



CORPORATE COMMITTEE

Thursday 24 January 2019 at 6.00 pm

MINUTES

PRESENT: Councillor Scott Ainslie, Councillor Peter Ely, Councillor Adrian Garden (Chair) and Councillor Jackie Meldrum

APOLOGIES: Councillor Anna Birley

1. DECLARATION OF PECUNIARY INTERESTS

There were no declarations of interest.

2. MINUTES

RESOLVED: That the minutes of the meeting dated 06 December be approved and signed as a correct record of proceedings.

3. WORK PROGRAMME AND ACTION MONITORING

The work programme and action log would be discussed offline.

RESOLVED:

1. To note the Corporate Committee's work programme for 2018/19.
2. To note the Corporate Committee's actions monitoring log.

4. EXTERNAL AUDIT PLAN 2018/19

Gareth Davies, Partner and Engagement Lead Mazars; Stuart Frith, Engagement Manager Mazars; Hamant Bharadia, Assistant Director for Strategic Finance; and, Christine Webster, Interim Head of Internal Audit and Counter Fraud (IACF), introduced the report and noted:

- The 2017/18 KPMG letter summarised the outcome of KPMG's audit work on the previously approved accounts. There were a number of areas for improvement, such as not fully implemented financial control and outstanding audit recommendations from previous years.
- Each auditing firm had its own approach based on international standards, and Mazars had not assessed Lambeth as high risk as compared to other local authorities.
- The materiality level was the assessment of the level of error in accounts that would

be significant, and figures under that level would not be reported.

- A qualified conclusion meant that there was an exception or issue to be resolved.
- The accounts had been passed without qualification, but Children's Services and historical property valuation would be picked up by Mazars.
- Significant risks were detailed in the agenda pack, page 31, and were where Mazars would put most of their efforts and testing.
- Local authorities' income was easy to prove, so any remaining errors in fees and charges were lower risk and would not be treated as a significant risk, but were still checked.
- There was a clear risk of error in property evaluation and valuations would be challenged.
- The small changes of the longevity of pension liability assumptions would be tested.
- The Redress Scheme was an area of managing judgment (agenda pack, page 33), and KPMG checked the actuarial assessment, which had been updated and reflected in the new estimate.
- Mazars would undertake further work around financial sustainability, delivery of savings and robustness of financial planning to provide assurance on arrangements.
- Homes for Lambeth was likely to feature in next year's internal audit, but as a distinct company from the Council they had their own separate audit, however Mazars would review how this was consolidated, and review value for money and financial liabilities for the Council.
- Mazars assessed the arrangements for assessing value for money and this would include Brexit planning in the upcoming audit – including how contingency planning was approached – however, only serious concerns with this would be raised if applicable.
- Mazars had been appointed by a procurement process through the Public Sector Audit Appointments Ltd (PSAA) and the lower fees compared to previous years was similar to other local authorities. This fee would only be increased if there were delays in the production of accounts or a major area of work arose, but this was agreed with the Council following PSAA guidelines.
- Mazars' methodology was reviewed independently and had been found satisfactory, and it was not felt that there was a lack of resource and nor would this lead to a lower quality audit.
- PWC provided independent actuaries assessment, commissioned by the National Audit Office as an arms-length arrangement and was unrelated to Lambeth's internal audit; and Mazars noted that they were confident there was no conflict of interest, but would uncover one if it existed.
- The significant risks and judgment areas, excepting the Redress Scheme, were similar to other local authority accounts.

RESOLVED:

1. That Corporate Committee notes and scrutinises the Audit Plan from Mazars that relates to the Council's 2018/19 financial accounts. This is set out in Appendix 1 for the Council's accounts and Appendix 2 for the Pension Fund.
2. That Corporate Committee notes the preparatory activity undertaken and underway by officers, as set out in the main report.
3. That Corporate Committee notes the Annual Audit Letter from KPMG that relates to the Council's

2017/18 financial accounts, as set out in Appendix 3.

The Chair recorded the Committee's thanks to KPMG for their previous audit work and welcomed Mazars as the Council's new auditing firm.

