

London Borough of Islington

Audit and Risk Committee - 29 January 2024

Minutes of the meeting of the Audit and Risk Committee held at Committee Room 1, Town Hall, Upper Street, N1 2UD on 29 January 2024 at 7.00 pm.

Present: **Councillors:** Councillor Nick Wayne (Chair), Councillor Flora Williamson (Vice-Chair), Councillor Janet Burgess MBE, Councillor Sara Hyde, Alan Begg (Co-Optee) and Alan Finch (Co-Optee)

Also Present: **Independent member:**

Councillor Nick Wayne in the Chair

97 APOLOGIES FOR ABSENCE (Item A1)

None.

98 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)

There were no substitute members at the meeting.

99 DECLARATIONS OF INTEREST (Item A3)

There were no declarations of interest made at the meeting.

100 MINUTES OF PREVIOUS MEETING (Item A4)

The minutes of the meeting held on 20th November 2023 were confirmed as a correct record and signed by the Chair.

101 VERBAL FINANCIAL UPDATE (Item A5)

There was no update for the meeting.

102 EXTERNAL AUDIT - 2023/24 VERBAL UPDATE (Item B1)

The Committee received an introduction to the external auditors for 2023-24, KPMG LLP (UK). The Committee were informed that the new auditors were due to receive a formal handover from the outgoing auditors. The Chair outlined his expectation that timetables would be adhered to and asked KPMG whether they were confident they had the resources to deliver the audit as required. KPMG said they were confident they could deliver but required final figures from the outgoing auditor before they could proceed.

103 EXTERNAL AUDIT 2022/23 UPDATE (Item B2)

The Committee received an update from the external auditor for 2022-23, Grant Thornton, on their progress with the statement of accounts audit. The Committee were informed that the 2021-22 statement of accounts had received an unqualified opinion from the auditor, however, the final audit certificate could not be issued due to an outstanding objection on the 2020-21 statement of accounts.

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The auditors agreed to the following timetable:

- W/c 19 February – share draft Audit Findings Report for Council and Pension Fund for comments and obtain comments on recommendations.
- W/c 26 February finalise Auditors Annual Report, Council and Pension Fund Audit Findings Reports.
- W/c 26 February Audit complete closedown procedures and share Letter of Representation.
- 18 March Audit and Risk Committee notes the Auditors Annual Report, Council and Pension Fund Audit Findings Reports and approves Statement of Accounts.
- 19/20 March – Grant Thornton receives a signed Statement of Responsibilities & Annual Governance Statement, final set of accounts and Pension Fund Annual Report, subsequent event confirmation. The Council issues:
 - Opinion on accounts
 - Opinion on Pension Fund accounts
 - Consistency Opinion on Pension fund Annual Report
 - Publication letter

The Committee considered whether the auditors could meet the agreed timetable, the duties and responsibilities of council officers and the process for determining whether an objection was valid.

RESOLVED:

To note the update.

104

PRINCIPAL RISK UPDATE (Item B3)

The Committee received an update on the annual principal risk report presented to them in July 2023. The update summarised progress on mitigating key risks and included an update on the development of risk management training for staff.

The Committee discussed the Council's financial stability. It was explained that the Councils overspend would be going up the risk register and there would be quarterly budget monitoring meetings.

The Committee discussed school's viability and place planning. It was predicted that there would be a deficit in pupil roll numbers across all schools, which would increase pressure on the general fund. The Committee considered how to mitigate the impact on the general fund, whether the council had budgeted to meet the deficit and whether there were other funds or reserves available. There were some reserves available but robust action was necessary to help schools with their individual planning.

RESOLVED:

To note the update.

105

23/24 INTERNAL AUDIT INTERIM REPORT (Item B4)

The Committee received the internal audit interim report.

The number of reports with ratings of 'limited assurance' was raised by the Committee and they discussed the key issues around Tenant Management Organisation (TMO) monitoring arrangements; the medical assessment for housing allocations; the key IT applications review NEC (housing repairs) and the non-recent child abuse support payment scheme. It was explained that the high priority recommendations arising from the reviews were outlined in appendix 2 of the report.

