



## **Audit and Standards Advisory Committee**

**Tuesday 26 May 2020 at 6.00 pm**

This will be held as an online virtual meeting

Details on how to access the link in order to attend and view the meeting will be made available online [HERE](#)

### **Membership:**

#### **Members**

David Ewart (Chair)

#### **Substitute Members**

#### **Councillors:**

A.Choudry  
Donnelly-Jackson  
Hassan  
Long  
Naheerathan  
Nerva  
Kansagra

#### **Councillors:**

S Choudhary, Colacicco, Kabir, Lo and Perrin

#### **Councillors:**

Colwill and Maurice

#### **Independent Members:**

Robert Cawley  
Karen McArthur  
Margaret Bruce

#### **Independent Advisor:**

Vineeta Manchanda

**For further information contact:** James Kinsella, Governance Officer  
Tel: 020 8937 4041; Email: [james.kinsella@brent.gov.uk](mailto:james.kinsella@brent.gov.uk)

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit: [www.brent.gov.uk/committees](http://www.brent.gov.uk/committees)

**The press and public are welcome to attend this as an online virtual meeting. The link to attend and view the meeting will be made available [HERE](#)**

## **Notes for Members - Declarations of Interest:**

If a Member is aware they have a Disclosable Pecuniary Interest\* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent and must leave the room without participating in discussion of the item.

If a Member is aware they have a Personal Interest\*\* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent.

If the Personal Interest is also significant enough to affect your judgement of a public interest and either it affects a financial position or relates to a regulatory matter then after disclosing the interest to the meeting the Member must leave the room without participating in discussion of the item, except that they may first make representations, answer questions or give evidence relating to the matter, provided that the public are allowed to attend the meeting for those purposes.

### **\*Disclosable Pecuniary Interests:**

- (a) **Employment, etc.** - Any employment, office, trade, profession or vocation carried on for profit gain.
- (b) **Sponsorship** - Any payment or other financial benefit in respect of expenses in carrying out duties as a member, or of election; including from a trade union.
- (c) **Contracts** - Any current contract for goods, services or works, between the Councillors or their partner (or a body in which one has a beneficial interest) and the council.
- (d) **Land** - Any beneficial interest in land which is within the council's area.
- (e) **Licences**- Any licence to occupy land in the council's area for a month or longer.
- (f) **Corporate tenancies** - Any tenancy between the council and a body in which the Councillor or their partner have a beneficial interest.
- (g) **Securities** - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

### **\*\*Personal Interests:**

The business relates to or affects:

- (a) Anybody of which you are a member or in a position of general control or management, and:
  - To which you are appointed by the council;
  - which exercises functions of a public nature;
  - which is directed is to charitable purposes;
  - whose principal purposes include the influence of public opinion or policy (including a political party or trade union).
- (b) The interests a of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;

or

A decision in relation to that business might reasonably be regarded as affecting the well-being or financial position of:

- You yourself;
- a member of your family or your friend or any person with whom you have a close association or any person or body who is the subject of a registrable personal interest.

# Agenda

Introductions, if appropriate.

Item	Page
<b>1 Apologies for absence and clarification of alternate members</b>	
<b>2 Declarations of Interest</b>	
Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary or personal interests in the items on this agenda and to specify the item(s) to which they relate.	
<b>3 Deputations (if any)</b>	
To hear any deputations received from members of the public in accordance with Standing Order 67.	
<b>4 Minutes of the previous meeting</b>	
To approve the minutes of the following meetings as a correct record:	
(a) Wednesday 11 March 2020	1 - 6
(b) Tuesday 5 May 2020	To Follow
<b>5 Matters arising (if any)</b>	
To consider any matters arising from the minutes of the previous meeting.	

## Standards Items

<b>6 Annual Standards Report (including quarterly update on gifts and hospitality)</b>	7 - 32
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This is the Monitoring Officer's Annual Report to the Audit and Standards Advisory Committee for 2019. It provides an update on Member conduct issues, work of the Audit and Standards Advisory Committee, the Audit and Standards Committee and the Monitoring Officer during 2018 as well as the quarterly update on Gifts and Hospitality.

**Ward Affected:**  
All Wards

**Contact Officer:** Debra Norman, Director of  
Legal, HR, Audit & Investigations

## Audit Items

### 7 Draft Statement of Accounts 2019/2020 33 - 36

This report presents the Council's draft 2019/20 Statement of Accounts to members of the Audit & Standards Committee for noting prior to submission to external audit.

**Please note Appendix 1 containing the Draft Statement of Accounts will be circulated as a supplementary "To Follow" paper.**

**Ward Affected:** All Wards  
**Contact Officer:** Minesh Patel, Director of Finance  
Email: [minesh.patel@brent.gov.uk](mailto:minesh.patel@brent.gov.uk)  
Tel: 020 8937 4043

### 8 To review performance of i4B Holdings Ltd 37 - 50

This report provides the Committee with an update on i4B Holdings Ltd's (i4B) recent performance, audit arrangements, and risk register.

**Ward Affected:** All Wards  
**Contact Officer:** Sadie East, Head of Transformation  
Email: [Sadie.East@brent.gov.uk](mailto:Sadie.East@brent.gov.uk)  
Tel: 020 8937 1507

### 9 To review performance of First Wave Housing Ltd 51 - 62

This report provides the Committee with an update on First Wave Housing Limited's (FWH) business plan, recent performance, risk register, and audit arrangements.

**Ward Affected:** All Wards  
**Contact Officer:** Sadie East, Head of Transformation  
Email: [Sadie.East@brent.gov.uk](mailto:Sadie.East@brent.gov.uk)  
Tel: 020 8937 1507

### 10 Internal Audit Progress Report 63 - 72

This report provides the Committee with an update on progress against the Internal Audit Plan.