5. PNQ

The Chair of Corporate Committee, Councillor Adrian Garden welcomed the public notice question from Michael Keane and noted that the work that he had undertaken was well regarded and helped the local authority during a time of financial cuts and shortage of resources; and helped stimulate improvement.

Hamant Bharadia, Assistant Director for Strategic Finance, introduced the report and noted:

- The query centred on the transparency code, which was a work in progress and the Appendix set out the requirements and timelines.
- The change of systems had complicated matters which officers were working through and were also redesigning the website to make information more accessible and improve transparency.

Michael Keane, Lambeth resident, gave the following representations to the Committee:

- He had undertaken a survey of 50 councils and their level of compliance, noting that he was only referring to amounts over £100,000 and that these errors were trivial to large local authorities.
- For Lambeth, he noted that it was not about compliance, but rather that monies detailed as existing in one area should be listed in another and that decisions could be taken on incorrect data, or that he was able to find errors in published information that should have been corrected.
- Data on the website might be out of date, although internal data appeared to be consistent, however this was still concerning for contract management and monitoring.
- Examples included an unreported £500m transparency discrepancy; inconsistencies in the accounts; unpublished information; and errors in housing stock figures (such as properties no longer owned by Lambeth or the omission of those that were).
- The Council's auditors had tentatively suggested that they were aware of these errors and that they also existed in previous years.
- He also queried how he could engage effectively within the bounds of commercial confidentiality.

Hamant Bharadia, Assistant Director for Strategic Finance, responded to questions from councillors and Mr Keane as below:

- The contribution from Lambeth residents, in particular Mr Keane, was recognised and commended.
- The factual errors were accepted, and were likely due to timing issues from running a number of data exercises and these were to be reconciled.
- 100% accuracy was ambitious, and there was a question of accuracy or validity to the timeliness and quantity of publishing all the information possible.
- An assessment on accuracy was needed by the Value for Money team, and internal and external auditors.

- Officers would need to review the apparent £500m discrepancy in transparency data.
- Officers would inform the Committee and Mr Keane how they could make this process more effective.

RESOLVED:

1. That the questioner be invited to ask a supplementary question.
2. That the written and oral responses given be considered and appropriate action agreed.

6. PROCUREMENT UPDATE

Rachel Willsher, Head of Procurement, provided an annual procurement update to Corporate Committee, noting the following highlights:

- The Commissioning and Contracts Management Sub-Group provided a level of corporate and strategic oversight to aid developing effective contract arrangements.
- Corporate arrangements were progressing, with Management Board recognising the essential need for effective contract management and, after review, to establish a small corporate unit from April 2019.
- Informal Cabinet would soon consider the responsible procurement policy and guidance (including social value, the Borough Plan and other responsibilities) so the process was clearer.

Councillor Tim Briggs, Conservative Clapham Common ward councillor, gave the following representation:

- It was not detailed how or what sort of contracts were managed.
- It was queried how much information could be published, and whether commercially sensitive contracts could be published with redacted figures, but so that competitors could see how costs were broken down and help drive competition; or, whether a standard set of terms for specific types of contract was possible.

In response to questions from the Committee, Alison McKane, Director for Legal Services and Human Resources; Rachel Willsher, Head of Procurement; and Hamant Bharadia, Assistant Director for Strategic Finance, provided the below responses:

- Procurement covered the whole spectrum, but the corporate team was focused on amounts over £100,000, generally comprising around 95% of spend.
- Procurement key performance indicators were provided to the Commissioning and Contracts Management Sub-Group.
- Lambeth did not have an online forum to share lessons learnt from contract management and procurement, but Category Teams held and used this knowledge.
- The three-officer unit and Contract Management Framework would develop tools to enable contract management and would be more involved in reviewing large contracts including negotiations.
- Detail on savings from procuring contracts was held as part of budget reporting, supported by procurement colleagues.
- Internal Audit would flag up procurement or service areas that were in conflict as necessary.
- The contract management framework was built from National Audit Office principles and guidelines.

