

# **MINUTES OF MEETING CORPORATE COMMITTEE HELD ON MONDAY, 2ND DECEMBER, 2019, 7.00 PM**

## **PRESENT:**

**Councillors: Isidoros Diakides (Chair), Mike Hakata (Vice-Chair), Patrick Berryman, Barbara Blake, Mahir Demir, Liz Morris, Alessandra Rossetti, Daniel Stone and Noah Tucker**

## **ALSO ATTENDING:**

### **115. 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.

### **116. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)**

Apologies for lateness were received from Cllr Hakata and Cllr Stone.

### **117. URGENT BUSINESS**

The Committee was advised that there was a late item of urgent business in relation to the annual audit letter from the year ended 31<sup>st</sup> March 2019 from the external auditors. The audit completion report was published as part of the Corporate Committee agenda as an appendix to Item 9, the statement of accounts update, however the annual audit letter was not available for publication until 27 November.

### **118. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **119. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS**

None.

### **120. MINUTES**

The Committee requested an update around the Chair's conversations with the Cabinet Member for Finance on the Capital programme. In response, the Chair advised that he had discussed the issue with Cllr Adje and the Leader. It was noted that the forthcoming MTFs included significant capital expenditure and that there was still a small gap in the overall projected budget. A Member briefing session was held recently on the budget and budget process.

## **RESOLVED**

The Committee agreed the minutes of the meeting from 9<sup>th</sup> September 2019.

### **121. HOUSING BENEFIT SUBSIDY UPDATE**

The Committee received a report for noting which provided an update on Housing Benefit subsidy overpayments, following a report from BDO to the Committee in February 2019 which highlighted the Council had a higher than usual number and value of overpayments arising from local authority errors and administrative delays. The reasons for this were partly to do with the Council clearing a large backlog in this area in 2017/18. The Committee noted that following the BDO report in February, additional sample checks were carried out which, following dialogue with the DWP, resulted in a reduction in the subsidy loss for 2017/18 from £458k to £61k. The Council was also unable to claim a grant from the DWP for authorities who did not breach the 0.54% of their benefit threshold, which was estimated to be around £1.4m. The report was introduced by Andy Briggs, AD Customers, Transformation and Resources as well as Helen Hili, Service Manager SSC – Central Service Delivery as set out in the agenda pack at pages 9-13. The following was noted in discussion of the report:

- a. The Committee noted that Haringey Council administered Housing Benefits and Council Tax Reduction for approximately 27,000 and 25,00 claimants respectively and those payments were made on behalf of the DWP who then transferred the money back to the Council via a subsidy claim. No subsidy was paid for overpayments that exceeded 0.54% of the total benefit.
- b. BDO advised that the Council had caught up with the backlog in 2018/19 and that current performance was on track to remain under the threshold by year end. BDO advised that this was the best position that the auditors had seen in the four years since being appointed. The Committee was advised that the challenge for the Council was to maintain this level of performance.
- c. The Committee sought reassurance around the use of risk-based verification software and concerns that some council's had stopped using it due to safeguarding concerns. In response, officers advised that they weren't aware of the specific issue but advised that they had spoken to other councils who had used the software for many years and that feedback was very positive. Officers advised that the software was working well and that it allowed them to remodel the risk profile to focus on the high risk cases.
- d. The Committee sought clarification on the process for claiming the subsidy from the DWP and whether the Council was always out of pocket. Officers advised that the subsidy claim was calculated through estimates and that a final tally up was done at the end to make sure that these were correct.
- e. The Committee sought further clarification around how this was reflected within the Council's accounts and the MTFS. Officers advised that an estimate was made based on spending at the start of the year and that if that estimate was not met there would likely be a negative variance in the next year's accounts. The MTFS was worked out on an assumption of a neutral position i.e. that the Council would get back what it put in. The Chair commented that there were also contingency resilience reserves built into the budget.

- f. In response to concerns about the level of Haringey's overpayments and how this compared to the total amount of benefits it paid, officers agreed to check the level of benefit payments and how this compared across London. Officers also agreed to check how Haringey's overpayments compared to its statistical neighbours. Officers commented that the data was complicated by people being afraid to inform the Council of a change of circumstance for fear of losing money **(Action: Helen Hili)**.
- g. The Committee sought clarification on how the impact on customers was measured. In response, officers advised there were a number of indicators which demonstrated overall satisfaction levels such as the number of complaints received, the number of Member Enquiries and the number of complaints that were escalated to stage 2.
- h. Officers advised that the number of queries in relation to housing benefit, including repeat queries, were coming down at the front end of the process i.e. telephone queries and in person at customer service centres. The reduction in these contacts had also been confirmed by the external auditor. Officers added that they would continue to monitor this going forwards and were mindful of the importance of the quality of user experience.
- i. The Chair welcomed officers' invitation to come back with another report next year and also requested that it include some analysis on the Risk Based Verification model and the wider implementation of the FOBO programme. **(Action: Andy Briggs/Helen Hili)**.

