

# **MINUTES OF THE MEETING OF THE CORPORATE COMMITTEE HELD ON MONDAY 8<sup>TH</sup> FEBRUARY 2016, 7.00 - 8.45 pm**

## **PRESENT:**

**Councillors: Barbara Blake (Chair), Eddie Griffith (Vice-Chair), Isidoros Diakides, Emine Ibrahim, Felicia Opoku, Ali Gul Ozbek and Viv Ross**

### **46. 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.

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

Apologies for absence were received from Cllr Adamou, Cllr Adje, Cllr G Bull, Cllr Ejiofor and Cllr Elliott.

### **48. URGENT BUSINESS**

There were no items of urgent business.

### **49. DECLARATIONS OF INTEREST**

There were no declarations of interest.

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

There were no such items.

### **51. MINUTES**

#### **RESOLVED**

That the minutes of the meeting of the Corporate Committee held on 26<sup>th</sup> November 2015 be approved as a correct record and signed by the Chair.

In response to a question from the Committee regarding the current position in respect of unpaid invoices, as highlighted in the External Audit Progress Report at the previous meeting, the Chief Operating Officer advised that this had now reduced to £1.6m and that a more detailed update on this issue was included on the agenda for the meeting.

## 52. TREASURY MANAGEMENT STRATEGY STATEMENT

The Committee considered the report on the Treasury Management Strategy Statement (TMSS), introduced by George Bruce, Head of Finance – Treasury and Pensions. The report set out the draft TMSS, which outlined the strategy for Council borrowing and investment over the coming three years. Responsibility for formulating the strategy lay with the Corporate Committee under its terms of reference. However, the strategy was also reviewed by the Overview and Scrutiny Committee and needed to be formally approved by Full Council.

It was noted that the Capital Programme was the primary driver of the Council's borrowing strategy and that the figures in the TMSS would therefore be kept under review until such time as the Capital Programme was finalised. In formulating the TMSS, it was noted that the Committee's role was not to look at the Capital Programme itself but to ensure that the borrowing required in order to deliver the programme was affordable. The Committee noted that a continuation of very low short term interest rates compared to medium and long term rates was expected to continue for 2016/17 and that it was therefore proposed to continue with the previous year's strategy of keeping cash balances low and invested short term and to use local authority borrowing to cover temporary liquidity requirement. In respect of the ratio of financing costs to new revenue stream as set out on page 5 of the TMSS, it was noted that the projected increase in the percentage for 2017/18 and 2018/19 was largely a reflection of the reduction in the Council's revenue rather than an increase in the cost of borrowing.

The Committee noted that the Overview and Scrutiny Committee had highlighted the issue of risks associated with a strategy of short term borrowing. However, it was felt that, compared with the uncertainty in respect of the Council's borrowing needs in the long term and the likelihood that interest rates would not rise significantly in the short term, this was the most appropriate strategy for the Council.

The Committee noted the lending list of counterparties for investments, as set out in appendix 5 to the TMSS, which included those banks with the strongest credit ratings from the countries with the highest credit ratings. The Committee noted that the number of banks on list of counterparties had been increased, and the maximum investment in any single bank had decreased, and that this should help to ensure a diversified portfolio, and reduce the overall level of risk.

The Committee noted that the number of non UK banks as set out on page 22 of the TMSS should be amended to read seven, and not six as currently drafted.

The Committee asked about pension funds as a source of short term borrowing, and what impact new arrangements such as the London Collective Investment Vehicle (CIV) might have in this respect. Mr Bruce advised that in future the CIV may be used to borrow from other local authority pension funds, but not Haringey's own pension fund. In response to a question from the Committee regarding linking advance borrowing to specific projects, it was clarified that borrowing needs were considered as an aggregate and there was no requirement to link borrowing directly to a specific

project, although it was noted that there may be certain circumstances where the Council might decide to do this.

## **RESOLVED**

That the proposed Treasury Management Strategy Statement for 2016/17 to 2018/19 be agreed and recommended to Full Council for approval.

### **53. HOUSING BENEFIT SUBSIDY: 2014-15 GRANT CLAIM CERTIFICATE - REPORT ON ACTIONS TAKEN FOLLOWING EXTERNAL AUDIT OF SUBSIDY CLAIM**

The Committee considered the report on the actions taken following external audit of the Housing Benefit Subsidy claim for 2014/15, introduced by Amelia Hadjimichael, Head of Benefits – Shared Service Centre. The report set out the key areas of concern raised by the auditors and the actions being implemented to address these. It was noted that this was a complex area, with frequent changes to the regulations and guidance as the Welfare Reform programme progressed. The area where the highest number of errors had occurred was earned income and self employed income; this was an area that had become increasingly complex, particularly in relation to issues such as zero-hours contracts.

