

Audit Committee and Audit Committee (Advisory) - 13 September 2022

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held at Islington Town Hall, Upper Street, N1 2UD on 13 September 2022 at 7.00 pm.

Present: Councillors: Nick Wayne (Chair), Flora Williamson (Vice-Chair), Janet Burgess MBE and Sara Hyde

Independent members: Alan Begg and Alan Finch

Also Present: Councillors Jenny Kay (for Item B1 only) and Diarmaid Ward

Councillor Nick Wayne in the chair

13 APOLOGIES FOR ABSENCE (Item A1)

None.

14 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)

None.

15 DECLARATIONS OF INTEREST (Item A3)

None.

16 MINUTES OF PREVIOUS MEETING (Item A4)

RESOLVED:

That the minutes of the meeting held on 13 June 2022 be confirmed as a correct record and the Chair be authorised to sign them.

17 APPOINTMENTS TO PENSIONS BOARD (Item A5)

RESOLVED:

That Mike Calvert be appointed as a scheme member representative and Maggie Elliott as an employer representative to the Pensions Board, each for a period of three years.

18 REVIEW OF AUDIT COMMITTEE TERMS OF REFERENCE (Item A6)

The following points were noted during discussion:

- The current structure comprised two Committees: the Audit Committee and the Audit Advisory Committee. Under the current structure, the two Independent Members had voting rights on all advisory matters considered at

the meeting of the Committees. The proposal that there be one Committee, to be known as the "Audit and Governance Committee" would help to simplify matters. However, the view was that the inclusion of the word "Risk" in the new title of the Committee would better reflect its work

- On the question of whether the Independent Members on the Committee should be entitled to vote, the Committee Services Manager reported that a survey across a number of other London boroughs whose membership included Independent Members, indicated that the position was that they were not entitled to vote.
- Under the new arrangements, the two Independent Members would be able to vote on the "Monitoring Functions" listed in the revised Terms of Reference.
- The Committee acknowledged the value in which the advice of the Independent Members was held

RESOLVED:

- (a) That the word "Risk" be included in the new title of the Committee.
- (b) That all instances of the word "Our" in the proposed new Terms of Reference be replaced with the article "The"
- (c) That, subject to the incorporation of the suggested amendments above, the proposed amendments to the Audit Committee Terms of Reference, detailed in the report of the Corporate Director of Resources, be noted.
- (d) That it be noted that any amendments would require formal approval at a future Council meeting.
- (e) That, before the final report is submitted to Council, the updated Terms of Reference be circulated to members of the Committee for further review and approval
- (f) That it be noted that the Committee's future work plan would be reviewed by officers and the Chair to ensure that all aspects of the Terms of Reference were appropriately represented.
- (g) That it be noted that the Terms of Reference of the Pensions Sub-Committee and Personnel Sub-Committee would also be reviewed and submitted to a future meeting for consideration.

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RISK DEEP-DIVE: VOLATILITY IN THE ENERGY MARKET (Item B1)

The Corporate Director Environment, the Energy Sustainability and Consulting Manager and the Head of Economic Development Projects and Transport Planning, attended to discuss the risk management strategy for the principal risk of "Volatility in the energy market".

The following points were noted during discussion:

- The Council currently purchased its energy directly from the market via a contract with SSE. Prior to the current energy contract being awarded in 2020, a procurement strategy was approved by Executive in January 2019, which considered the options of continuing to buy directly (via a contract) or to purchase energy via a Public Buying Organisation (PBO). However, the decision was to continue buying in-house due to a range of factors, including