**Ward Affected:** All Wards  
**Contact Officer:** Michael Bradley, Head of Audit & Investigations

Email: [Michael.bradley@brent.gov.uk](mailto:Michael.bradley@brent.gov.uk)  
Tel: 020 8937 6526

**11 Counter Fraud Progress Report** 73 - 78

This report provides the Committee with an update with the counter fraud activity for this year.

**Ward Affected:** All Wards  
**Contact Officer:** Michael Bradley, Head of Audit & Investigations  
Email: [Michael.bradley@brent.gov.uk](mailto:Michael.bradley@brent.gov.uk)  
Tel: 020 8937 6526

**12 External Audit Plan Update - Audit scope & additional work 2019/20** 79 - 86

This document provides an update to the planned scope and timing of the statutory audit of the London Borough of Brent ('the Authority') and London Borough of Brent Pension Fund ('the Fund') as reported in our Audit Plan dated February 2020, for those charged with governance.

**Ward Affected:** All Wards  
**Contact Officer:** Sophia Brown, Senior Audit Manager, Grant Thornton  
Email: [Sophia.y.brown@uk.gt.com](mailto:Sophia.y.brown@uk.gt.com)  
Tel: 020 7728 3179

**13 External Audit Progress Report and Sector Update**

To receive a verbal update from Grant Thornton on progress in delivering their responsibilities as the Council's external auditors along with a summary of any emerging national issues and developments that may be relevant to Brent as a local authority.

**Ward Affected:** All Wards  
**Contact Officer:** Sophia Brown, Senior Audit Manager, Grant Thornton  
Email: [Sophia.y.brown@uk.gt.com](mailto:Sophia.y.brown@uk.gt.com)  
Tel: 020 7728 3179

**14 Review of the use of the Regulation of Investigatory Powers Act (RIPA) Powers** 87 - 92

The report updates the Committee on the Council's use and conduct of covert surveillance techniques when investigating serious criminal offences relying on the powers made available to local authorities in Part II of the Regulation of Investigatory Powers Act 2000 (RIPA).

**Ward Affected:**  
**Contact Officer:** Bianca Robinson, Senior

All Wards

Constitutional Lawyer  
Email: Bianca.robinson@brent.gov.uk  
Tel: 020 8937 1544

**15 Audit & Standards Advisory Committee - Forward Plan 2020/21**

93 - 94

To consider and note the Committee's Forward Plan.

**16 Any other urgent business**

Notice of items to be raised under this heading must be given in writing to the Head of Executive and Member Services or his representative before the meeting in accordance with Standing Order 60.

**Date of the next meeting: Wednesday 29 July 2020**



- Please remember to **SWITCH OFF** your mobile phone during the meeting.
- The meeting room is accessible by lift and seats will be provided for members of the public.



## MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE Wednesday 11 March 2020 at 6.00 pm

**PRESENT:** David Ewart (Chair), Councillor A Choudry (Vice-Chair) and Councillors Donnelly-Jackson, Long and Nerva

Independent Advisor: Vineeta Manchanda

Also Present: Councillor McLennan (Deputy Leader & Cabinet Member for Resources) & Nigel Shock (Independent Person).

### 1. **Apologies for absence and clarification of alternate members**

The following apologies for absence were received:

- Councillors Hassan and Naheerathan
- Dr Rob Cawley, Karen McArthur & Margaret Bruce (Independent co-opted Members)

### 2. **Declarations of Interest**

None.

### 3. **Deputations (if any)**

None.

### 4. **Minutes of the previous meeting**

**RESOLVED** that the minutes of the Audit and Standards Advisory Committee held on 20 January 2020 be approved as an accurate record.

### 5. **Matters arising (if any)**

The following issues were raised in relation to the minutes from the meeting on 20 January 2020:

#### **5.1 Internal Audit Quarterly Update & Progress Report (Min 9)**

It was confirmed that the update requested by members on the risk identified in relation to bank account reconciliations had been provided with work ongoing around the production of the final accounts.

#### **5.2 Emergency Planning Resilience – Peer Review (Min 11)**

Carolyn Downs (as Chief Executive) took the opportunity to provide the Committee with an update on the emergency planning Gold arrangements

being stood up in relation to Covid 19. The Committee noted that the initial focus in terms of emergency planning had been in co-ordinating the health and social care response and also in relation to the adult social care and care home sector, with the Council's Business Continuity Plans also ready to be implemented, as required. In commenting on the update, the need was highlighted to ensure provision within sheltered housing schemes was considered alongside that within the care home sector. A detailed update had been provided for Cabinet along with a briefing to all Members. Further briefings and communications would continue to be provided on a regular basis as the situation developed.

Having noted the update provided, the Committee thanked officers for their efforts in the response to date.

### **5.3 Treasury Management Strategy 2020/21 (Min.16)**

NOTED the update provided by Minesh Patel (Director of Finance) on a number of recent announcements by the Government and Bank of England in relation to the cost of borrowing and business support (in the context of the Covid 19 outbreak) which would impact on the Council's Treasury Management Strategy. The potential financial impact of Covid 19 was currently subject to a high-level review, with further briefings to be provided for members as the situation developed.

## **6. Draft Internal Audit and Investigations Annual Plan**

The Committee received a report from Michael Bradley (Head of Internal Audit and Investigations) which set out the draft Internal Audit Plan for 2020/21, and provided the basis on which the plan had been prepared.

The Committee noted that development of the Plan had been based on an assessment of departmental and corporate risks and had been designed to provide assurance on the adequacy of the Council's governance, risk management and internal control framework. In addition, the report had also provided details on the planned allocation of investigation resources. Whilst the budget for the contracted element of the Internal Audit service had been reduced by £100k for 2020/21, reducing the number of audit day's available from 1070 to 920, provision had still been made for:

- Provision of assurance on high-risk areas (including major financial systems) via a risk-based auditing approach (78%);
- Schools audit coverage via 10 establishment visits (7%)
- Follow up reviews to monitor implementation of audit recommendations (7%); and
- An element of contingency to enable the service to provide ad hoc advice and to respond to management requests for support (8%)

Although noting members concerns at the reduction in audit days available and need to ensure any impact on delivery of the Plan, especially in relation to the identification and assurance on high level risks, continued to be monitored, the committee were advised that officers remained confident the resources available would allow the continued provision of effective and meaningful assurance via the Plan.