- The publishing of redacted procurement contracts had been successful in some local authorities, and officers would review what they could publish and how this was accessed.
- The Intelligence, Digital and Information Governance (IDIG) Management Sub-Group was specifically reviewing openness and transparency, alongside the Digital Strategy.
- There were standard terms and conditions, but Lambeth often used different ones where external advisors or Legal Services had been engaged, although standardisation was good.
- The Head of Procurement would discuss the points raised by Councillor Briggs with him and send on to Committee members.
- Officers were confident of managing the risk of being the first local authority to implement Oracle Cloud.

The Chair, Councillor Adrian Garden, noted the improvement in Procurement and welcomed the positive steps detailed in the agenda pack, page 81, paragraph 2.9.

RESOLVED:

1. To note the governance and processes to support Procurement.
2. To note the updates on Procurement.

7. CALCULATIONS OF COUNCIL TAX BASE AND NATIONAL NON-DOMESTIC RATES RETURN 1 2018/19

Hamant Bharadia, Assistant Director for Strategic Finance; and, Rachel Harrison, Group Manager for Strategic Finance, introduced the report and responded to questions as below:

- This report was a standard annual requirement as required by the Ministry for Housing, Communities and Local Government (MHCLG) for the coming year, setting a council tax base, and the report detailed this process and key numbers.
- The only change was a 100% premium on empty residential properties which was welcomed by all Committee members.
- The tax base started with an analysis data from December in discussion with revenue colleagues and trends were implied, but comprised a standard increase in the tax base; and the Interim Head of Internal Audit and Counter Fraud was content with the process.
- The final recommendation, to confirm the council tax increase, would be taken by Cabinet.
- Officers would report back to the Committee on when a property ceased to be new build and became an empty dwelling.

RESOLVED:

1. That in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by the Council as its Council Tax Base for the year 2019/20 is agreed at 109,258. The Council Tax Base in 2018/19 was 107,712, so there has been a net increase in the base of 1,546 Band D properties.
2. That the following council tax discounts and premiums adopted in 2013/14 continue to be applied in 2019/20, with only the premium for empty properties changing to 100%

following Chancellor announcement and approval:

- a premium of 100% on empty homes (i.e. the council tax liability for such properties is set at 200%);
 - a discount of 0% on second homes;
 - discount of 0% on Class A properties (empty dwellings undergoing major repairs); and,
 - a discount of 0% on Class C properties (vacant, unfurnished dwellings).
3. To agree that no changes to the Council Tax Support Scheme adopted by the authority in 2018/19 will be made and that the scheme will be continued for 2019/20.
 4. To approve the business rates tax base set out in the proposed NNDR1 return included in Appendix 3.
 5. To delegate authority to the Strategic Director of Corporate Resources, in consultation with the Cabinet Member for Finance, to make any incidental amendments to the NNDR1 form arising from its late publication and any technical changes from Government or other later emerging exigencies.

8. PAY POLICY STATEMENT

Dean Shoesmith, Interim Director for Human Resources and Organisational Development, introduced the report and responded to questions as below:

- This was a requirement of the Localism Act 2011 and MHCLG Code of Transparency, and provided a snapshot of pay policy to 31 December 2018, and an updated version to year end would go to Full Council.
- The main pay policy statement (Appendix A) was consistent with previous years.
- Officers would provide information on the gender pay gap, which showed a small gap and in line with the statutory reporting requirement to publish the data on 31 March 2019.
- Government was consulting on including pay ethnicity data, but this was not currently captured.
- The agenda pack, paragraph 16, page 126, should note Lambeth as a London Living Wage employer.
- Salary trend data would be included on future reports.
- The pay ratio of 1-9.4 was within the Council's objectives and was consistent with previous years, other councils' and the voluntary sector's range of 1-10.
- Termination payments had to be reported over £100,000 and were included in the Statement of Accounts, with records kept of average and second agreements.
- Data and trends would be provided to Members on staff numbers starting employment above the base salary.
- The annual National Pay Award was agreed between local government employers and trade unions, after the national indicative pay award; depending on market forces and needing to recruit and retain skilled people.
- Each individual service area had risks assigned relating to the budgeting of salary increases, and were controlled via the normal risk management process, noting that Lambeth was no different from other local authorities.

