provided in respect of: the potential implications for the Council's Treasury Management arrangements arising from the decision to leave the EU, whether Council loans were secured against property, an explanation of the discrepancy between the approved reserves/revenue contributions and projected out-turn for 2016/17 and the implications of this, and an update on the Council's LOBO loans.

Cllr Wright, Chair of the Overview and Scrutiny Committee, gave an update to the Committee on the views of the Overview and Scrutiny Committee in respect of the TMSS, which they had considered the previous day. The Committee noted that as a result of the discussion of the Overview and Scrutiny Committee, the following actions were being taken forward:

- i) A meeting was to take place between the Chairs of the Corporate and Overview and Scrutiny Committees in order to manage the arrangements

- for the monitoring of the Council's treasury management activity and avoid duplication of effort;
- ii) Corporate Committee had been asked by the Overview and Scrutiny Committee to keep the LOBO position under review and to take action where appropriate to reduce any risk to the Council;
 - iii) Corporate Committee had been asked by the Overview and Scrutiny Committee to maintain a focus on monitoring the risks associated with Council borrowing, particularly borrowing undertaken on a joint basis, as it was felt that there was likely to be an increase in joint ventures in the coming years and it was important for the Committee to have sufficient oversight of the controls in place to manage this.

The Committee noted the points made by the Overview and Scrutiny Committee and felt that it would have been useful for the Committee to have received these in writing in advance of their own discussion of the TMSS. It was noted that the Chair of the Overview and Scrutiny Committee had attended to present the Committee's comments in person due to the meeting having taken place the previous day, but the Committee's concerns regarding the comments not having been available at an earlier juncture were acknowledged and it was confirmed that this would be taken into account when planning the process for future years.

120. INTERNAL AUDIT UPDATE - QUARTER 3

The Committee considered the Internal Audit Progress Report 2016-7, Quarter 3, as presented by Anne Woods, Head of Audit and Risk Management.

Further to the Quarter 2 update presented at the previous meeting and the audit recommendations made in respect of the audit of the Procurement of Contracts under the OJEU Threshold, follow up work on the original two recommendations had been undertaken and the Committee was advised that the first recommendation that Central Procurement should periodically review spend reports per supplier was now in progress. The second recommendation regarding the recording of contracts and the introduction of a central online procurement portal had yet to be implemented, but it was reported that this was due to a delay in the implementation of a new e-procurement system for technical reasons and it was anticipated that the new system would be in place by the end of March 2017. It was confirmed that further work would be undertaken in 2017/18, when more information was available and the new system was in place, to ensure that these recommendations were fully implemented.

With regard to the school audits and the high number of schools receiving 'limited' assurance, it was reported that the selection of schools being audited during the period did include a number where concerns had been raised by previous audits and there did not appear to have been an improvement in performance. The Head of Audit and Risk Management had met with the Director of Children's Services and AD Schools and Learning, and work was taking place to establish next steps for improving performance across these schools. The Committee and Chair had expressed particular concern regarding the 'Nil' assurance arising from the audit of Stamford Hill school during Quarter 2; a follow up audit had been undertaken in December 2016 and the draft audit report was currently with the school for review. Of the 29 recommendations from the audit, 5 had been found to be fully implemented, 10 were

partly implemented, 12 were not implemented and the deadlines for the others had not yet been reached. The AD Schools and Learning and Schools Improvement Team were working to support the school and manage the process of implementing the audit recommendations. As an interim measure, funding had been granted to the school to enable it to meet its statutory responsibilities, subject to a detailed budget and repayment plan being submitted by the school. Further decisions on next steps to be taken at the school would be made after meetings had been held between the school and Council officers.

The Committee noted that in the current economic climate it was to be anticipated that more schools may be encountering financial difficulties, and felt that the Council should be doing more to lobby Government regarding school funding. The Head of Audit and Risk Management noted that at the recent Children and Young People's Scrutiny Panel there had been a general correlation between those schools with deficit funding and those achieving limited audit assurance ratings, suggesting that focussing on fundamental financial controls should help to ensure schools were able to manage their finances well. In response to a question from the Committee as to whether Council officers had a role in managing schools' accounts, it was reported that there had previously been School Financial Advisors employed by the Council, but that this had not been the case for a number of years. In response to a question from the Committee, it was confirmed that the Council had no oversight of Academy schools. In respect of budgets and monitoring reserves held by schools, it was reported that these were set out within the School Development Plans.