In addition to the Annual Audit Plan, the report also detailed the Council's Counter Fraud Plan 2020/21, which set out how the resources of the Investigation and Counter Fraud team would be targeted, focussed around the Council's anti-fraud policies. Whilst noting the more generic nature of work undertaken and split between reactive and proactive activity, the committee welcomed the specific focus outlined around fraud awareness activity and training.

David Ewart (Chair) highlighted the importance of the Plan and invited comments and feedback from the Committee on its content. The committee noted the breakdown of proposed activity between the cross cutting and departmental focussed reviews with the following issues highlighted in relation to the items identified within the Plan:

- Audit 1 (Contract Management) – Having noted the intention to include a cross cutting review in relation to contract management it was suggested that specific concerns highlighted in relation to the performance of the garden waste contract could be included as part of the same review.
- Audit 46 (Gifts & Hospitality) – Members welcomed the inclusion of a review focussed around the process for registering and recording gifts and hospitality;
- Comments were also sought from Grant Thornton (External Auditors) on the draft Audit Plan who supported what they felt to be the comprehensive nature of the risk based approach on which it had been based.

As no further issues were raised, David Ewart (Chair) thanked officers for the update and it was **RESOLVED** to approve the content of the 2020/21 Internal Audit Plan (as set out in Appendix 1 of the report).

## 7. External Audit Progress Report and Sector Update

Sophia Brown (Senior Audit Manager -Grant Thornton) introduced the report providing an update on the progress in delivering Grant Thornton's responsibilities as the Council's external auditors. It also included a summary of emerging national issues and developments.

The following key issues were noted in relation to the update provided:

- The progress as of February 2020 in relation to the Financial Statements and Value for Money audits, with a further visit scheduled for later in March. The results of the interim audit work had been detailed on page 7 of the report and included a focus on internal audit, entry level controls, walkthrough testing and journal entry controls. At this stage no material weaknesses had been identified which were likely to adversely impact on the audit approach or on the Council's financial statements;
- The summary of the audit deliverables, as detailed on page 6 of the report along with the sector updates provided. These included an update on the implementation of International Financial Report Standard (IFRS) 16 on Leases and how this would impact on the 2019/20 financial statements, transitional audit and the Council's Accounting Policies.

Having noted the progress outlined, the Chair thanked the external auditors for their report and it was **RESOLVED** that the Committee note the content of the report.

## 8. External Audit Plan

Sophia Brown (Senior Audit Manager, Grant Thornton) introduced the report which set out the planned scope and timing of the statutory audit of Brent Council for those charged with governance.

In terms of the approach outlined, the Committee noted:

- The key matters identified as impacting on Grant Thornton's audit approach of the Authority and Pension Fund, which included the wider economy and political uncertainty; the improved level of financial reporting introduced by the Financial Reporting Council (FRC), the implementation of IFRS 16 (leases) and the impact of the Good Governance proposals recently published by the Scheme Advisory Board (SAB) in relation to the Pension Fund;
- The following significant risks identified as requiring consideration, which were the same as previous years and included – management of override controls; valuation of land and buildings; valuation of net pension fund liability and also specifically in relation to the Pension Fund the valuation of Level 3 investments;
- The level of financial statement and Pension Fund materiality determined by Grant Thornton, as detailed in sections 1 and 7 of the report, which the Committee noted had reduced from the previous year;
- The significant risks identified for assessment as part of the audit on the arrangements to secure Value for Money which included, as detailed within section 8 of the report, the financial outturn and sustainability and also capital programme funding given the extensive nature of the programme and revised borrowing arrangements;
- The audit scope and risk assessment, as detailed within section 3 of the report;
- The timeline and requirements for the audit as detailed within section 9 of the report;
- The level of planned audit fees for 2019/20, as detailed within section 10 of the report; and
- The statement of Independence & non-audit services provided by Grant Thornton in accordance with the FRC Ethical Standard, as detailed within section 11 of the report.

Before moving on to consider the update provided, David Ewart (as Chair) advised member that he had been interviewed by the FRC as part of the previous year's audit process. Having noted the declaration, the following issues were raised by the Committee in response to the update on the External Audit Plan:

- Further details were sought on the overall governance arrangements and significance of the valuation of Level 3 investments as an area of risk to be assessed in relation to the Pension Fund audit. In response, Paul Dossett (Partner - Grant Thornton) advised that the focus on Level 3 Investments was as a result of the significant degree of judgement required to reach an appropriate valuation at year-end given the overall values involved. He

confirmed this was a common risk identified and not specific to the management of Brent's Pension Fund. In terms of the governance arrangements, the audit would be focussed around providing assurance in relation to not only the Level 3 investments but also the net liability of the Fund based on a routine approach that was also designed to recognise the challenging nature of the current environment within which investments were currently having to perform.

- In response to a query raised on the wider audit, Paul Dossett advised that no specific issues had been identified in terms of the approach to be adopted for Brent. The standard issues being raised across a range of authorities included the management of reserves and approach being adopted towards allocation of the Dedicated Schools Grant. Whilst the scale of the capital programme in Brent and borrowing arrangements had been identified for review within the VFM assessment, the Council's general accounting framework and governance arrangements were felt to be sound meaning the overall level of risk to be assessed was regarded as standard.

As no further issues were raised the Chair thanked Grant Thornton for their report and it was **RESOLVED** that the contents of the External Audit Plan be noted.