The Committee asked whether the Council monitored whether errors were in the Council's or claimants' favour and it was confirmed that this was monitored. It was noted that errors often arose from the Council not being informed of changes in circumstances; the DWP and HMRC now provided the Council with updated information on a monthly basis, and this could result in the Council having to make amendments going back three or four years. It was agreed that details of the respective number and value of errors in the Council's and claimants' favour would be circulated to the Committee outside the meeting.

**Action: Amelia Hadjimichael / Carla Segel**

The Committee noted that, where the number of errors exceeded a threshold level, the Council incurred a financial penalty and that this had been exceeded in the 2014/15 year. The Chief Operating Officer advised the focussed action plan as set out in the report was intended to address this issue and ensure that the number of errors was below the threshold in future.

In response to a question from the Committee regarding what happened when an error was identified in respect of a claimant that had left the borough, Ms Hadjimichael advised that every effort was made to trace people in these circumstances. The Committee expressed concern arising from casework where residents on Pension Credit had had their benefits automatically suspended as a result of very small increases in their Pension Credit, which were considered as an undeclared change of circumstances. The suspension of benefits had led to notices seeking possession being issued, which was extremely distressing, particularly as this was an issue affecting older residents. Ms Hadjimichael acknowledged that this was an issue arising from automatic suspension of benefits, and reported that targeted work was undertaken in January, when the Pension Credit information was received, to try to deal with these cases as quickly as possible to minimise the impact on the residents affected.

The Committee asked about the appointment of the four team leaders as set out in the action plan. It was reported that these appointments had been made as part of a wider restructure and had therefore not significantly affected the overall staffing costs in this area.

It was agreed that a further update on this area of work be provided to the Committee later in the year.

## **RESOLVED**

That the work now being undertaken by officers to address the concerns of the external auditors be noted.

## **54. OVERVIEW OF KEY FINANCE TERMS**

The Committee considered the report on the overview of key finance terms, presented by Neville Murton, Lead Finance Officer, and in addition considered the details of the earmarked reserves as set out in the Statement of Accounts 2014/15, tabled at the meeting. The Committee noted that in addition to the earmarked reserves, there was a General Reserve for non-earmarked funds of £25.7m and a £2m contingency in the revenue account. The Committee noted the difference between the £2m contingency in the revenue account, which was included in the budget each year, and the reserves, which were not replenished once used. In response to a question from the Committee it was confirmed that there were also contingency sums within the budgets for certain large capital projects.

In response to a question regarding the 'balance' of the Council's budget overall, Mr Murton advised that each account had its own balance. There was additionally a funding balance that would exactly meet the Council's net expenditure (currently around £220m). It was confirmed that the general reserve, earmarked reserves and £2m contingency were the only reserves held by the Council.

The Committee noted the Group Entity Reserves as set out in the Statement of Accounts, and noted that this included Homes for Haringey and Alexandra Palace. Mr Murton advised that Alexandra Palace accounted for the majority of the deficit reflected in the accounts. The Chief Operating Officer confirmed that the Alexandra Palace and Park Trust was responsible for the scrutiny of budget and resources at Alexandra Palace, and Mr Murton advised that, as Alexandra Palace was included in the Council's budget and the Council provided capital and revenue support to Alexandra Palace, this was included in the reports relating to the Council's budget setting process. Mr Murton confirmed that the Alexandra Palace and Park Trust were a separate legal entity from the Council, but that it was necessary to consolidate their accounts as part of the Council's group accounts under accounting regulations. In respect of the outstanding loan from the Council to Alexandra Palace, the Committee asked which body on the Council side had responsibility for oversight of progress in the recovery of the amount owed to the Council. The Chief Operating Officer advised that this responsibility rested with the Corporate Committee and it was agreed that a report on this matter would be brought to the Committee for consideration.

The Committee expressed concern at the apparent high level of reserves held by the Council, and whether this was justifiable in the context of recent decisions regarding service cuts. Mr Murton clarified that the reserves held were only available on a one-off basis and could therefore not be used for ongoing funding requirements. It was noted that Full Council, in considering the budget, had a duty to satisfy itself that the Council's reserves were adequate, and that it was the responsibility of the Chief Operating Officer, in her capacity as Section 151 Officer, to provide advice in this respect.