The Committee expressed concern regarding the audit findings relating to the Council's procurement services, and asked who had responsibility for this area, and about the level of Member involvement in contract waivers. It was reported that the procurement function sat within Commercial and Operations, overseen by the AD Commercial and Operations. The Head of Audit and Risk Management advised that Cabinet would be required to approve contract waivers either where the contract value exceeded the level delegated to officers or for contracts of any value where a waiver was proposed for a second time.

The Committee asked about the implementation of the audit recommendations relating to procurement, and how this would be monitored. The Head of Audit and Risk Management advised that updates on the implementation of the audit recommendations would be reported to the Corporate Committee as part of the follow up audit work. It was anticipated that the introduction of the new e-procurement system would help to address several of the issues identified within procurement, as the central procurement portal would mean that no spend could be undertaken without it being registered on the system. It was confirmed that audit work on how the system was working would be undertaken during the coming year to provide assurance around this area. In response to a question from the Committee regarding the implementation of the e-procurement system, Richard Grice, AD Transformation and Resources, advised that the system had been purchased, but that implementing it had been delayed by technical issues; it was now anticipated that this would be in place by the end of March 2017.

The Committee expressed particular concern regarding the failure of senior staff to comply with procurement procedures, and asked for the relevant Cabinet Member to

be invited to the next meeting of the Committee to provide an update on the implementation of the outstanding audit recommendations.

Action: Chair / clerk

RESOLVED

That the Committee note the audit coverage and follow up work completed.

121. COUNTER-FRAUD UPDATE

The Committee considered the Counter Fraud Update report 2016/17, Quarter 3, presented by Anne Woods, Head of Audit and Risk Management.

The Committee welcomed the proactive approach reflected in the report, and asked about the nature of the visits by the counter fraud team undertaken alongside gas safety engineers; it was reported that an initial exercise had been undertaken where officers attended routine gas safety checks with engineers, and as a result of this it had been identified that attending those properties where engineers had not at first been able to gain access was an area where such visits could have the most impact. Adopting a risk-based approach, counter fraud officers were therefore now accompanying warrant officers on execution of warrant of entry visits where it was suspected that the named tenant was not in occupation. In response to a question from the Committee regarding what happened if people did not respond to a Notice To Quit, it was confirmed that there were legal processes to work through where this was the case, and officers worked with Legal Services and Homes for Haringey to progress these.

In response to a question from the Committee as to whether the introduction of the Haringey Development Vehicle would have an impact on the Council's proactive counter fraud work, the Head of Audit and Risk Management advised that as with all counter fraud work, the team would work on a risk-based approach and would therefore respond as appropriate to any change in the Council's risk profile arising from the Haringey Development Vehicle.

The Committee asked about the outcomes from the recent exercise in publishing ways of contacting the Council to report suspected fraud on the back of Argos receipts. The Head of Audit and Risk Management advised that this exercise had finished just before Christmas and analysis of its effectiveness was currently being undertaken. Depending on the outcome of that analysis, the counter fraud team would then liaise with Homes for Haringey regarding rolling this exercise out more widely.

RESOLVED

That the Committee note the counter fraud work completed in the quarter to 31 December 2016.

122. GRANTS REPORT ON THE HOUSING BENEFIT SUBSIDY CLAIM

The Committee considered the report on the Grants Claims and Returns Certification, presented by Leigh Lloyd-Thomas, BDO. Mr Lloyd-Thomas advised that a significant number of errors in the Council's administration of Housing Benefits claims had been identified in the course of the auditors' work, the outcome of which was that there could potentially be a £1.5m reduction in the amount that the Council could claim back from the Government as the level of errors had exceeded the threshold allowable. It was noted that although management had implemented action plans to address such issues in the past, these appeared not to have gained significant traction and there was therefore a need for a step-change in order to prevent the Council from finding itself in a similar situation in future years.