## 9. Accounting Policies

Ben Ainsworth (Head of Finance) introduced the report seeking the Committee's approval to the accounting policies it would be required to adopt governing production of the Statement of Accounts. The Accounting Policies, detailed in Appendix 1 of the report, had been based on the previous year's policies with some minor changes to cover new accounting standards and clarify existing policies. The Committee noted that the accounting policies could be changed only in specific circumstances, which had been outlined in paragraph 3.3 of the report with the main update relating to the additional disclosures now required under IFRS16 in relation to the accounting for leases (summarised within section 3.5 of the report).

Members in welcoming the report raised the following issues:

- Further details were sought on the potential impact, which the changes being introduced under IFRS 16 were likely to have in relation to the Statement of Accounts. Whilst the additional disclosures required were likely to impact on the Council's overall balance sheet, this was not expected to be to a material extent. Officers were in the process of undertaking a detailed review in order to include a disclosure of the estimated impact within the 2019/20 accounts. Paul Dossett advised that Grant Thornton had also been working with the Council to assess the approach adopted, with was regarded as a robust process.
- Members were also keen to seek a view on the approach being adopted in relation to the valuation of assets more generally in relation to the Statement of Accounts. By way of assurance, Paul Dossett advised that Grant Thornton had engaged their own Independent Valuer to review the Council's instruction process to their valuation expert along with the valuation, methodology and approach adopted in order to test the information, assumptions (including the current state of the property market), completeness and consistency of the

valuation process. The process followed in previous years had been assessed as robust and whilst the approach adopted by Grant Thornton had changed for the current year, this had been subject to ongoing and early discussion to ensure the final process was understood and agreed.

- Clarification was sought on the valuation process followed in relation to Council dwellings, which it was noted had been based on the beacon principle and use of their open market value adjusted to reflect their value as social housing. In response, Daniel Omisore (Deputy Director of Finance) confirmed that the valuation process would only include Council owned property valued according to the social housing discount. Any properties sold under Right to Buy would not be recognised. Paul Dossett advised that the external audit focus would remain on the data being used to identify the sample dwellings under the beacon principle and identification of non-council housing assets rather than on the level of social housing discount rate applied.

As no further issues were raised, it was **RESOLVED** that:

- (1) The contents of the Accounting Policies report, be noted; and
- (2) The Accounting Policies set out in Appendix A be approved as the basis for the production of the 2019/20 Statement of Accounts.

#### 10. **Forward Plan and agenda for the next meeting**

Members noted the update provided on the Committee's Forward Plan, which it was **RESOLVED** be amended to include an update on the External Audit Fee at the next meeting.


David Ewart (as Chair) also took the opportunity to place on record the Committee's formal thanks and best wishes to Kunwar Khan (Governance Officer) for his support over the last year, following his move to Surrey County Council.

#### 11. **Any other urgent business**

None.

The meeting closed at 6.41 pm

David Ewart  
Chair

 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b> 26 May 2020
	<b>Report from Director of Legal, HR, Audit &amp; Investigations</b>
<b>Annual Standards Report (including quarterly update on Gifts &amp; Hospitality and mandatory training)</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not applicable
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	Four Appendix A Gifts & Hospitality register Appendix B Summary of MOANs to date Appendix C Member training Attendance record Appendix D(i) and (ii) LGA draft Model Code of Conduct
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Debra Norman, Director of Legal, HR, Audit & Investigations Email: <a href="mailto:debra.norman@brent.gov.uk">debra.norman@brent.gov.uk</a> Tel: 020 8937 1578  Biancia Robinson, Senior Constitutional & Governance Lawyer Email: <a href="mailto:biancia.robinson@brent.gov.uk">biancia.robinson@brent.gov.uk</a> Tel: 020 8937 1544

## 1.0 Purpose of the Report

- 1.1 This is the Monitoring Officer's Annual Report to the Audit and Standards Advisory Committee for 2019. It provides an update on Member conduct issues and the work of the Audit and Standards Advisory Committee, the Audit and Standards Committee and the Monitoring Officer during 2019.

## 2.0 Recommendations

- 2.1 That the Committee note the contents of the report.

### **3.0 Detail**

#### Committee's Work during 2019

- 3.1 In May 2018, the Standards Committee was merged with the Audit Committee to form the Audit and Standards Advisory Committee (ASAC). All formal decisions which fell within these committees' functions are now undertaken by the merged Audit and Standards Committee (ASC).
- 3.2 During January to March 2019 the ASC met on one occasion to discuss and approve the financial and procedural rules governing the Mayor's Charity Appeal. Between April to December 2019, the ASC met on two occasions to discuss and ratify audit matters, namely the annual governance statement and statement of accounts.
- 3.3 In 2019 the ASAC met on five occasions, and on two of these occasions discussed matters relating to standards, policy and procedure, and gifts and hospitality, as follows:
  - a) on the 20 March 2019, the ASAC considered the annual review of member development and expenses. It noted the range of mandatory and non-mandatory training sessions provided to members and the various methods employed to maximise engagement. It considered gifts and hospitality and noted two complaints against Members. It also considered a summary of the recommendations and best practice recommendations arising out of the Committee on Standards in Public Life's report on the Standards regime, against the council's current practice in relation to the recommendations. The Committee undertook its high-level review of the council's use of the Regulatory of Investigatory Powers Act (RIPA) during 2018 and also noted the recommended changes to the financial and procedural rules governing the Mayor's Charity Appeal.
  - b) on the 10 July 2019 the Committee noted a report on gifts & hospitality and the updated position regarding the attendance record for Members in relation to mandatory training sessions. In addition, it considered and approved actions arising out of the ASAC self –assessment workshop; for example, closer liaison with Scrutiny, exploring processes that underpin the corporate risk register and encouraging greater attendance at Member development sessions etc. It should also be highlighted that in September 2019 the Committee noted a further update report against its agreed actions on its self - assessment exercise.