The Committee asked about the level of the Insurance reserve; Anne Woods, Head of Audit and Risk Management, advised that this was monitored on a monthly basis and was required due to the value of claims, which could take several years to come through. As an example, Ms Woods advised that one current claim being processed amounted to £1m. It was also noted that legal precedents meant that reserves were necessary to cover historic asbestos-related claims for which the Council had to accept liability, even where these pre-dated the establishment of the London Borough of Haringey.

Mr Murton referred the Committee to the report, which explained the purpose of each of the earmarked reserves, in response to questions. The Committee asked specifically about the length of time the PFI lifecycle reserve would be required for, and it was reported that this was for 25 years starting from around 2000 when the school buildings had been constructed. It was noted that there was less call on this reserve in the early years, when the school buildings were newly-built, however the likelihood of a draw down on this reserve increased as the buildings aged and maintenance was required. It was noted that there was a separate provision for these buildings once the 25 year period had elapsed. The Committee also asked about the Community infrastructure reserve, and how long this had been in place. The Chief Operating Officer reported that this had been in place for around 3 years and that a draw down had recently been made on this reserve, details of which would be set out in this year's accounts.

## **RESOLVED**

That the content of the report be noted.

*Post-meeting note: At its 8 February meeting the committee asked about the impact of consolidating reserves from the Council's grouped organisations (Alexandra Palace and Park Charitable Trust (APPCT) and Homes for Haringey (HfH)). At the time it was explained that the largest impact on the Council's earmarked reserves was the debt owed by APPCT to the Council. However, it has been subsequently clarified that the debt has been written out of the Trusts Balance Sheet in 2014/15 – which has been explained in the report presented to the 14 March meeting. The reason for the net negative asset position on group reserves is in fact the unfunded pension liabilities of HfH (c£36m) and APPCT (c£0.5m).*

## 55. ONESAP LESSONS LEARNT

The Committee considered the report on the lessons that had been learnt from the implementation of the Council's new Vendor Invoice Management system, introduced by Neville Murton, Lead Finance Officer. The report set out the background to the procurement and implementation of the new system, the areas where issues had arisen and the action plan that had been put in place to address this. It was noted that the majority of the issues that had occurred related to the implementation of the system rather than the product itself.

The Committee asked about the lessons learnt in respect of training, and the reasons for issues encountered in ensuring that appropriate training was undertaken by all staff concerned. Mr Murton advised that there were a number of factors affecting the take-up of training and that there had in particular been a general underestimation of the degree of training required. It was accepted that more needed to be done to ensure that people attended necessary training in future, however there was also an issue in ensuring that people fully engaged with the training once they were in attendance and that this was a more complex issue to address.

The Committee noted that a lack of change management and analysis of the workflow in this area appeared to have contributed to the issues that had arisen, and that engagement with the supplier in relation to the Council's requirements around workflow did not seem to have been effective. The Committee hoped that actions undertaken to address the lessons learnt would mean that similar issues were not repeated. The Chief Operating Officer confirmed that this was the intention behind the review, and that the lessons learnt from this would be applied to the introduction of any new systems in future. The Committee welcomed the honesty of the report in acknowledging what had gone wrong, and encouraged this transparency of approach.

The Committee asked whether the Council had been aware at the time that this product had not previously been implemented in a local authority setting and if so, whether this had been reflected in the cost of the system; Mr Murton advised that a cost reduction had been negotiated as part of the procurement process, but he was not aware of whether this had been related to the system being in effect a trial in relation to local authority settings. Mr Murton advised that the introduction of a new form of procurement process at the time may also have contributed to the issues encountered.

The Committee asked whether a comparative analysis had been undertaken of the costs associated with the implementation problems, as opposed to the costs that would have been incurred by not going live on the agreed date. Mr Murton advised that he was not aware of whether this comparison had been undertaken, however it was noted that there had been additional pressures in relation to meeting the agreed 'go-live' date as this had been a joint procurement exercise with the London Borough of Waltham Forest. The Committee asked about the reasons for the large number of outstanding paper invoices loaded onto the system as set out in paragraph 6.14 of the report. The Chief Operating Officer confirmed that this reflected poor invoice management systems in place at the time and that work had been undertaken to address this.

## **RESOLVED**

That the content of the report be noted.

### **56. INTERNAL AUDIT Q3 UPDATE**

The Committee considered the quarter 3 2015/16 internal audit progress report, presented by Anne Woods, Head of Audit and Risk Management.

The report provided an update on progress against the annual audit plan, and the Committee noted that it was anticipated that Mazars would complete the planned programme by the year end.

