

London Borough of Islington

Audit and Risk Committee - 16 September 2024

Minutes of the meeting of the Audit and Risk Committee held at Council Chamber, Town Hall, Upper Street, N1 2UD on 16 September 2024 at 7.00 pm.

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

Also Present: **Independent member:**

Councillor Paul Convery in the Chair

140 APOLOGIES FOR ABSENCE (Item A1)

There were no apologies received.

141 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)

There were no substitute members at the meeting.

142 DECLARATIONS OF INTEREST (Item A3)

There were no declarations of interest made at the meeting.

143 MINUTES OF PREVIOUS MEETING (Item A4)

The minutes of the previous meeting held on 8 July 2024 were agreed by the committee and the Chair was authorised to sign them.

144 VERBAL FINANCIAL UPDATE (Item B1)

The Director of Finance provided the Committee with a verbal financial update. It was highlighted that the first 5 months of reporting had shown marginal adverse movement on the position for temporary accommodation and a marginally improved position for adult social care. This meant the bottom line was in line with expectations at around -£650,000.

The Committee raised and discussed the following main points;

- The Committee asked for assurance that the projection for end of year was robust. The Director of Finance informed the Committee that there would be a systematic approach to deep dives to focus on risky and volatile areas. It was explained that the methodology for predictions would improve in accuracy the more information they had about behavior. The Council's Financial Strategy also included significant contingencies.
- It was highlighted that Islington was in a better financial position than a number of authorities.
- Whether the council were drawing down contingency funds set aside for employee pay claims that would realize this financial year. The Director of Finance explained the pay claim amount, that had been rejected, was £800,000 over what was

budgeted for in January. The figure described would be allocated from contingency as part of this year's budget.

145 **2023-24 PROGRESS REPORT ON THE EXTERNAL AUDIT (Item B2)**

The Committee received a progress report on the External Audit from the Council's external auditors KPMG.

The following main points were raised and discussed by the Committee;

- It was anticipated that the Audit would be delivered in November and the audit opinion would be issued shortly afterwards however this would depend on whether there were any issues arising that could cause delays. The external auditors explained that work in significant risk areas were already underway.
- The committee considered the work of the Council's and the external auditor's actuaries. It was highlighted that the Council's actuaries looked at the underlying assumptions on the Pension Fund and it was considered to be in a good position. KPMG explained their actuaries looked at the underlying assumptions and had not identified any indicators of misstatement. If the underlying assumptions changed, they would assess whether it could cause a material misstatement in the accounts.
- A Committee member asked whether they should be made aware of any potential risks to the medium-term financial stability of the Council. KPMG said no indicators of significant risk or weakness had been identified to date.

RESOLVED:

To note the report

146 **RISK DEEP DIVE - INCOME RISKS IN ENVIRONMENT AND COMMUNITY WEALTH BUILDING DEPARTMENTAL BUDGETS ARISING FROM ESTIMATES FOR PARKING INCOME AND COMMERCIAL RENTS (Item B3)**

The Committee received a deep dive report into income risks in Environment and Community Wealth Building departmental budgets arising from estimates for parking income and commercial rents. The Chair highlighted to the committee that the recommendation in the commercial rents report should have been amended to ask the committee to note the report.

The committee raised and discussed the following main points on parking income:

- Whether the Committee should be concerned about an existing £1.3 million pressure on Penalty Charge Notices and why the projections didn't feed into projections for the year. It was explained that capital projects had been delayed but the income loss was as expected and would be absorbed through increased activity.
- A committee member asked whether expenditure could be considered, which accounted for half of the £1.5 million projected overspend. It was explained that the expenditure pressure of £815,000 was largely related to increased income, i.e the number of transactions necessary to derive the income.
- Whether the cost of the delayed implementation of the schemes could be quantified. It was highlighted that management actions were underway to try to offset the £1.3 million overspend, including mitigating actions such as additional debt recovery.
- A committee member asked how behaviour over time was modelled. It was explained that non-compliance was assumed when a new scheme was introduced and then it would taper down. Evidence suggested the modelling tracked behaviour well.

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- The committee were informed that the system for maintaining highway and parking infrastructure was under discussion to ensure long term income.
- The committee considered that they may be at the peak of pricing elasticity for parking permit income. The area required close consideration as behaviour across London appeared to be changing, i.e less car ownership and shorter permits.
- Whether a decrease in parking permit income could be related to an increase in evasion and avoidance. It was explained that there had been an increase in compliance contraventions, including unregistered vehicles and false numberplates. It was explained that a London wide approach could help to tackle the issues. The committee requested further information on the impact of non-registered vehicles.
- The committee considered the impact of outsourcing. It was explained that NSL had been issuing a higher number of penalty notices than originally forecast and additional measures for debt recovery had brought in additional income since it was introduced.
- On car free developments, it was considered pay for use cycling could be introduced for new income.
- The committee were informed that policy harmonisation was underway to ensure that off-street parking and on-street parking and enforcement for persistent offenders were equitable.

The Chair summarised the discussion, highlighting that behaviour change had led to less income, some costs had escalated, and the budget forecasts were not accurate. Once parking accounts were more stable members could consider funding options for parking income.

