

THE LONDON BOROUGH OF CAMDEN

At a meeting of the **AUDIT AND CORPORATE GOVERNANCE COMMITTEE** held on **THURSDAY, 15TH JUNE, 2023** at 6.30 pm in Committee Room 1, Town Hall, Judd Street, London WC1H 9JE

MEMBERS OF THE COMMITTEE PRESENT

Councillors Sagal Abdi-Wali (Chair), Nasim Ali, Camron Aref-Adib, Siân Berry, Judy Dixey, Samata Khatoon and Nanouche Umeadi and Fehintola Akinlose and Alan Layton (Independent Members)

MEMBERS OF THE COMMITTEE ABSENT

Councillors Matt Cooper, Richard Cotton and Gio Spinella

The minutes should be read in conjunction with the agenda for the meeting. They are subject to approval and signature at the next meeting of the Audit and Corporate Governance Committee and any corrections approved at that meeting will be recorded in those minutes.

MINUTES

1. APOLOGIES

Apologies for absence were received from Councillors Cooper and Cotton.

2. DECLARATIONS BY MEMBERS OF STATUTORY DISCLOSABLE PECUNIARY INTERESTS, COMPULSORY REGISTERABLE NON-PECUNIARY INTERESTS AND VOLUNTARY REGISTERABLE NON-PECUNIARY INTERESTS IN MATTERS ON THIS AGENDA

There were no declarations of interest.

3. ANNOUNCEMENTS (IF ANY)

Broadcasting of the meeting

The Chair announced that the meeting was being broadcast live by the Council to the Internet and could be viewed on the website for twelve months after the meeting. After that time, webcasts were archived and could be made available upon request. Those who were seated in the meeting room or participating via Teams were deemed to be consenting to having their contributions recorded and broadcast and to the use of those sound recordings and images for webcasting and/or training purposes.

4. DEPUTATIONS (IF ANY)

There were no deputations.

5. NOTIFICATION OF ANY ITEMS OF BUSINESS THAT THE CHAIR DECIDES TO TAKE AS URGENT

There was no notification of urgent business.

6. MINUTES

RESOLVED –

THAT the minutes of the meeting held on 30th March 2023 be approved and signed as a correct record.

7. REVISIONS TO THE ANNUAL GOVERNANCE STATEMENT 2019/20

Consideration was given to a report of the Executive Director Corporate Services.

In response to a question about the nature of the errors in the draft accounts, the Head of Treasury and Financial Services commented that there had been issues with the way property, plant and equipment had been reported and the basis on which assets and property were valued. There had also been a national issue around infrastructure which had resulted in CIPFA issuing a bulletin and the Council's response to this had resulted in some more amendments to the accounts. Officers acknowledged there had been issues with the accounts and they had endeavoured to address them in the quality control processes for the 2020/21 accounts.

Members commented that there were still some areas of limited assurance identified in the Internal Audit report later in the agenda and asked if any further assurance could be given that the issues were being addressed and that sufficient resources were in place to do so. The Director of Finance remarked that this was a result of the volume of assets held by the Council and the fact that updating all of these records was a gradual process of improvement, but he assured Members that the process was well in hand. There had been additional resource in the team for over a year and that would remain for the foreseeable future, with plans in train to put in place permanent in-house resource moving forward.

A Member asked for an explanation of the reference to 'distributed dialogue' on page 30 of the agenda, and for details of the number of homes completed via the Community Investment Programme in 2019/20. The Head of Treasury and Financial Services undertook to provide a written response.

ACTION BY: Head of Treasury and Financial Services

RESOLVED –

- (i) THAT the amended Annual Governance Statement for 2019/20 at Appendix A of the report be approved;
- (ii) THAT authority be delegated to the Executive Director Corporate Services to, in consultation with the Chair of Audit and Corporate Governance Committee, to approve minor amendments to the Annual Governance Statement to reflect any final post balance sheet events, prior to the signing of the final statement of accounts;
- (iii) THAT it be noted that officers will report back on any such amendments made to the Annual Governance Statement at the next meeting of the Audit and Corporate Governance Committee together with a copy of any amended version of the Annual Governance Statement for the Committee's information.

ACTION BY: Head of Treasury and Financial Services

8. 2019-20 STATEMENT OF ACCOUNTS AND AUDIT COMPLETION REPORT

Consideration was given to a report of the Executive Director Corporate Services.

In response to questions, officers made the following remarks:-

- The Council had fully reconciled its cash position and the issue referred to in the report was a result of the fact that some of the cash was apportionable to the North London Waste Authority. The NLWA's investments did need to be split from Camden's in future in order to aid clarity.
- In terms of resources available to the Financial Reporting team, two additional technical experts had been supporting the team for over a year and would remain for the foreseeable future. The Council was also subscribed to a service that provided ongoing commentary and training on emerging issues and this service would be looking at the draft accounts in future before they were passed to the auditors.
- There was a finance review underway which would assess what level of resource was needed moving forward.

