

MINUTES OF THE MEETING OF THE CORPORATE COMMITTEE HELD ON THURSDAY, 25TH JULY, 2019, 7.30 pm

PRESENT:

**Councillors: Isidoros Diakides (Chair), Mike Hakata (Vice-Chair),
Peray Ahmet, Mahir Demir, Daniel Stone, Noah Tucker and Nick da Costa**

83. FILMING AT MEETINGS

The Chair referred Members present to agenda Item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein.

84. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies for absence were received from Cllr Morris, Cllr Rossetti, Cllr Barnes, Cllr Berryman and Cllr Blake.

Cllr Da Costa attended the meeting as a substitute.

85. URGENT BUSINESS

There were no items of Urgent Business.

86. DECLARATIONS OF INTEREST

There were no declarations of interest.

87. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

None.

88. MINUTES

RESOLVED

That the minutes of the meetings of 26th March and 17th June were agreed as a correct record.

89. TREASURY MANAGEMENT OUTTURN 2018/19

The Committee received a report which provided an update on the Council's Treasury Management activities undertaken during the year to 31st March 2019 and the

performance achieved. The report was introduced by Thomas Skeen, Head of Pensions, Treasury and Chief Accountant as set out at pages 17-30. The following was noted in discussion of the report:

- a. In response to a question about LOBO loans, the Committee was advised that the Council had a policy to exercise its option to repay LOBOs if the lender increased the interest rates. Officers also advised that there had also been a recent amendment to the treasury policy, so that the Council would also repay the loans if and when was financially advantageous to do so.
- b. In response to further discussion around other local authorities that had repaid the loans, officers advised that most of those loans were to UK, rather than European, banks and had a significantly higher interest rate than the LOBO loans taken out by Haringey. The Committee sought further assurance around flexibility in the eventuality that interest rates spiked.
- c. In response to a question, officers confirmed that the Council was subject to a financial penalty for paying back the LOBO loans early.
- d. In relation to a question around whether the borrowing headroom had increased from last year, officers confirmed that the operational boundary had increased as a result of increased capital borrowing. Officers set out that the extent to which the Council could afford to increase borrowing was determined by whether or not it could afford to service the debt.

RESOLVED

- I. That Members noted the treasury management activity undertaken during the year to 31st March 2019 and the performance achieved.
- II. That Members noted that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

90. 2018/19 STATEMENT OF ACCOUNTS

The Committee received the Statement of Accounts for 2018/19 and a short cover report as set out on the agenda pack at pages 31-160. The Committee also received the BDO external audit report at appendix 1 of the report, which was set out in the addendum agenda pack. The report was introduced by Thomas Skeen, Head of Pensions, Treasury and Chief Accountant. Jon Warlow, Director Finance was also in attendance. Lee Lloyd-Thomas and Simiso Ngidi were also present on behalf of the Council's external auditors BDO. The following was noted in discussion of the 2018/19 Statement of Accounts:

- a. Officers set out that the compiling of the Annual Statement of Accounts had been brought forward last year to 31st July, which was an especially challenging timescale. The auditor advised that it was possible to meet these timescales, provided that there were no significant issues that arose.
- b. The Committee was advised that the accounts needed be adjusted to take account of the McCloud pension ruling, which was a recent court case that was found against the government and related to the ten-year window in which employees had guaranteed protection between a shortfall in final salary versus career average pensions. The ruling found the window to be age discriminatory and that the protection should be offered to all persons in receipt of public sector pensions. The Committee was advised that this resulted in a £6m liability for the Council and a £7m liability to the Pension Fund for the wider group (including HfH and Alexandra Palace).