#### Independent/Co-opted members

- 3.4 There have been no new appointments to the ASAC throughout 2019. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 had the effect of extending the appointment of two of the council's Independent Persons (Keir Hopley and Nigel Shock) and the three co-opted members of this committee (Karen McCarthy, Margaret Bruce and Robert Crawley) until the next annual meeting of the council, or until such time as the council should determine. Karen McCarthy and Robert Crawley have indicated that they have found their time as members of the committee interesting and rewarding but wish their appointments to

cease on the originally anticipated date when the council's 2020 Annual Meeting was due to take place. These appointments will therefore cease on 27<sup>th</sup> May 2020.

Both the Independent Persons and the remaining Co-opted member have been advised that a recruitment process will commence during the course of the current municipal year, as it is best practice to do so from time to time. Further, that they would each be welcomed as an applicant should they wish to continue.

### Complaints against Members

- 3.5 Complaints under the Member Code of Conduct are submitted to the Monitoring Officer (Director of Legal, HR, Audit and Investigations). Following consideration of the complaint the Monitoring Officer will decide the appropriate course of action in accordance with the Member's Code of Conduct Complaints Procedure.
- 3.6 During 2019, two complaints were received against the same councillor for alleged breaches of all seven of the Nolan Principles (selfishness, integrity, objectivity, accountability, openness, honesty and leadership).

In summary, the first complaint was not upheld on the basis there was no evidence of any breach of the Member's Code of Conduct (Code) as alleged. The second complaint was not upheld as it did not disclose any conduct which fell within the remit of the Code.

### Gifts & Hospitality

- 3.7 Members are required to register gifts and hospitality received in an official capacity worth an estimated value of at least £50. This includes a series of gifts and hospitality from the same person that add up to an estimated value of at least £50 in a municipal year.
- 3.8 Gifts and hospitality received by Members are published on the Council's website and open to inspection at the Brent Civic Centre. A list of gifts and hospitality registered by Members from 21 December 2019 to 31 March 2020 is attached at Appendix A.
- 3.9 During 2019 three Monitoring Officer Advice Notes (MOANs) were issued to Members. The first two (a & b below) were issued in January 2019, the third (c) was issued in August 2019:
- (a) MOAN 59 was issued concerning covert surveillance outside of the scope of the Regulation of Investigatory Powers Act 2000 (RIPA). It summarises the outcome and actions resulting from an internal audit on the use of social networking sites and the internet for surveillance purposes; it also advises on the new procedure for conducting covert surveillance outside of the scope of the RIPA.
  - (b) MOAN 60 was an updated MOAN in relation to the FA/Tottenham Hotspurs FC Wembley Stadium Planning Application 2019. It provided Members with general advice on interests and related issues in respect of the Wembley National Stadium/Spurs planning application, which was going to be considered by members of the Planning Committee.
  - (c) MOAN 61 provides a user friendly overview to understanding the legal and practical context of decision making by Cabinet, Cabinet Members and officers in respect of specific categories of decisions, such as key decisions.

- 3.10 A list of MOANs issued since 2015 is attached as Appendix B, with copies available on the Member's internal SharePoint portal.

Member Training Attendance

- 3.11 On the 20 March and 10 July 2019, the Committee received reports updating it on the attendance records for Member's in relation to mandatory training sessions. This has now become a standard reporting item.

- 3.12 The Committee is reminded that:

- a) It is a requirement of the Members' Code of Conduct that all members' *"must attend mandatory training sessions on this Code or Members' standards in general, and in accordance with the Planning Code of Practice and Licensing Code of Practice"*.
- b) The schedule for all mandatory sessions is published and approved in the Council calendar at the May Annual General meeting. As there will not be an Annual Meeting in May 2020 in view of the new Regulations which remove the annual council meeting requirement for this municipal year because of the COVID crisis, for 20/21 the Chief Executive is agreeing the annual calendar of meetings after consultation with the Political Groups. It is anticipated that the calendar will be confirmed at the council meeting in July. All internal training sessions attended by Members are published on the Council's Website and on individual Member profile pages.
- c) Training session reminders are sent via email, calendar invitations, text messages and, on some occasions, direct telephone calls to Members. The same reminder process is employed for re-run(s) of sessions, where applicable, to take account of personal circumstances like work commitments and child care arrangements etc.
- d) There are four mandatory training sessions provided for all Members and five mandatory sessions provided for Committee Members and, where appropriate, co-opted members. These are both identified in Table 1 below.
- e) Mandatory sessions are provided annually and all committee members and substitutes are required to attend the relevant session. In addition, all other Members are invited to attend the sessions.

3.13 Table 1

<b>Mandatory Training</b>	<b>Attendee requirement</b>
1) Standards and the Code of Practice	All Members
2) Corporate Parenting & Safeguarding Children	All Members
3) Safeguarding vulnerable adults	All Members
4) Equalities Training	All Members
5) Planning	Committee Members only
6) Alcohol and Entertainment Licensing	Committee Members only



7) Scrutiny induction	Committee Members only
8) Audit & Standards Committee and the Audit & Standards Advisory Committee induction training	Committee Members only
9) Brent Pensions Fund – Approach to responsible investment	Committee Members only

**3.14 By way of an overview:**

All committee members for Planning, Standards, Alcohol and Licensing have attended the mandatory training sessions. The following relates to the number of members who have not attended training sessions

Mandatory all member sessions:

- 10 Members need to attend the Safeguarding vulnerable adults training – no repeat session is currently planned.
- 8 Members need to attend the Corporate Parenting & Safeguarding
- 5 Members need to attend the Equalities Training

**Committee Member mandatory sessions:**

- 10 Members need to attend the Scrutiny induction training.
- 5 Members / substitute members need to attend the Brent Pensions Fund – Approach to responsible investment training.
- 2 Members / substitute members need to attend the Alcohol and Entertainment Licensing training.

3.15 As the Committee will be aware, in the case of Planning and Licensing Committee membership and the Adoption and Permanency and the Fostering Panels, no special responsibility allowance that would otherwise be applicable can be received under the Members' Allowances Scheme if the relevant mandatory training has not been attended.