In response to a question about the risk of delay to future accounts, Karen Murray of Mazars, the Council's external auditor, remarked that at the start of the process, which had coincided with the start of the Covid 19 lockdown, the Financial Reporting team had been smaller than it needed to be and had lacked some understanding of the requirements of the CIPFA code. However, significant progress had since been made around issues such as the classification and valuation of assets. Suresh Patel

of Mazars commented that the 2020/21 accounts were largely complete and were expected to be submitted to the Committee for consideration in September. Whilst there had been some minor issues with them, there had not been the same major issues around property accounting as there had been with the 2019/20 accounts.

The Director of Finance acknowledged that the process of producing the 2019/20 accounts had been challenging and that the Covid 19 pandemic had undoubtedly been a factor. There had also been challenges at a national level around local audits and some issues with staff recruitment, but moving forward the position was much stronger, though it would need to be a collective effort between authorities, auditors and government.

A Member commented that the remark in the report stating that the draft financial statements had been of poor quality was worrying, and asked about the valuation of the pension fund. Ms Murray explained that, as a result of the Covid 19 pandemic, every valuer had issued a material valuation uncertainty, stating that, as there was no market, accounts had to be caveated as valuations could be significantly wrong. This had affected every organisation with a significant property portfolio and had affected the Council twice, as it had both its own portfolio and the pension fund portfolio.

In response to a question regarding the quality of the 2020/21 accounts, Mr Patel assured the Committee that, whilst there were some issues that would be reported to the Committee, it was not to the extent that had been encountered with the 2019/20 accounts. Ms Murray added that there had been a change of mindset within the team following the issues with these accounts.

The Director of Finance agreed to provide an update to the September meeting on the likely timeframe for the 2021/22 accounts.

ACTION BY: Head of Treasury and Financial Services

RESOLVED –

- (i) THAT the External Auditor's report for the 2019/20 statement of accounts at Appendix A of the report be noted;
- (ii) THAT the amended 2019/20 Statement of Accounts at Appendix B of the report be approved;
- (iii) THAT authority be delegated to the Executive Director Corporate Services, in consultation with the Chair of the Audit and Corporate Governance Committee, to approve any remaining amendments to the Statement of Accounts as the auditors complete the final outstanding matters as listed in Appendix A of the report;
- (iv) THAT it be noted that officers will report back on any such amendments made at the next meeting of the Audit and Corporate Governance Committee,

together with a copy of an amended version of the Statement of Accounts for the Committee's information;

- (v) THAT the Chair of Audit and Corporate Governance Committee be authorised to sign the 2019/20 Statement of Accounts; and
- (vi) THAT the Letter of Representation as set out in paragraph 5.4 and included in the Audit Completion Reports in Appendix A of the report be noted.

ACTION BY: Head of Treasury and Financial Services

9. REVIEW OF CAMDEN PAY SCHEMES

Consideration was given to a report of the Director of People and Inclusion, and to an addendum to the report published on a supplementary agenda.

In response to questions, the Director of People and Inclusion remarked that benchmarking had indicated that the lower end of the higher pay grades was falling below the upper quartile and so addressing that was the immediate priority. There would however be a report coming forward later in the year looking at how some flexibility could be applied at the top end of those pay grades. The benchmarking had looked at public, not-for-profit organisations in London, including other inner London councils.

A Member highlighted the importance of annual leave to diversity and inclusivity, as well as mental health, and asked about the indication in the report that the annual leave entitlement was below the average. The Director of People and Inclusion remarked that the annual leave entitlement was competitive and the leave offer included many other types of time off including family leave, disability leave and pregnancy loss leave. She undertook to write to the Committee summarising the range of leave options.

ACTION BY: Director of People and Inclusion

RESOLVED –

- (i) THAT the findings of the review of Camden pay schemes be noted;
- (ii) THAT the changes to the pay, terms and conditions of employment for officers set out in this report be approved, specifically:
 - Delete the lowest two pay points with effect from 1 April 2023 (paragraph 5.13 of the report)
 - Delegate authority to the Head of Paid Service to make decisions on changes to the Level 1 and Level 2 pay scheme for 2024 and 2025 (paragraphs 5.14 to 5.16 of the report)