The Committee thanked Ursula Brown, Audit Manager, for her support and wished her well in her new role.

RESOLVED:

To note the update

106 COUNCIL TAX BASE REPORT (Item B5)

The Committee received a report on the Council's taxbase estimate for the financial year 2024-25 and the council tax forecast for the financial year 2023-24.

The Committee considered the impact of an increase in student housing. In particular, the potential need for forward planning.

RESOLVED:

- (a) To approve the council taxbase for the whole area for 2024/25 of 81,564.7 Band D equivalent properties after adjusting for the collection rate of 97%. (Paragraph 4.7 and Appendix
- (b) To approve the council taxbase consistent with meeting the special expenses issued by the Lloyd Square Garden Committee for 2024/25. This is 43.4 Band D equivalent properties after adjusting for the collection rate of 97%. (Paragraph 4.8 and Appendix B)
- (c) To note the council tax forecast for 2024/25 and distribution of this in 2024/25 between the council and Greater London Authority (GLA). (Paragraph 5.1 and Table 2)
- (d) To note that the 2024/25 taxbase estimate for 2024/25 will be fully incorporated in the final version of the 2024/25 budget report and council tax calculations to be considered by the Executive on 8 February 2024 and Council on 29 February 2024. (Paragraph 6.1)

107 TREASURY MANAGEMENT MID-YEAR REVIEW FOR 2023/4 (Item B6)

The Committee received the Treasury Management Mid-Year Review, which reviews the Council's treasury management function April-September 2023.

The Committee discussed the risk of volatile inflation and other risks associated with the investment strategy and borrowing.

RESOLVED:

To note the update.

108 MEDIUM TERM FINANCIAL STRATEGY (Item B7)

The Committee received an update on the Medium-Term Financial Strategy (MTFP).

The committee raised the following points in their discussion:

- What lessons had been learnt from the current years overspend to ensure there wasn't an overspend every year. It was explained they would look at how they scrutinise and triangulate external factors.
- That no cost had been identified related to the consultation on changes to Minimum Revenue Provisions (MRP) but there may be a revision to the MRP policy.
- Whether officers were confident the budgets figures were realistic.

RESOLVED:

- (a) To note the report 'Draft Budget Report 2024/25 and Medium-Term Financial Strategy (Post Settlement)' considered by the Executive on 11 January 2024, and included with the report.

- (b) To look to formalise arrangements for examining the section 25 report during future budget setting processes.

109 WORK PROGRAMME (Item B8)

110 RISK DEEP DIVE - NEW BUILD (Item D1)

The Committee received an update on the New Build Programme. This item was considered as an urgent item of business due to the significant risks facing the new build service and the need for the committee to have oversight of them. It was explained that a comprehensive review of the New Build Programme was underway, and a revised new homes programme was being developed. The Council's Executive would be asked to approve the programme on the 14th of March 2024.

The committee raised the following points in their discussion:

- Whether the planned outcomes could be achieved to budget and with resident buy-in.
- How optimism bias could be avoided and whether the team were confident they could recognise when schemes were no longer viable and needed to be stopped. It was explained that schemes viability was kept under review and mitigations were in place regarding optimism bias.
- The importance of striking a balance between social and private rented housing and the desire to provide improved communal facilities.
- Whether there were problems around the pace schemes were delivered. It was explained this was about picking the right projects.
- How value for money was determined.
- How to ensure external consultants were delivering. It was explained that the team had developed it's in house capability, its ability to manage consultants and its commercial expertise.
- The importance of selecting the right scheme, engaging the right contractors, having flexible access to contractors, and ensuring good contract management that held people to account.
- The importance of good resident engagement and keeping them informed of delays.
- The importance of understanding logistics to simplify delivery.

RESOLVED:

- (a) to note the mitigations that are in place and the overarching risk management strategy for this principal risk.
- (b) to note that the Council's New Build Programme will be presented to the Executive on 14th of March 2024.
- (c) to note the proposed inclusion of the New Build Programme governance and risk mitigations in the internal audit plan for 24/25.

The meeting ended at 9:30pm

CHAIR