RESOLVED:

1. To approve the updated Pay Policy Statement for 2019/20 attached at Appendix A.
2. To note the appointments made to posts attracting remuneration in excess of

£100,000 per annum and severance packages in excess of £100,000 to date.

9. FUTURE LAMBETH WORKFORCE STRATEGY

Dean Shoemsmith, Interim Director for Human Resources and Organisational Development, provided an update on the Workforce Strategy after the Committee approved the Strategy at the meeting of 26 July 2018. Progress was presented for detailed key actions including the Leadership Essentials programme, mandatory Unconscious Bias training for all hiring managers, PO1-PO5 Talent programme, a renewed focus on BAME employees, staff survey for February 2019, partnering with Investor in People UK, and Workforce Strategy focus groups. The underreporting of the Oracle Cloud appraisal system had been referred to Departmental Management Teams (DMTs) and to Management Board, to improve capture; and Ashfords LLP had been selected to review and simplify the HR policy framework.

In response to questions from the Committee, Alison McKane, Director for Legal Services and Human Resources; and Dean Shoemsmith, Interim Director for Human Resources and Organisational Development, answered as below:

- 200 managers had progressed through the Lambeth Leadership Essentials programme and the second phase would focus on leadership, diversity and digitalisation.
- The Oracle Appraisal system was new and it would take time to bed into the organisation.
- There were further Oracle Cloud upgrades pending for the next six months, which would improve the front end of the system for no additional cost to Lambeth, and quarterly updates thereafter.
- The costing information data analytics and business information was an additional piece of work to the Oracle system, and would aid in improving the management of business.
- It was believed that engaging external consultants for the staff survey was more effective by allowing staff greater opportunity to express views and for clearer benchmarking with other organisations.
- The survey was biannual which could be supplemented, but helped deduce key emerging trends and themes to produce an action plan.
- Officers agreed with the Committee's assessment that the appraisal completion, objective setting and their upload rates were poor and that was a continuation of historic poor performance, but this had been noted by senior management and was expected to improve in future and would be reported on in the Workforce Metrics report at the 21 March meeting. However, it was thought that there was a level of under-reporting from the system and all Directors had been tasked to report back to their DMTs, with any necessary quality control measures to be implemented as required. In addition, this work was accorded a very high priority as it was an essential feature of performance management.
- The unconscious bias, health and safety, General Data Protection Regulations (GDPR), and other associated training was mandatory; and was tracked and monitored.

RESOLVED:

1. To note the report and progress with the implementation of associated Workforce Strategy actions.

10. SIX MONTHLY WORKFORCE MANAGEMENT REVIEW

Dean Shoesmith, Interim Director for Human Resources and Organisational Development, introduced the report and noted the slight reduction in headcount; increased numbers of agency workers due to the Redress Scheme, and the Neighbourhoods and Growth and Business Support restructures; reduced agency costs due to full-time staff recruitment; no significant change to starters and leavers, nor to employee relation cases; and, the improved functionality of Oracle Cloud.

In response to questions from the Committee, Alison McKane, Director for Legal Services and Human Resources; and Dean Shoesmith, Interim Director for Human Resources and Organisational Development, answered as below:

- The 10% agency staff target would eventually be met as the IICSA Redress Scheme progressed, but was currently at 17%; and was largely due to the 30 day response requirement for Subject Access Requests (SARs) and a decline was expected from April until the Scheme ended in January 2020.
- Good progress had been made on putting agency roles onto fixed-term contracts, although there were benefits of having agency staff, and inroads into reducing temporary children's social workers (as Lambeth was the highest permanent staff recruiter last year) had been made.
- Lambeth had medium agency use in London, with only three boroughs at 10% or less.
- The increase in Neighbourhoods and Growth agency use was to minimise the risk of redundancy resulting from the restructure.
- Lambeth had fewer outside IR35 workers (c.15 headcount, reduced from over 30 from 1 April 2017), and these had been externally audited by PWC and HMRC, and Lambeth was fully compliant with IR35 requirements.
- Details of directorates' workers on agency contracts and vacancies would be provided in future reports.
- A separate briefing would be provided outside the Committee on agency workers and sickness rates.
- The 2,500 applicants for 20 posts showed that Lambeth was an attractive employer.
- Sickness rates were above the London average and more work was to be undertaken on this via DMTs and casework analysis, but the average number of days was 8.7 per head.
- Committee Members could suggest further improvements to reporting and the representation of metrics for future to the Interim Director of HR and OD.