- Uplift the pay minima for Level 5 Zone 2 to Level 6 Zone 3 with effect from 1 September 2023 (paragraphs 5.21 to 5.25 of the report)
 - Increase starting and 5-year long service annual leave entitlement to 27 days and 31 days respectively with effect from 1 September 2023 (paragraph 5.29 of the report)
 - Reduce the current maximum variable payment for Chief Officers from 10% to 5% with effect from 1 April 2023 and in turn increase the Target Base Pay ranges by 5% with effect from 1 April 2023, including for current Chief Officers (paragraphs 5.35 and 5.36 of the report)
- (iii) THAT authority be delegated to the Director of People and Inclusion to make any changes to the terms and conditions required to implement the above decisions; and
- (iv) THAT Council be recommended to agree the proposed amendments to the pay policy statement for 2023/24 as shown in track changes and attached at Appendix 1 to the addendum, and to delegate authority to the Director of People and Inclusion to make the final updates to the pay policy statement (as set out in paragraph 1.2 and 1.3 of the addendum) in consultation with the Chair of the Committee and thereafter to take a report to Council for approval of all of the proposed amendments to the pay policy statement.

ACTION BY: Director of People and Inclusion

10. REVIEW OF THE COUNCIL'S COMPLAINTS POLICY AND PROCEDURE AND REMEDIES POLICY AND PROCEDURE

Consideration was given to a report of the Borough Solicitor.

A Member complimented the improvements made to the complaints system over recent years, and asked about how often remedy payments were made. The Service Manager Information Governance remarked that remedy payments were detailed in the Annual Report, which was submitted to the Resources and Corporate Performance Scrutiny Committee and the Cabinet, and were mainly paid in relation to housing repairs issues. He added that the new case management system would be reviewed shortly.

RESOLVED –

THAT the revised policies and procedures set out in Section 3 of the report be approved.

11. PRINCIPAL RISK UPDATE

Consideration was given to a report of the Executive Director Corporate Services.

A Member thanked officers for the excellent report and asked about the target score of 4 for Housing Revenue Account (HRA) Financial Resilience, which appeared optimistic in the light of the current score of 16. The Head of Audit, Investigations and Risk Management remarked that much rested on the view of the risk lead and what they were aiming for longer term. The Director of Finance added that, where the HRA was concerned, much depended on inflation, which made these determinations trickier. However, they were updated regularly and officers would reflect on whether 4 was achievable in the current circumstances.

Members discussed potential topics for a risk deep dive in November 2023 and agreed that the topic should be High Speed 2, in light of the fact that the situation had changed significantly in recent months.

RESOLVED –

- (i) THAT the report and actions being taken to mitigate principal risks be noted; and
- (ii) THAT a risk deep dive into High Speed 2 be submitted to the November 2023 meeting of the Committee.

ACTION BY: Head of Audit, Investigations and Risk Management

12. INTERNAL AUDIT ANNUAL REPORT 2022-23

Consideration was given to a report of the Executive Director Corporate Services.

Members asked if it was possible to see the audit report on medical assessments as soon as possible. The Head of Internal Audit, Investigations and Risk Management undertook to circulate it to all Members of the Committee as soon as it was complete.

ACTION BY: Head of Internal Audit, Investigations and Risk Management

In response to questions, officers commented that the original intention on voids and repairs had been to do an end to end review of the process, but this had proven to be too large for a single audit and so had been split into two parts.

A Member remarked on the fact that best practice indicated quarterly audit updates to Committee and that the report indicated that the current practice of twice yearly updates would be kept under review. The Head of Internal Audit, Investigations and Risk Management responded that there were two aspects to this: reporting to the management team; and reporting to the Committee. The Committee's terms of reference required twice yearly updates, and quarterly seemed a little too often for

the Committee to see movement each time. Bi-annual reporting allowed time for recommendations to embed and be actioned. In terms of updates to management, Camden had a more devolved management structure than Islington and it was therefore considered sufficient to report to departmental management teams more frequently, rather than to the Camden Management Team. The Member remarked that a more frequent update to Committee would be welcome to provide assurance that services were moving forward on audit recommendations, and the Head of Internal Audit, Investigations and Risk Management undertook to add a further in-year update to the Committee's work programme.

ACTION BY: Head of Internal Audit, Investigations and Risk Management

A Member asked about the likelihood of a service ever achieving substantial assurance. The Head of Internal Audit, Investigations and Risk Management commented that this was unlikely as, in order to achieve it, a service would have best practice recommendations only.

In response to a question regarding the structure and functioning of the Internal Audit team, the Head of Internal Audit, Investigations and Risk Management explained that it was a co-sourced service. This meant that most of the work was done in-house, with a small amount delivered by PwC, particularly in areas such as ICT where it was difficult to recruit appropriately skilled auditors. The Internal Audit Team also carried out External Quality Assessments (EQAs) for other authorities, and was currently undertaking one for the London Borough of Hackney, in the same way as Hillingdon had undertaken Camden's.