## RESOLVED

- l. The Committee noted the Housing Benefit Subsidy update.

## 122. TREASURY MANAGEMENT UPDATE REPORT

The Committee received a Treasury Management update report, which provided an update on the Council's treasury management activities and performance in the three months to 30<sup>th</sup> September 2019. The report was introduced by Thomas Skeen, Head of Pensions, Treasury and Chief Accountant as set out in the agenda pack at pages 15 – 31. The following was noted in discussion of the report:

- a. The Committee noted that there was not much change in treasury management activities from the previous update, with the exception of an increase in borrowing from the PLWB increasing by 1% from gilts +0.8% to gilts +1.8% for any new borrowing. This was set out in detail in Appendix 2 of the report.
- b. The Committee was advised that this would have a significant impact on borrowing costs, which would in turn impact the cost of undertaking the Council's capital programme, particularly for schemes that were identified as self-financing. Officers advised that they would be reviewing these schemes as part of the budget proposals being developed and the additional borrowing costs would be reflected in the MTFS. At present, commercial banks would only loan money to local authorities over a maximum of a seven year term which was not suitable for the vast majority of the Council's borrowing needs.
- c. It was noted that a bond release would first require the Council to become credit rated by one the major rating agencies which would be an involved, lengthy and costly process.

- d. Officers advised that they would bring a further update to the Committee at its next meeting in March. **(Thomas Skeen)**.
- e. In response to a question, officers advised that the increase in rates did not have an impact on the capital financing requirement as this was an accounting measure that reflected the authorities need to borrow.
- f. The Committee agreed that they would like to hear further information from the Cabinet Member for Finance and Strategic Regeneration around the impact of increased borrowing rates on the Council's spending, capital programme and on its house building agenda in particular. **(Action: Cllr Adje)**.

## **RESOLVED**

- I. That members noted the Treasury Management activity undertaken during the three months to 30<sup>th</sup> September 2019 and the performance achieved.
- II. That members noted that all treasury activities were undertaken in line with the approved Treasury Management Strategy.
- III. That members noted the contents of the briefing note at Appendix 2 of the report regarding the recent increase in the Public Works Loan Board (PWLB) rate.

## **123. STATEMENT OF ACCOUNTS UPDATE**

The Committee a report which provided an update on the Statement of Accounts for 2018/19, as well as the external auditors final audit completion report. The report was introduced by Thomas Skeen and the final audit completion report was introduced by Lee Lloyd-Thomas, Engagement Partner at BDO, as set out in the agenda pack at pages 33 and 41 respectively. The following was noted in discussion of the report:

- a. Officers advised that Haringey was not the only authority to have submitted their final statement of accounts late. The Committee was advised that 42% of local authorities had not submitted their accounts by July 31<sup>st</sup> deadline and 14-20 London local authorities had not published their accounts by 31<sup>st</sup> July. Officers advised that, as of the date of the meeting, there were 9 London local authorities that had still not published their final statement of accounts for 2018/19.
- b. BDO advised that there were two main misstatements that had been corrected. These related to an increase in school valuations arising from updated land and buildings data, which required correcting an error from previous years. As well as an error of £24.6m in the group accounts due to double counting of the cost of refurbishment works to Alexandra Palace. These, along with other corrected misstatements, increased the deficit on the provision of services by £12.7m in the amended financial statements. This was well within the Council's agreed level of materiality of £15.8M.
- c. There were also further unadjusted audit items identified of £4.916m for the Group and £4.115M for the Council but these items were not posted as per statutory guidance, as they did not impact the Council's General Fund or HRA balances.

- d. The auditors advised the Committee that, overall, they were satisfied that the accounts represented a true and fair reflection of the Council's financial position.
- e. The Committee questioned whether the decisions to cut the audit fees by 40% was a false economy. In response, officers agreed that this seemed to be the case, given the additional staff resources invested. The Committee were advised that the fees were set centrally and that the Council had no discretion in this. BDO commented that from an auditors perspective the two month turnaround time for auditing all local authorities was unsustainable.
- f. The Committee sought assurances around the discrepancies in the valuation of land and the actions undertaken since this was identified in the previous audit of the accounts for 2017/18. In response, BDO advised that there had been an undervaluation by nearly £200m and that each school had been subject to a re-evaluation process since the previous audit. BDO reassured the Committee that a lot of work had been undertaken to tidy up the asset register and that Haringey's asset register was now as clean as BDO had seen it.
- g. The Chair sought assurances around whether there were any other areas of concern in relation to land and building valuations that the Committee needed to be aware of. In response, BDO advised that Haringey was probably ahead of most local authorities in this respect and that actions such as categorising housing stock by architypes etcetera was a good accounting model.