3.16 A summary setting out the sessions of mandatory training and Members names is attached as Appendix C. The Committee is invited to consider what further steps could be undertaken to improve the attendance records of some members.

Local Government Association Draft Model Code of Conduct

3.17 The Committee will be aware, pursuant to the Localism Act 2011, that the Council is under a statutory duty to promote and maintain high standards of conduct amongst their elected and co-opted members, and to adopt a code governing members. Brent's Member's Code of Conduct is set out in Part five of the Constitution.

3.18 In January 2019, the Committee of Standards in Public Life's (CSPL) report on Local Government Ethical Standards recommended that "*the Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government*". The Committee will recall that it considered and noted the CSPL recommendations (26 recommendations directed at Central Government and 15 best practice recommendations aimed at Local authorities) at its meeting on the 20.03.19. In response to this recommendation the

LGA have issued a consultation on a draft Model Code (a copy of which is attached as Appendix D (i) and (ii)) and commenced a nine week consultation process which commenced shortly before the Covid -19 lockdown.

- 3.19 The LGA are in the process of finalising the consultation questions. They will endeavour to publish them on their website shortly, circulating the link to the respective authorities. However, given the timescales, it maybe that the consultation period is extended to enable authorities time to consider the consultation questions and respond.
- 3.20 At this stage, the committee are invited to note that the draft Model Code of Conduct is very different to the old Model version, but it is much more closely aligned to the current version the council already has in place. Officers are awaiting the consultation questions and the committee will be kept informed as to how the consultation progresses.

#### **4.0 Financial Implications**

- 4.1 There are no financial implications arising out of this report.

#### **5.0 Legal Implications**

- 5.1 Pursuant to the Localism Act 2011, the Council has to have arrangements in place to deal with any allegations of failure to comply with the code of conduct and must appoint an Independent Person whose views are sought and taken into account by the council before it makes its decision on an allegation that it has decided to investigate.
- 5.2 The Council, individual Members and co-opted Members are required to promote and maintain high standards of conduct in accordance with s27 of the Localism Act 2011. The attendance at mandatory training sessions is a means to achieve this and a requirement pursuant to the Brent Members' Code of Conduct as set out in Part 5, of the council's Constitution.

#### **6.0 Equality Implications**

- 6.1 There are no equality implications arising out of this report.

#### **7.0 Consultation with Ward Members and Stakeholders**

- 7.1 Not applicable.

#### **8.0 Human Resources/Property Implications (if appropriate)**

- 8.1 Not applicable.

**Report sign off:**

**DEBRA NORMAN**  
Director of Legal, HR, Audit & Investigations

**Appendix A**

**Gifts and Hospitalitys (21 December 2019 - 31 March 2020)**

<b>Councillor</b>	<b>Date of gift</b>	<b>Gift received</b>	<b>Value £</b>	<b>From</b>
Ketan Sheth	16/01/2020	2 tickets for An Evening with Andrew Cole at the Bush Hall, London W12	50	Received from the Jason Roberts Foundation
	28/01/2020	An invitation to the Remembrance Day Essay Competition Award presentation to the Winner and Runner-up and Dinner at the Holiday Inn London - Wembley.	20	Received from the Rotary Club of Wembley
	20/02/2020	An invitation to the Griffin Institute Reception at the Harrow School, Harrow-on-the-Hill	65	Received from the Griffin Institute (Northwick Park Institute for Medical Research Limited)
	06/03/2020	Invitation to the Staff Excellence Awards Ceremony at the Wembley Stadium.	50	Received from the London North West University Healthcare NHS Trust
Shama Tatler	19/02/2020	Two tickets to Kiln Theatre show	32.50 x 2	Received from Kiln Theatre

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**Appendix B: Summary of MOANs**

	<b>Moan No</b>	<b>Description</b>	<b>Date</b>
1.	53	Disclosure of interest & acceptance of Gifts & Hospitality	27.08.15
2.	54	Amended Code of Conduct in force 30.11.15	26.11.15
3.	55	Registration and disclosure of interests & probity in planning	12.06.16
4.	56	FA/Tottenham Hotspur FC Wembley Stadium planning application	13.02.17
5.	57	Registration and declaration of interest, (2)dealing with the council in a personal capacity and (3) hidden dangers of the use of social media	26.04.17
6.	58	How call-in works & other rights as a councillor and scrutinising decision – making Call -in form	24.08.17
7.	59	Covert Surveillance Procedures	01.01.19
8.	60	The FA/Tottenham Hotspurs FC Wembley Stadium Planning Application 2019	15.01.19
9.	61	Practical Guidance on decision making	15.08.19

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**Appendix C: Summary of Member Mandatory Training Non- Attendance Record**

Councillors yet to attend a Mandatory Training Session since this report went to Audit & Standards Advisory Committee on 20 January 2020

Corporate Parenting and Safeguarding Children  Mandatory All	Equalities Training  Mandatory All	Scrutiny Induction  Mandatory for Committee Members ONLY	Brent Pension Fund - Approach to Responsible Investment  Mandatory for Committee Members ONLY.	Audit and Standards Committee and the Audit and Standards Advisory Committee Induction Training  Mandatory for Committee Members ONLY.	Safeguarding Vulnerable Adults Training  Mandatory for All Members
Abdi	Abdi	Aden	Colwill (sub)	Donnelly-Jackson (member)	Chan
Chappell	Crane	Colwill	Maurice (member)	Hassan (member)	Crane
Crane	Daly	Ethapemi	McLeish (sub)		Daly
Daly	Kansagra	Gill	Naheerathan (sub)		Gill
Denselow	Naheerathan	Kabir	Stephens (member)		Hassan
Ethapemi		Kansagra			Kelcher
Mashari		Maurice			Kennelly
McLeish		Nerva			Lo
		S Choudhary (new since 8th July 2019)			McLeish
		S Butt			Patel, Ramesh
8	5	10	5	2	10