- the flexibility offered and the lack of control over timing of purchasing and fees that using a PBO would incur.
- The Council later procured an energy supply contract with SSE for the 2020–2024 period. The contract was not for supply at a specified price but allowed the Council to purchase through SSE via trades at the time of its choosing. The Council could purchase an entire year’s supply in a single trade but could also purchase for longer or shorter periods. The Council was able to make a trade for a full year ahead at some point prior to the start of the financial year, to give budget certainty, with the aim being to purchase during a dip in prices.
 - Whilst the energy market was stable, the strategy on purchasing energy worked well. However, increasing prices and significant volatility from September 2021 onwards meant that the approach of waiting for prices to dip was not possible prior to the start of the 2022/23 financial year. With a view to mitigating costs for this and future years, a first priority was identified as fixing prices and reducing costs for 2022/23, while the second was to reduce exposure to future price rises
 - An energy consultancy firm had been appointed to advise the Council on energy purchasing and a risk management strategy was produced to advise the Council on the timing of making trades in order to hedge against future increases in energy and to take advantage of rises and falls in the markets. Market prices were monitored on a daily basis.
 - With a view to reducing energy consumption across the Council, webinars were held for site managers to inform them on how to reduce energy use
 - On mitigating costs for 2023/24, the possibility of joining a Public Buying Organisation (PBO) was considered, alongside the mutual termination of the contract with SSE in order to join a PBO for up to two years. There could be a reduction in costs to the Council of over £10m
 - Members suggested that, although it was not possible to control the energy market, it should be possible for the Council to control energy costs. For example, in the medium term, would it be possible to look at communal heating and windows in buildings such as the Town Hall? The Energy Sustainability and Consulting Manager responded that Housing Services were looking at systems to achieve this, including systems sensitive to outdoor temperatures and work with UCL on insulation and retro-fitting of buildings. They were also looking at decarbonisation of buildings. As long as funding was in the energy budget for these items for future years, it would be retained.
 - This financial year’s budget had been set months ago, when the £30m extra cost pressure for energy was not expected. It was noted that the General Fund reserve would cover energy pressure costs this year. There was likely to be additional pressure next year, but officers were anticipating being able to achieve a balanced budget for next year.
 - In response to a question about any anticipated risks or urgent steps needing to be taken to protect schools, the HRA or leisure, the Corporate Director Resources said that the Council was hoping to hear from the Government on financial assistance with costs. Schools’ budgets were being closely

monitored by Children's Services who were also advising them on their budgets and reducing energy consumption.

He anticipated increased costs for 2023/24 and a cap on energy risk.

- In response to a question from Members about measuring value for money from the energy consultants, it was reported that the Council monitored energy prices daily and deferred to them on making trades. The Council's contract with the energy consultants was for six months and the Council hoped to join a new provider, together with other local authorities
- There were safety issues associated with buildings and many people felt safer in public buildings when the lighting was on. It was noted that buildings would be lit differently in the future
- The costs associated with insulation of homes etc was not yet known as this work had not yet been progressed, due to the need for planning permission. Funding bids would be made to the public sector decarbonisation scheme for the retro-fitting work and insulation works.
- The Energy Risk Management Committee, comprising four Energy Services Managers, would not be required once the Council had joined a PBO
- A question was asked whether any consideration had been given to the Council joining an Energy Consortium at an earlier stage, given that energy risks had already been identified in the Principal Risk report. Officers replied that it had been considered and one consortium had turned the Council down as they had no capacity for the Council to purchase energy. The Council approached SSE in August about the possibility of pulling out of the contract with them
- Looking forward, Members asked whether there was a likelihood of a school or leisure provider not being able to pay energy costs? Officers reported that the situation with leisure providers was being closely monitored as energy costs would be a significant pressure on their revenue costs. Schools had been in a challenging budget situation even prior to the energy crisis. Children's Services were looking at whether there was over-provision of places and it would be important to have a strategic view of how schools were to be sustainable in the longer term. It was anticipated that a Government announcement on funding would help the Council in the short term.

RESOLVED:

(a) That the report of the Corporate Director of Environment detailing the risk management strategy for the principal risk "Volatility in the energy market" be noted.

(b) That the Corporate Director Environment, the Energy Sustainability and Consulting Manager and the Head of Economic Development Projects and Transport Planning, be thanked for their attendance at this meeting.