- c. The auditor advised that an additional pension liability from the Lloyds ruling did not need to be reflected in the final accounts. However, officers advised that BDO had found an error in relation to Property, Plant and Equipment in relation to Highgate school as the square footage of the building had been incorrectly calculated, which resulted in an error in the schools valuation by around £9m.
- d. Officers advised that there was a reasonable possibility that the 31st July submission deadline would not be met, but assured the Committee that there was no particular impact on the Council for missing it and that many other authorities would also miss this deadline. The report requested delegated authority for the Chair and Section 151 Officer to agree any final changes to the report prior to its submission. Officers advised that they would bring an update report to the Committee meeting in September. **(Action: Thomas Skeen)**.
- e. BDO advised that the final audit report would be published along with the Final Statement of Accounts. The Committee was advised that the role of the auditor was to determine whether the accounts were materially true and fair. BDO advised that definition of materiality was that they were within 1.5% of the total spend of the group, which equated to around £16m. The McCloud pensions ruling took the Council up to the threshold and it was therefore necessary to amend the accounts as a result.
- f. In relation to the Highgate school issue, BDO highlighted the need to maintain an accurate data set and that getting the data from the valuer had been an issue. BDO also drew the Committee's attention to the fact that some of the Council's collection rates were getting better.
- g. The Committee was advised that overall, the auditor felt that the Council had a good grip on its savings plans and that the overspend of £8m was manageable in the short term, given the Council's reserve position. BDO acknowledged that there was slippage in the savings plans but suggested that the Council was in a better position than many other authorities and that there was no immediate risk of effective bankruptcy, as per Northamptonshire County Council.
- h. In response to questions about possible late publication of the report and a request for further information on the reasons behind this, BDO advised that the government had squeezed the audit timetable down to around 2 months. BDO suggested that there was only a limited number of auditors working within local government and around 400 local authorities that needed to be audited, all working to the same timeframe. In this context, it was noted that Haringey had a balance sheet of around £1.5 billion as well as billions in pensions liability and that this was an inherently time consuming undertaking.
- i. The Committee enquired as to what the collective response should be, as local authorities, and how could the Council respond. In response, officers advised that at a regional level, this was likely to be something taken forward by London Council's. The Head of Pensions, Treasury and Chief Accountant agreed to consider the issue further, to undertake a holistic review of the problem and to report back in September or a future meeting once the audit had been concluded **(Action: Thomas Skeen)**.
- j. The Director of Finance advised that he shared the Committee's concerns and acknowledged that the statutory timetable did not work, particularly as it now coincided with the audit timetable for the health sector as well. The Director of Finance reiterated that a number of authorities would fail to meet this deadline and speculated that perhaps this could be catalyst for a change of approach by the government. The Director of Finance set out that the authority had made

- every effort to submit its annual accounts accurately and on time. The Director of Finance highlighted that the audit report had highlighted less misstatements than in last year's report and he suggested that this should reflect positively on the quality of work by officers.
- k. In response to a question around the agreed level of materiality, BDO advised that the audit report was drafted on an assumption that management would not correct every issue that was highlighted and that the rate had improved in recent years.
 - l. In response to a question around changes to the government's valuation cycle, BDO advised that a valuation was undertaken to identify a drift in the value of the accounts. This was undertaken every three years. The Committee were advised that the government were pushing to recalibrate this to a four-year cycle to match its own and that discussions were continuing, but that the primary motivation seemed to be for the government to make savings.
 - m. The Committee highlighted non-collection of receivables and questioned the £17.3m identified for PCNs. Members sought clarification about whether there was scope or increasing revenue through better debt collection arrangements in this area. In response, it was noted that unpaid parking tickets had to be kept in the system for a long time until they could be written off and that the figure of £17.3m did not represent unpaid tickets in 2018/19. In response to further questions, the Committee was advised that Haringey's position was in line with other local authorities on this issue.
 - n. The Committee sought further reassurance around the Council's reserve position. In response, the Committee noted that the Council increased its reserve position last year from £84m to £90m. In the context of a circa £8m overspend, the Council was therefore not in a position whereby it would run out of money in the short term. BDO assured the Committee that the Council was in relatively good position overall.
 - o. BDO set out that the role of the auditor was to make a determination about unlawful or unreasonable decisions, it was not their role to comment on policy and that Members were ultimately accountable to their electorate in this regard.
 - p. In regards to value for money considerations, BDO advised that the audit process was less focused on this than it had been previously, due to cuts to the National Audit Office.
 - q. In response on a question around outstanding actions, BDO advised that they anticipated having all of the relevant information within two to three weeks and were waiting for a response from Highgate school as well as Alexandra Palace's auditors to sign off their accounts.
 - r. In response to an enquiry about the role of the auditor in reviewing the council's Annual Governance Statement, BDO advised that their role was limited to making a judgement about whether it contained any material inconsistencies and that they were happy with the Annual Governance Statement on that basis.

RESOLVED

- I. That the Committee considered the contents of the report and the further oral updates given at the meeting by BDO LLP.

- II. That the Committee approved the Statement of Accounts 2018/19, subject to any final changes required by the conclusion of the audit, being delegated to the Chief Financial Officer in consultation with the Chair.
- III. That the Committee gave the Chair of the Committee and Chief Finance Officer (S151 Officer) authority to sign the letter of representation to the Auditor.
- IV. That the Committee noted the Audit Findings Report of the auditors, BDO LLP, and approved the management responses in the BDO LLP action plan contained within that report.