<p>This session was last repeated on 12 March 2020 for the benefit of the newly elected members.</p> <p>Members yet to attend this training were invited.</p>	<p>This session was last repeated on 12 March 2020 for the benefit of the newly elected members.</p> <p>Members yet to attend this training were invited.</p>	<p>The Scrutiny Committee officers <b>have no other dates planned</b></p>	<p>No training scheduled</p>	<p>All members of the committee have now had training except for the above Cllrs, who could not attend the repeat session on 24 July 2019.</p> <p>No other dates planned</p>	<p>This session was repeated on the 29 January 2020 for the benefit of the newly elected members - Members yet to attend this training were invited.</p>
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## **The Local Government Association Model Member Code of Conduct Consultation Draft**

### **LGA introduction**

The LGA is providing this Model Member Code of Conduct as part of its work on supporting the sector to continue to aspire to high standards of leadership and performance.

The role of councillors is a vital part of our country's system of democracy. In voting for a local councillor, the public is imbuing that person and position with their trust. As such, it is important that councillors can be held accountable and adopt the behaviors and responsibilities associated with their role. The conduct of an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to and want to participate in. We want to attract individuals from a range of backgrounds and circumstances who understand the responsibility they take on and are motivated to make a positive difference to their local communities.

All councils are required to have a local Member Code of Conduct. This Model Member Code of Conduct has been developed in consultation with the sector and is offered as a template for councils to adopt in whole and/or with local amendments. The LGA will undertake an annual review of the Code to ensure it continues to be fit-for-purpose, particularly with respect to advances in technology, social media and any relevant changes in legislation. The LGA can also offer support, training and mediation to member councils and councillors on the application of the Code.

### **Introduction**

As a Councillor you represent local residents, work to develop better services and deliver local change. The public have high expectations of you and entrust you to represent everyone (in your ward/town/parish), taking decisions fairly, openly, transparently and with civility. You should also be treated with civility by members of the public, other councillors and council employees. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations.

### **Purpose**

The purpose of this Code of Conduct is to assist councillors in modelling the behaviour that is expected of them, to provide a personal check and balance, and to set out the type of conduct against which appropriate action may be taken. It is also to protect yourself, the public, fellow councillors, council officers and the reputation of local government. It sets out the conduct expected of all Members and a minimum set of obligations relating to conduct. The overarching aim is to create and maintain public confidence in the role of Member and local government.

### **Application of the Code**

The Code of Conduct applies to you when you are acting [or claiming or giving the impression that you are acting]<sup>i</sup> in [public or in]<sup>ii</sup> your capacity as a Member or representative of your council, although you are expected to uphold high standards of conduct and show leadership at all times. The Code applies to all forms of Member communication, including written, verbal, non-verbal, electronic and social media, [including where you could be deemed to be representing your council or if there are potential implications for the council's reputation.]<sup>iii</sup> Model conduct and expectations is for guidance only, whereas the specific obligations set out instances where action will be taken.

### **The seven principles of public life**

Everyone in public office at all levels – Ministers, civil servants, Members, council officers – all who serve the public or deliver public services should uphold the seven principles of

public life<sup>iv</sup>. This Code has been developed in line with these seven principles of public life, which are set out in appendix A.

### **Model Member conduct**

In accordance with the public trust placed in me, on all occasions I will:

- act with integrity and honesty
- act lawfully
- treat all persons with civility; and
- lead by example and act in a way that secures public confidence in the office of Councillor

In undertaking my role, I will:

- impartially exercise my responsibilities in the interests of the local community
- not improperly seek to confer an advantage, or disadvantage, on any person
- avoid conflicts of interest
- exercise reasonable care and diligence; and
- ensure that public resources are used prudently and in the public interest

### **Specific obligations of general conduct**

This section sets out the minimum requirements of Member conduct. Guidance is included to help explain the reasons for the obligations and how they should be followed. These obligations must be observed in all situations where you act [or claim or give the impression that you are acting] as a councillor [or in public], including representing your council on official business and when using social media.

As a Councillor I commit to:

#### **Civility**

1. Treating other councillors and members of the public with civility.
2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.

Civility means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a civil manner. You should not subject individuals, groups of people or organisations to unreasonable or excessive personal attack.

In your contact with the public you should treat them courteously. Rude and offensive behaviour lowers the public's expectations and confidence in its elected representatives.

In return you have a right to expect courtesy from the public. If members of the public are being abusive, threatening or intimidatory you are entitled to close down any conversation in person or online, refer them to the council, any social media provider or if necessary, the police. This also applies to Members, where action could then be taken under the Member Code of Conduct.

#### **Bullying and harassment**

3. Not bullying or harassing any person.

Bullying may be characterised as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. The bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and not always be obvious or noticed by others.<sup>v</sup>

The Equality Act 2010 defines harassment as “unwanted conduct related to a relevant protected characteristic, which has the purpose or effect of violating an individual’s dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual”. The relevant protected characteristics are age, disability, gender reassignment, race, religion or belief, sex, and sexual orientation.

### **Impartiality of officers of the council**

4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council.

Officers work for the council as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. Although you can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

### **Confidentiality and access to information**

5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.
6. Not preventing anyone getting information that they are entitled to by law.

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public except in certain circumstances. You should work on this basis but there will be times when it is required by law that discussions, documents and other information relating to or held by the council are treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

### **Disrepute**

7. Not bringing my role or council into disrepute.

Behaviour that is considered dishonest and/or deceitful can bring your council into disrepute. As a Member you have been entrusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on other councillors and/or your council.

### **Your position**

8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a Member of the council provides you with certain opportunities, responsibilities and privileges. However, you should not take advantage of these opportunities to further private interests.