#### **RESOLVED**

- I. That the Committee considered the contents of the report and any further oral updates given at the meeting by Council officers or the external auditor BDO.
- II. That the Committee noted the contents of the external auditor's final audit completion report at Appendix 1 of the report, including the management responses the recommended actions.

#### **124. INTERNAL AUDIT PROGRESS REPORT 2019/20 - QUARTER 2**

The Committee received a report which set out the work undertaken by Internal Audit for the period ending 30<sup>th</sup> September 2019. The report was introduced by Minesh Jani, Head of Audit and Risk Management as set out in the agenda pack at pages 101-112. The following was noted in discussion of this report:

- a. The Head of Audit and Risk Management advised that the actions arising from the LGO report were included in the audit of Temporary Accommodation.
- b. The Chair requested an update on the audit of the management of the commercial portfolio. In response, officers advised that this audit had identified 5 priority recommendations and that most of these related to the service not carrying out areas of work that they had agreed that they would, such as the need to inspect all of the its premises within two years.

#### **RESOLVED**

- I. That the Committee noted the audit coverage and follow up work completed.

#### **125. COUNTER FRAUD UPDATE REPORT 2019/20 QUARTER 2**

The Committee received a report which detailed the work undertaken by the Counter Fraud team for the quarter ending 30<sup>th</sup> September 2019, including both pro-active and

reactive investigative work undertaken relating to fraud and/or irregularities. The report was introduced by Minesh Jani, Head of Audit and Risk Management as set out in the agenda pack at pages 113-118. The following was noted in discussion of the report:

- a. In response to a question on the hit rate for letters around single occupancy fraud, officers advised that seven people had written back to the Council and four of those required further investigation, whilst they were satisfied with the response from the other three.
- b. In response to a question around the annual target for RTB fraud, officers advised that the Council was on target and that year to date performance was not expressed as a rolling 12 month average.
- c. In response to a question, officers advised that there were fewer fraudulent RTB applications coming through and it was suggested that this was testament to a deterrent effect at work.
- d. In response to a question about the categorisation of fraud cases and how these were pursued, officers advised that if officers found that if RTB fraud was being committed deliberately and that the person applying was lying then they would seek the maximum sanction allowed under the law. However, officers understood that circumstances varied and that each case had to be assessed on its merits. Officers set out that the fraud team took into account extenuating circumstances and it was understood that honest mistakes and technical infractions occurred.
- e. In response to a question around NRPF, officers advised that an audit of NRPF would be included in next year's audit plan and that an update on the issue would be brought back to the Committee. **(Action: Minesh Jani)**.
- f. In response to a question around the process for the fraud team becoming involved in an application, officers advised that applications were vetted by the service and if there were inconsistencies then the fraud team would carry out further checks and then refer these back to the service for a decision.
- g. The Chair requested that officers give some further consideration of how best to present an annual fraud target. **(Action: Minesh Jani)**.

## **RESOLVED**

That the Committee noted the counter-fraud work completed in the period to 30 September 2019.

### **126. CORPORATE COMMITTEE TRAINING NEEDS**

The Committee received a verbal update on training needs from the Head of Audit and Risk Management.

The Committee agreed that officers would send round a schedule of training that was usually undertaken and Members would provide feedback on where they thought there was a gap and where improvements could be made. The Chair requested that training be made available to other councillors as well. **(Action: Minesh Jani)**.

### **127. ANY OTHER BUSINESS OF AN URGENT NATURE**

The Committee received the annual audit letter for the year ended 31<sup>st</sup> March 2019 from the external auditors. The audit letter summarised that the financial statements in the final Statement of Accounts 2018/19 gave a true and fair view of the financial position and its income and expenditure for the year and had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19.

The Committee noted that 5 valid objections had been received in response to the accounts. BDO concluded that the LOBO loans were not an unlawful type of borrowing and the Council had not acted unlawfully in taking these loans. The other four objections related to; schools PFI, the HDV, property maintenance and late payment of Council Tax penalties. All four of these objections were ongoing and the Statement of Reasons was to be completed.

The Committee had no formal recommendations to raise in relation to the annual audit letter.

**RESOLVED**

The Committee received the annual audit letter.

**128. DATE AND TIME OF NEXT MEETING**

9<sup>th</sup> March, 19:00

CHAIR: Councillor Isidoros Diakides

Signed by Chair .....

Date .....