91. INTRODUCTION OF A RISK BASED VERIFICATION (RBV) POLICY FOR HOUSING BENEFIT AND COUNCIL TAX REDUCTION CLAIMS

The Committee received a report which set out the introduction of a risk based verification policy to assist with the processing of Housing Benefit and Council Tax reduction claims, as part of the FOBO programme. It was noted that risk based verification related to the level of checks that were undertaken on a claim before benefit was awarded. Its primary purpose was to target resources to where fraud and error were more likely to occur. The report was introduced by Shergill Rupinder, FOBO Project Manager and Carla Segel, Head of Service Delivery for Corporate and Customer Services. The following was noted in discussion of the report.

- a. In response to a question around what was the impact on the local authority for errors in housing benefit payment, officers confirmed that there was a penalty levied by the DWP.
- b. In response to a question around the extent of that penalty, BDO advised that if the number of overpayments remained within 0.48% of the total amount of housing benefit paid out within that year there was no penalty and the DWP paid back 100% of the benefit payments to the Council. The penalty was then determined on a sliding scale from 0.48% upwards. Over 5.2% of the total value of overpayments, the Council would lose 100% of the value of the overpayments. The Committee noted that last year there was a significant penalty imposed, but this year was looking a lot better. BDO suggested, that at present, the Council was on track to remain under the 0.48% threshold.
- c. The Committee enquired whether the introduction of a risk based policy would necessitate requesting additional information from benefit claimants. In response, officers advised that around 40% of current claimants would be classified as low risk under the proposed model and that they would have to provide less information than they did currently. At present all claimants were effectively classified as high risk and it was explained that the new process would make dealing with low risk claims quicker and easier.
- d. In response to concerns about equalities safeguards and the potential for specific groups to be targeted, officers advised that no equalities concerns had arisen as part of the process of developing the EQIA and statutory equalities comments in the report.
- e. In response to a question around underpayments, officers advised that there were no changes to the current process and that any underpayment would be rectified and paid to the claimant in full.
- f. In response to a question, officers advised that the threshold for what constituted a low, medium and high risk claimant was set by the DWP.

- g. Officers confirmed that the proposed go-live date was in October, following Cabinet sign-off.

RESOLVED

That the Corporate Committee approved Haringey's Risk Based Verification Policy (as set out at Appendix B of the report) as the means by which the Council would process claims for Housing Benefit and Council Tax Reduction having regard to the Equalities Screening Tool (set out in Appendix C of the report).

92. COUNTER FRAUD UPDATE REPORT - QTR 4

The Committee received a report which provided an update on the work undertaken by the Counter Fraud team in the quarter ending 31st March 2019. The report was introduced by Minesh Jani, Head of Audit and Risk Management. The following was noted in discussion of the report:

- a. The Committee was advised that there were 117 fraudulent Right to Buy applications prevented in 2018/19 against a target of 80.
- b. In response to a question, officers were advised that comparative performance to the year before was broadly similar. However, the Counter Fraud team had been particularly proactive in carrying out money laundering checks to ensure that a number of fraudulent Right to Buy applications were refused.
- c. In relation to concerns about the impact on families from £180k saved on support and accommodation costs due to NRPF fraud, officers advised that the Fraud team were only involved in cases where legitimate instances of fraud were suspected. The Committee noted that the fraud team no longer sat in on NRPF interviews. In response to a request for further reassurances, the Head of Audit and Risk Management agreed to bring a paper back to the Committee that set out the policy in detail and provided an assurance that the approach was reasonable and balanced. **(Action: Minesh Jani)**.
- d. The Committee requested that a future counter fraud update include further information in relation to the below areas of counter fraud work. In response, officers advised that a lot of work was being done pan-London to develop broader data sets.
 - Tenancies and Right to Buy (given the commitment to build 1000 new homes).
 - People who were at risk of coercion and exploitation and what could be done to prevent Right to Buy applications due to criminal exploitation.
 - How to prevent illegal subletting and what was done to recover profits from this. **(Action: Minesh Jani)**.

RESOLVED

- I. That Corporate Committee noted the counter fraud work completed up to 31st March.

93. ANNUAL INTERNAL AUDIT REPORT 2018/19

The Committee received a report which informed Members of the overall adequacy and effectiveness of the system of internal control and risk management operating in 2018/19 and presented a summary of the audit work undertaken. The report was

introduced by Minesh Jani, Head of Audit and Risk Management as set out in the agenda pack. The following was noted in discussion of the report.