A Member asked about the recommendation at page 466 that the Audit and Corporate Governance Committee should be chaired by an Independent Person. Officers commented that this had been left with the Council to consider, and did not indicate a failure to comply with the findings of the EQA. Practice varied across councils and there was no appetite at present in either Camden or Islington to change the current chairing arrangements. That said, it was a matter that the Committee could consider once again when it looked at the report on its effectiveness which was due to be submitted in March 2024.

ACTION BY: Director of Finance

RESOLVED –

THAT the report be noted.

13. 2022-23 ANNUAL COUNTER FRAUD REPORT

Consideration was given to a report of the Executive Director Corporate Services.

A Member asked about the split between pro-active and reactive housing investigations. Officers remarked that table 7 of the report could be amended in future to set out the number of pro-active and the number of reactive investigations. A programme of visits to all tenants was currently underway, reaching out in particular to tenants who the Council had not been able to contact during the Covid 19 pandemic in order to identify welfare issues, but also checking whether the right tenants were in council properties. This was resulting in an increase in referrals to the Housing Investigations team. Officers confirmed that all members of the team had received training on making every contact count and indeed the team had been part of designing that training.

A Member noted the good work that had been done on encouraging tenants in properties with more bedrooms than they needed to downsize to smaller properties. The Head of Housing Innovation and Improvement commented that there was a project underway around overcrowding, under-occupation and mutual exchanges, and this would be looking at incentivising downsizing. Research undertaken so far indicated that what stopped people from downsizing was the logistics of it and so this would be explored further so see if logistical support would increase the number of tenants willing to downsize.

RESOLVED –

THAT the report be noted.

14. CAMDEN LIVING FINANCIAL STATEMENTS 2021/22

Consideration was given to a report of the Director of Finance.

In response to questions, the Business Partner Companies made the following comments:-

- £454k had been paid by Camden Living to the Housing Revenue Account in 2021/22.
- The reserve sat within Camden Living's accounts.
- In future the intention was to form a Camden Living social housing company, working towards registered provider status, alongside a Camden Living general offer company covering private and intermediate rent properties.
- At present the company only had 65 intermediate units, which was why Camden Living properties did not become available very often.
- The administrative expenses were largely made up of recharges to the Council for staff time, and so were essentially salary costs.
- The company did not take on any risk around construction defects, as these were generally identified within a couple of years. However, every year a small amount of money was put aside, equating to about £4k per property, against the costs of future major works. This was considered to be good practice.

- Building indices set out the expected level of lifecycle costs, and the Council's property experts made an assessment based on this kind of data. This could be added to the notes on the accounts in future to assist reader understanding.

Members considered that it would be sensible for Camden Living to be added to the Internal Audit Plan. The Head of Internal Audit, Investigations and Risk Management undertook to include this on the 2024-25 Internal Audit Plan.

ACTION BY: Head of Internal Audit, Investigations and Risk Management

RESOLVED –

THAT the report be noted.

15. TREASURY MANAGEMENT REPORT

Consideration was given to a report of the Executive Director Corporate Services.

In response to questions, the Head of Treasury and Financial Services made the following remarks:-

- The three money market funds had been chosen as they were at the time triple-A rated.
- Underlying investments on a day-to-day basis were guided largely by the Council's and the NLWA's liquidity requirements.
- Link were the Council's treasury consultants and they were able to carry out the kind of market analysis that the Council could not.
- The Council's counter-party criteria included a minimum 'AA-' credit rating, which was higher than many authorities' requirements and allowed the Council to avoid some of the weaker banks.
- A lot of thought was given to how to tackle under-borrowing and how interest rates were likely to move, although this only became a real issue if an organisation ran out of cash. Accurately forecasting liquidity requirements was key.
- Public Works Loan Board (PWLB) interest rates could be included in the report in future.
- PWLB debt could be re-financed but compensation in the form of a premium payment would have to be paid.
- In relation to Lender Option Borrower Option (LOBO) loans, the increase in the base rate meant that there was a higher chance of these being called in and, if this happened, the Council would probably fund repayments with PWLB borrowing.
- Some councils had exited LOBO deals, but this was largely because they had more complicated LOBOs than Camden did or LOBO lenders wished to get out of the market due to reputational risk.

Officers confirmed that they would look at making it clearer within future reports what was Camden's money and what was the NLWA's money.

ACTION BY: Head of Treasury and Financial Services

RESOLVED –

THAT the report be noted.

16. WORK AND TRAINING PLAN AND ACTION TRACKER

Consideration was given to a report of the Borough Solicitor.

RESOLVED –

- (i) THAT the work plan for the remainder of 2023/24, as set out at Appendix A of the report, be noted;
- (ii) THAT the training sessions that took place for members of the Committee in 2022/23 be noted; and
- (iii) THAT the action tracker for actions arising from the previous meeting be noted as per Appendix C.

17. ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT

There was no urgent business.

The meeting ended at 8.43pm.

CHAIR

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MINUTES END