The Committee noted the progress in respect of tenancy fraud referrals and investigations, as a result of which 27 properties had been recovered in 2015/16 to date, with a further 33 cases with Legal Services progressing towards tenancy recovery. It was noted that the secondment of an officer from Homes for Haringey to continue the ongoing work in respect of tenancy fraud work had now been extended to 31 March 2016, and it was hoped that this secondment would be extended further. Ms Woods advised that 75 Right to Buy applications had been withdrawn or refused following interview, and the Committee noted that applicants were given a window of 8-9 months to provide the information required in respect of the source of their funding.

The Committee noted the work and outcomes in relation to the National Fraud Initiative data matching exercise 2015, and that this was a statutory exercise. It was noted that the greatest number of errors identified had been in relation to personal budgets, however no financial impact had resulted from the errors identified.

The Committee commended the officers for the anti-fraud work undertaken. In relation to Right to Buy applications, the Committee asked how it was possible to prove irregularities such as money laundering, in response to which Ms Woods advised that the onus was on the applicant to demonstrate the source of funding to the Council. It was noted that it would be illegal for the Council to transact business where such evidence had not been explicitly supplied.

The Committee asked about whistle-blowing referrals, in particular those made anonymously, and how it could be determined whether these were malicious. Ms Woods advised that all cases referred via whistle-blowing were investigated, and that where evidence emerged that a referral had been malicious, this was handled in accordance with the code of conduct.

In response to a question from the Committee regarding the financial benefit of properties recovered in relation to tenancy fraud, Ms Woods advised that the Council adopted the district auditor's valuation of £18k annually for a recovered tenancy (equating to the average cost of temporary accommodation for a family for a year), and that this was a conservative measure as it was only accounted for on a one-off basis. It was confirmed that this was a saving on the general budget when families on the waiting list and in temporary accommodation could be moved into properties that had been recovered as a result of identified tenancy fraud.

## **RESOLVED**

That the audit coverage and counter-fraud work completed be noted.

### **57. EXTERNAL AUDIT UPDATE**

The Committee considered the external audit update, presented by Paul Jacklin, Grant Thornton. It was noted that this was the last time that Grant Thornton would be delivering as the Council's external auditors. In relation to the completion of the 2013/14 audit, Mr Jacklin advised the Committee that an appeal had been lodged by the objector in respect of Grant Thornton's decision not to declare Council enforcement costs on those who haven't paid council tax to be illegal, and that a court hearing was due on this matter later in February 2016. Mr Jacklin also advised that work was underway in relation to the objection received regarding bailiff enforcement of parking/traffic debts and other parking matters and that once this objection was resolved the audit certificate could be issued.

The rest of the report highlighted information that Grant Thornton felt would be of interest to the Committee in relation to the discharge of its duties.

## **RESOLVED**

That the content of the report be noted.

### **58. CERTIFICATION WORK FOR LONDON BOROUGH OF HARINGEY COUNCIL FOR YEAR ENDED 31 MARCH 2015**

The Committee considered the report on certification work for the year ended 31 March 2015, presented by Paul Jacklin, Grant Thornton. Mr Jacklin advised that no issues had been identified in relation to three of the four claims certified for the 2014/15 financial year, however a number of errors had been identified in relation to housing benefits, as discussed earlier in the agenda. It was noted that in response to the findings of the auditor, the Council had undertaken the testing required and had supported the audit process, as a result of which it had been possible to meet the deadline for the completion of this work. Mr Jacklin agreed that cases in this area had become more complex and welcomed the action plan discussed earlier in the meeting.

In response to a question from the Committee, Mr Jacklin confirmed that the housing benefits subsidy claim was the only area where a qualified opinion had been issued; an unqualified opinion had been issued in relation to the accounts for 2014/15 and the other claims and returns examined. The Committee asked about the level of errors identified in housing benefit, in response to which Mr Jacklin advised that the Council should be working to reduce the number of errors, however the complexity of this area of work meant that the level of errors was not surprising.

The Chair and Committee thanked Grant Thornton for their all their past work and support as the Council's external auditors.



**RESOLVED**

That the content of the report be noted.

**59. ANY OTHER BUSINESS OF AN URGENT NATURE**

There were no new items of urgent business.

The Chair advised that prior to the meeting she had circulated a briefing on the achievements of the Council's counter fraud work for the Committee's approval, with the intention of circulating this to all Councillors. It was suggested that this would help to raise the profile of the work of the Committee, and that it would be useful to issue more of such briefings in the future. The Committee agreed this approach, and endorsed the content of the draft briefing note that had been circulated.

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

Monday, 14 March 2016, 7pm.

The meeting closed at 8.45pm.

CHAIR: Councillor Barbara Blake

Signed by Chair .....

Date .....