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INTERNAL AUDIT ANNUAL REPORT 2021-22 (Item B2)

In response to questions from Members of the Committee as to whether Internal Audit was satisfied that responses to "limited assurance" to follow-up outcomes in Appendix 3 of the report were being taken seriously, the Audit Manager confirmed

that a couple of the actions had been completed in the past month and that there were no particular areas of concern related to the actions in the Appendix.

Although the Audit Manager reported that there were no issues associated with the red-rated actions in Appendix 1 of the report and that dates for follow-ups had not yet been set, Members of the Committee suggested that it would have been helpful to have follow up information on each of those actions.

A suggestion was made that the Controls Board could refer particular areas of concern to the Committee for a deep dive review, if it was considered appropriate.

RESOLVED:

That the contents of the report of the Corporate Director of Resources, detailing the outcomes of the delivery of the 2021/22 Audit Plan, be noted.

21 ANNUAL FRAUD REPORT 21/22 (Item B3)

EXCLUSION OF PRESS AND PUBLIC

In view of the fact that the Committee were to discuss the exempt appendices alongside their accompanying non-exempt reports in respect of agenda items B3 and B4, it was

RESOLVED:

That the press and public be excluded during consideration of the following items as the presence of members of the public and press would result in the disclosure of exempt information within the terms of Schedule 12A of the Local Government Act 1972, for the reasons indicated:

<u>Agenda item</u>	<u>Title</u>	<u>Reasons for exemption</u>
<u>F1</u>	2021-22 Annual Fraud Report - exempt appendix	Categories 1, 2 and 7 of Schedule 12A of the Local Government Act 1972
<u>F2</u>	Bi-annual Whistleblowing Monitoring Report – 1 February 2022 to 31 July 2022 - exempt appendix	Categories 2, 3 and 7 of Schedule 12A of the Local Government Act 1972

RESOLVED:

(a) That the contents of the report of the Corporate Director of Resources, detailing the work undertaken by Internal Audit (Investigations), Housing Investigations and Parking Investigations on their counter-fraud activities, be noted.

(b) That the mitigations taken to ensure that certain breaches/frauds do not happen in the future, detailed in the exempt appendix to the report, be noted.

(c) That the contents of the accompanying exempt appendix at agenda item F1 be noted.

22 BI-ANNUAL WHISTLEBLOWING MONITORING REPORT – 1 MARCH 2022 TO 31 JULY 2022 (Item B4)

RESOLVED:

(a) That the contents of the report of the Corporate Director of Resources, detailing the bi-annual whistleblowing monitoring arrangements, be noted.

(b) That a mechanism be established to report to members (possibly the Executive or the Audit Committee as part of the regular Whistleblowing Monitoring report) significant findings against the Council in Employment Tribunals and any settlements in excess of £50,000.

(c) That the contents of the accompanying exempt appendix at agenda item F2 be noted.

23 SETTLEMENT PROTOCOL: EMPLOYMENT DISPUTES (Item B5)

RESOLVED:

(a) That the "Statutory Guidance in the making and disclosure of Special Severance Payments by local authorities in England" (Department for Levelling Up, Housing and Communities), appended to the report of the Corporate Director of Resources, be noted.

(b) That the Council's "Settlement Protocol: Employment Disputes", also appended to the report of the Corporate Director of Resources, be approved.

24 ANNUAL FRAUD REPORT 21/22 - EXEMPT APPENDIX (Item F1)

Noted.

25 BI-ANNUAL WHISTLEBLOWING MONITORING REPORT – 1ST MARCH 2022 TO 31ST JULY 2022 - EXEMPT ITEM (Item F2)

Noted.

26 ANY OTHER BUSINESS

Appointment of Audit Manager (Investigations)

Although not present at this meeting, on behalf of the Committee, the Chair congratulated Holly Braisher on her appointment as the Council's new Audit Manager, with effect from 1 September 2022.

The meeting ended at 8.55 pm

CHAIR