Amelia Hadjimichael, Head of Benefits, advised the Committee that an action plan had been drawn up in response to the findings of the audit and was in the process of being implemented. A response from the Department for Work and Pensions was expected very shortly, and re-testing of the errors identified was currently being undertaken in order to try and minimise the impact on the Council. Analysis of the identified errors indicated that up to 50% of those errors were historic and pre-dated measures that had since been implemented to prevent such errors in future, but as they had had a knock-on effect on subsequent calculations, they still affected this year's audit findings. It was also found that 50% of the identified errors had been made by staff who had subsequently left the authority. A recruitment and training drive had recently been undertaken, and new staff were being closely monitored in respect of the quality of their work.

The Committee was very concerned about the findings of the report, in particular the amount of reduction in the Council's claim when considered in the context of the significant financial constraints facing the Council and the cuts that were being made in order to respond to these. It was agreed that a further update report on progress with the implementation of the action plan in order to address the issues raised should be brought back to the Committee in order that this could be closely monitored by Members. The Committee advised that they needed to consider the action plan in full, and the timescales attached to this, in order to seek some reassurance; it was concerning that previous action plans did not appear to have addressed to issues, which had been occurring for several years, and that performance had in fact deteriorated. The Committee also expressed concern that the problem appeared to be worse in Haringey than other local authorities. It was acknowledged that this was a very complex area of work, but it was essential that this was addressed effectively, and the Committee hoped that the relevant Cabinet Member was fully aware of the issue and working to address this. Officers advised that in particular this Committee would have a role in reviewing management controls that could be put in place in order to reduce the level of errors.

The Committee requested information on the level of error over the past five-year period for comparison, and it was agreed that this would be provided.

Action: Head of Benefits

The Head of Benefits advised that a particular issue had been the loss of a number of staff in the department, which had led to a backlog of cases and meant that notifications received from claimants could not be acted on in a timely manner, leading to errors which were classified as the responsibility of the local authority. It was

reported, however, that a dedicated member of staff was now in place to check the classification of every overpayment generated by the system, which should help to improve things. The Committee emphasised the need to bring in additional resources to clear the backlog as a matter of urgency in order to avoid being in this position continually – it was noted that in the past agency staff had been used to fulfil such roles, although the Head of Benefits indicated that there was a preference for permanent staff as there had been issues regarding the quality of work undertaken by agency staff in the past. The Head of Benefits advised that authorisation had been provided for five additional staff members to clear the backlog, including the staff member referred to above who was checking the classification of overpayments.

The Head of Audit and Risk Management noted that this was not a new issue, but that the findings of the audit this year were concerning. In response, it was reported that internal audit would be monitoring this area of activity continually throughout the year rather than on an annual basis, and would provide quarterly reports to the Corporate Committee on this work, in order that the Committee could monitor the situation closely.

The Committee emphasised the importance of ensuring that sufficient resources were available to facilitate the work of the benefits team in order to address these very serious issues, and agreed that the Corporate Committee should make recommendations to the Head of Paid Service, Cabinet Member and Staffing and Remuneration Committee regarding the need to ensure that staffing levels in this team were adequate.

RESOLVED

That the Committee recommend to the Head of Paid Service, Cabinet Member for Finance and Health and Staffing and Remuneration Committee that steps are taken to address the backlog in the benefits department as a matter of urgency and ensure that adequate resources are available to address the issues identified by the external auditors in their certification of the grant claim.

123. PROGRESS UPDATE REPORT

The Committee considered the external audit progress report as presented by Leigh Lloyd-Thomas, BDO.

RESOLVED

That the content of the report be noted.

124. ANY OTHER BUSINESS OF AN URGENT NATURE

There were no new items of urgent business.

125. DATE AND TIME OF NEXT MEETING

Tuesday 21 March 2017, 7pm.

The meeting closed at 9.15pm.

CHAIR: Councillor Barbara Blake

Signed by Chair

Date