- a. The Committee sought clarification around the Council's response to the DfE consultation proposal for a three year audit cycle for schools. In response, officers advised that a three year risk cycle wasn't unreasonable but the consultation response had set out that the government also needed to provide the resources to schools in order to undertake the audits.
- b. The Committee sought clarification around what was meant by audit consultancy. Officers advised that consultancy audits were advisory pieces of work undertaken by Internal Audit, in support of projects such as the FOBO programme.
- c. The Committee expressed concerns about audits being undertaken without the relevant Cabinet Member being informed and highlighted the audit of the Facilities Management contract being undertaken at the same time as APSE were undertaking something similar, as an example. In response, officers advised that the Audit Plan was agreed by the Committee at the start of year and the addition of the FM contract audit was requested subsequent to this. The Head of Audit and Risk Management set out that the APSE work undertaken was advisory.
- d. The Committee set out that further consideration needed to be given about the role of Audit in monitoring contract management. Officers acknowledged concerns about how best to manage this and advised that general contract management was on the audit plan for the current year.
- e. The Committee requested that the relevant Cabinet Member and the Cabinet Member with responsibility for insourcing be sent a copy of the audit report as a matter of course. The Chair queried whether this could be extended to notifying all Members, once an audit was completed. The Head of Audit and Risk Management agreed to give some further consideration as to how best this might be achieved, given the volume of audit reports produced each year. **(Action: Minesh Jani).**
- f. The Committee requested that the Head of Audit and Risk Management try to speed up the audit of the highways contract given that the retendering process was effectively in limbo. **(Action: Minesh Jani).**
- g. The Committee sought assurances about investigations into employee fraud for contractors, the role of Audit in this and what level of assurance was sought. In response, officers advised that the Anti-Fraud and Corruption Strategy set out that the level of assurance required was exactly the same as for employees who were employed directly by the Council. This was agreed as part of the contract specification process.

Clerks note: 21:50 - The Committee agreed to suspend Committee Standing Orders in order to allow the meeting to continue beyond 22:00.

RESOLVED

That the Corporate Committee noted the content of the Head of Audit and Risk Management's annual report and assurance statement for 2018/19.

94. DRAFT ANNUAL GOVERNANCE STATEMENT 2018/19 & REVISED LOCAL CODE OF CORPORATE GOVERNANCE

The Committee received a copy of draft Annual Governance Statement (AGS) 2018/19. In response to a question, BDO advised that there were satisfied that there were no material misstatements.

The Chair asked whether further assurance could be given and a more detailed version be produced in future. In response, the Head of Audit and Risk Management agreed to bring and updated AGS back to the December meeting and to include a note on its implementation to date. **(Action: Minesh Jani).**

RESOLVED

- I. The Corporate Committee reviewed and approved the draft 2018/19 AGS attached at Appendix A.
- II. That the Corporate Committee noted the approval timescale and processes for the draft 2018/19 AGS.
- III. That the Corporate Committee noted and approved the revised Local Code of Corporate Governance attached at Appendix B.

95. NEW ITEMS OF URGENT BUSINESS

N/A

96. ANY OTHER BUSINESS

The Chair advised that he was looking to set up an advisory sub-group to Corporate Committee to look into the future of housing management, including the future role of the ALMO. The Chair advised that it would be cross-party and the intention was for the sub-group to make recommendations to Cabinet.

The Legal Advisor to the Committee advised that under the Local Government Act 1972, there was provision to establish sub-committees, however in order to do so it had to be linked to the Committee's terms of reference. Any sub-committee would also be subject to access to information rules. The Legal Advisor set out that there was also an alternative possibility to establish a Member working group to look at this issue. The Chair advised that he was speaking to officers outside of the meeting about how to take this issue forwards, but that in principle it had been endorsed by the Housing and Regeneration Scrutiny Panel, as well as the housing spokesperson for the Liberal Democrats. The Chair advised that a report would come to the next meeting of the Committee which would set out the terms of reference.

The Chair asked the Committee to endorse, in principle, the setting up of a body to examine the future of housing management. Members of the Committee raised concerns about agreeing to this without a terms of reference or a scoping document. The Chair acknowledged these concerns and cautioned that the group would only have an advisory role. The Committee agreed, in principle, to endorse the setting up of a body to examine the future of housing management, subject to the agreement of satisfactory terms of reference.

97. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the remainder of the meeting as the items below contain exempt information, as defined under Paragraph 3 Part 1, Schedule 12A of the Local Government Act 1972, in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

98. INTRODUCTION OF A RISK BASED VERIFICATION (RBV) POLICY FOR HOUSING BENEFIT AND COUNCIL TAX REDUCTION CLAIMS

The Committee noted the exempt section of the Risk Based Verification policy.

99. NEW ITEMS OF EXEMPT URGENT BUSINESS

N/A

100. DATE AND TIME OF NEXT MEETING

The date of the next meeting was noted as 9th September.

CHAIR: Councillor Isidoros Diakides

Signed by Chair

Date