RESOLVED:

To note the performance data and risk management strategy detailed in the report.

The committee raised and discussed the following main points on commercial incomes:

- It was highlighted that the Council had a small commercial property portfolio, and the report focused on the 55 assets in the General Fund. There were two key challenges in the portfolio, budget was always higher than rental yield and because most of the income was from a small number of assets the portfolio was volatile.
- A committee member asked what the strategic objective for holding the portfolio was, it was primarily to maximise income however it was generating less funds. It was clarified that the yield was approx. 4-5% with the net value of the estate approx. £1.3 billion.
- The committee felt approx. 5 million was a low yield compared to the book value of the assets and should be looked at to consider whether different value could be created.
- The committee were informed that leaseholds sold in 2009 were now incurring costs as the Council retained liability over structures, including one estate with RAAC.
- The committee felt the portfolio should be examined in key segments and that some scenario planning would be helpful to allow members to gain a better understanding of the portfolio.
- That there could be media and advertising opportunities to increase income subject to a review of Council policy on advertising content, which would go to CMT end of the year.
- A committee member asked whether there would be disposals of community centres. It was explained that the social value of the 48 centres would be reviewed.

The Chair summarised the discussion, in particular that there was not a single solution, but it was important to understand why commercial properties were in the portfolio, what there

social value was and options for alternative use going forward. There should also be proper net yield appraisals to illuminate any problems deeper than vacancy.

RESOLVED:

To note the contents of the report.

147

INTERNAL AUDIT ANNUAL REPORT 2023-24 (Item B4)

The Committee received the Audit Annual Report 2023-24.

The following main points were raised and discussed by the Committee:

- A committee member highlighted that Tenant Management Organisations (TMO's) and schools' had historically received no or limited assurances however their appeared to be a trend towards more areas receiving these outcomes. It was explained that it was difficult to compare previous outcomes as the council's risk universe had become more complex and an increasing number of areas had been identified as having greater inherent risks over time. The organisation was also carrying out more assessments and looking more closely at inherent risks.
- The committee highlighted that some areas with limited or no assurance had only seen moderate implementation of actions. The committee were informed that the audit team had regular contact and good engagement on the audits, however there were often justifiable reasons for delayed implementation, such as a partial understanding of the current position and route to implementation.
- A committee member asked whether there was a cultural issue in organisations that were receiving no or limited assurance. The committee were informed that the Corporate Management Team regularly considered outstanding actions, and these would be factored into discussions and check-ins with managers. It was felt there were genuine reasons for delayed implementation.
- A committee member asked whether compliance was relative to whether the audits were inside or outside of the Council. It was explained that there was a variety of pressures on areas, with certain areas contending with more intense risks, more findings and actions, and difficult decisions on how to contend with pressures and prioritise work. The audit team were there to guide, make recommendations, recognise progress and help with overcoming obstacles.
- A committee member highlighted that there were some longstanding areas with limited assurance. It appeared the conversion from limited to moderate assurance was not forthcoming. Additionally, the obstacles preventing improvement were not highlighted in the paper. It was explained that management actions were agreed, and each action was assigned an action owner and a target date for completion. The Financial arrangements for each TMO would be examined and there was close work with the school's finance teams to surface patterns. There appeared to be a wider learning culture within schools, where they were engaging with audit themes.
- A committee member highlighted that health and safety related to asbestos, housing allocation for medical assessments and modern slavery were areas with limited assurance and moderate implementation. Reassurance the areas were not a fundamental concern was requested. It was explained that the audit team were engaging closely with those areas to follow up on the implementation of actions. Some actions had to be verified through supporting evidence, and this could be a longer process, however the team would persist in their efforts to understand the status of implementation and the challenges preventing management from taking action.

RESOLVED:

The Audit and Risk Committee agreed to note the details of the report.

148 ANNUAL FRAUD REPORT 2023-24 (Item B5)

The committee received the annual fraud report 2023-24.

The committee considered and discussed the following main points;

- The committee were glad to hear 40 properties had been recovered since April 2024.
- That the level of fraudulent activity was higher than what the council was capturing, for example sub-lettings through Airbnb. It was explained that a national fraud initiative had matched 42 tenanted properties to those advertised on Airbnb. The council now had the addresses of the property and needed evidence from Airbnb for enforcement action.

RESOLVED:

The Audit and Risk Committee agreed to note the details of the counter fraud activity carried out by Internal Audit (Investigations), Housing Investigations and Parking Investigations in the 2023-24 year.

149 BIANNUAL WHISTLE BLOWING MONITORING REPORT (Item B6)

The Committee considered the biannual whistleblowing monitoring report.

The Committee raised and discussed the following main points:

- There appeared to be an improvement in confidence that whistleblowers concerns would be dealt with in an independent way and their anonymity would be protected.
- Progress on a whistleblowing disclosure.

RESOLVED:

To note the details of the bi-annual whistleblowing monitoring arrangements.

150 FORWARD PLAN (Item B7)

151 ACTION SHEET (Item B8)

The meeting ended at 9.20 pm

CHAIR