RESOLVED:

1. To note the content of the report, including trends and actions for the remainder of 2018/19.

11. AUDIT AND INVESTIGATIONS UPDATE

During the discussion of this item, the guillotine fell at 8.00pm.

It was MOVED by the Chair, and,

RESOLVED: That in accordance with Standing Order 9.5-9.7, the meeting continue for a further period of up to 30 minutes.

Christine Webster, Interim Head IACF; and Michael O'Reilly, Counter Fraud Manager, introduced the report and in response to questions from the Committee they with Alison McKane, Director for Legal Services and Human Resources; and, Hamant Bharadia, Assistant Director for Strategic Finance; answered as below:

- A list of recommendations and owners' comments would be provided in future meetings on the implementation of older actions. It was acknowledged that progress was being captured as part of regular monitoring and was under review by Management Board, although the Committee noted that it did not find current addressing of issues acceptable.
- Some of the slower responders were schools, over which the Council had limited control.
- Ashfords (consultants) were reviewing all HR policies, which would then be reviewed by Lambeth, before being subject to staff consultation.
- Officers would report back on the Jessop Stockwell Federation and on councillors' potential DBS checks, but Management Board was reviewing how the latter would work in practice after recommendations from the Constitution Working Group.
- The first phase for Continuous Auditing and Monitoring (CAM) of key financial controls was undertaken following the Oracle upgrade. Therefore, results reflected that some information contained in the legacy system was not accessible and some reconciliations could not be undertaken due to undeveloped reports, and the next round of CAM should give better results.
- Benchmarked fraud transparency data (agenda pack, page 200) would be provided in future reports.
- The £18,000 value of properties recovered as a result of tenancy fraud was an old Audit Commission figure and officers had prepared a more relevant estimate based on Lambeth circumstances, for which the detailed reasoning would be provided at the next meeting.
- An audit of Brexit preparedness was underway.

RESOLVED:

1. To receive and consider the report which provides an update on matters relating to the Internal Audit and Counter Fraud service, its activities and outcomes.

12. INTERNAL AUDIT AND COUNTER FRAUD STRATEGY AND CHARTER FOR 2018/19

Christine Webster, Interim Head IACF; and Michael O'Reilly, Counter Fraud Manager, introduced the report and in response to questions from the Committee they with Alison McKane, Director for Legal Services and Human Resources; and, Hamant Bharadia, Assistant Director for Strategic Finance; answered as below:

- There were no significant changes and the narrative was similar to previous years on the agenda documents.
- Cybercrime came under ICT's remit, but the Audit team with PWC experts had

reviewed their controls and processes. Cybercrime continued to be assessed as a high risk and was likely to feature on next year's plan.

- Cyber and data (GDPR) breaches were captured in the risk register for which mitigating actions were monitored.
- The Committee's terms of reference included a section (18) on information governance and under that remit a report on cyber could be provided.
- The Head of Legal Services and HR would report to Members outside the meeting on recent action taken in relation to benefit assessor fraud.

RESOLVED:

1. Consider and agree to the Internal Audit strategic approach for 2019/20 (Appendix A).
2. Consider and approve the draft Internal Audit and Counter Fraud Charter for 2019/20 (Appendix B).
3. Consider and approve the updated policies:
 - Counter Fraud Policy (Appendix C);
 - Fraud Response Plan (Appendix D);
 - Anti-Bribery Policy (Appendix E);
 - Whistleblowing Charter (Appendix F);
 - Whistleblowing Policy and Procedure (Appendix G); and,
 - Money Laundering Policy and Practice Note (Appendix H).
4. Receive reports at future meetings on the application of the policies in respect of referrals received, investigations undertaken into potential breaches of the policies and procedures and management actions following the conclusion of investigations.

The meeting ended at 8.29 pm

CHAIR
CORPORATE COMMITTEE
Thursday 21 March 2019

Date of Despatch: Thursday 7 March 2019

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