### **Use of council resources and facilities**

9. Not misusing council resources.

You may be provided with resources and facilities by the council to assist you in carrying out your duties as a councillor. Examples include office support, stationery and equipment such as phones, and computers and transport. These are given to you to help you carry out your role as a councillor more effectively, not to benefit you personally.

### **Interests**

10. Registering and declaring my interests.

You need to register your interests so that the public, council employees and fellow Members know which of your interests might give rise to a conflict of interest. The register is a document that can be consulted when (or before) an issue arises, and so allows others to know what interests you have, and whether they might give rise to a possible conflict of interest. The register also protects you. You are responsible for deciding whether or not you should declare an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise.

It is also important that the public know about any interest that might have to be declared by you or other Members, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained. Discuss the registering and declaration of interests with your Monitoring Officer/Town or Parish Clerk and more detail is set out in appendix B.

### **Gifts and hospitality**

11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.
12. Registering with the Monitoring Officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.

You should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a Member. However, you do not need to register gifts and hospitality which are not related to your role as a Member, such as Christmas gifts from your friends and family, or gifts which you do not accept. However, you may wish to notify your Monitoring Officer of any significant gifts you are offered but refuse which you think may have been offered to influence you.

### **Breaches of the Code of Conduct**

Most councillors conduct themselves appropriately and in accordance with these standards. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations.

Section 27 of the Localism Act 2011 requires relevant authorities to promote and maintain high standards of conduct by Members and co-opted Members of the authority. Each local

authority must publish a code of conduct, and it must cover the registration of pecuniary

interests, the role of an 'Independent Person' to advise on and investigate alleged breaches, and sanctions to be imposed on any councillors who breach the Code.

The 2011 Act also requires local authorities to have mechanisms in place to investigate allegations that a Member has not complied with the Code of Conduct, and arrangements under which decisions on allegation may be made.

Failure to comply with the requirements to register or declare disclosable pecuniary interests is a criminal offence. Taking part in a meeting or voting, when prevented from doing so by a conflict caused by disclosable pecuniary interests, is also a criminal offence.

Political parties may have its own internal standards and resolution procedures in addition to the Member code of conduct that Members should be aware of.

Note – items in square brackets [x] refer to recommendations made by the Committee on Standards in Public Life and may be part of a future Government consultation. This includes possible future sanctions and appeals processes.

## **LGA Guidance and recommendations**

### **Internal resolution procedure**

Councils should have in place an internal resolution procedure to address conduct that is in breach of the Member Code of Conduct. The internal resolution process should make it clear how allegations of breaches of the Code of Conduct are to be handled, including the role of an Independent Person, the appeals process and can also include a local Standards Committee. The internal resolution procedure should be proportionate, allow for Members to appeal allegations and decisions, and allow for an escalating scale of intervention. The procedure should be voted on by the Council as a whole.

In the case of a non-criminal breach of the Code, the following escalating approach can be undertaken. If the breach is confirmed and of a serious nature, action can be automatically escalated.

1. An informal discussion with the Monitoring Officer or appropriate senior officer
2. An informal opportunity to speak with the affected party/ies
3. A written apology
4. Mediation
5. Peer support
6. Requirement to attend relevant training
7. Where of a serious nature, a bar on chairing advisory or special committees for up to two months
8. Where of a serious nature, a bar on attending committees for up to two months

Where serious misconduct affects an employee, a Member may be barred from contact with that individual; or if it relates to a specific responsibility of the council, barred from participating in decisions or information relating to that responsibility.

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<sup>i</sup> CSPL recommend that "Section 27(2) of the Localism Act 2011 should be amended to state that a local authority's code of conduct applies to a Member when they claim to act, or give the impression they are acting, in their capacity as a Member or as a representative of the local authority".



<sup>ii</sup> CSPL recommend that “councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.”

<sup>iii</sup> Subject to footnotes 1 and 2 above

<sup>iv</sup> See CSPL website for further details <https://www.gov.uk/government/news/the-principles-of-public-life-25-years>

<sup>v</sup> acas’s definition of bullying.

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## Code Appendix A

The principles are<sup>1</sup>:

### **Selflessness**

Holders of public office should act solely in terms of the public interest.

### **Integrity**

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

### **Objectivity**

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

### **Accountability**

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

### **Openness**

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

### **Honesty**

Holders of public office should be truthful.

### **Leadership**

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

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<sup>1</sup> <https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life>

## Code Appendix B

### Registering interests

1. Within 28 days of this Code of Conduct being adopted by the council or your election or appointment to office (where that is later) you must register with the Monitoring Officer the interests which fall within the categories set out in Table A (Disclosable Pecuniary Interests) and Table B (Other Registerable Interests).
2. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest in Table A or B, or of any change to a registered interest, notify the Monitoring Officer.

### Declaring interests

3. Where a matter arises at a meeting which directly relates to an interest in Table A, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
4. Where a matter arises at a meeting which directly relates to an interest in Table B, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
5. Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest) or a financial interest or well-being of a relative or close associate, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
6. Where a matter arises at a meeting which affects –
  - a. your own financial interest or well-being;
  - b. a financial interest or well-being of a friend, relative, close associate; or
  - c. a body covered by table 1 below

you must disclose the interest.

7. Where the matter affects the financial interest or well-being to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

Table 1: Interests described in the table below.

<b>Subject</b>	<b>Description</b>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.  [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made to the Councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a Councillor, or towards his/her election expenses.
	This includes any payment or financial benefit from a trade union within the meaning of the <a href="#">Trade Union and Labour Relations (Consolidation) Act 1992</a> .
Contracts	Any contract made between the Councillor or his/her spouse or civil partner or the person with whom the Councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the Council —
	(a) under which goods or services are to be provided or works are to be executed; and
	(b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the Council.  'Land' excludes an easement, servitude, interest or right in or over land which does not give the Councillor or his/her spouse or civil partner or the person with whom the Councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the Council for a month or longer.
Corporate tenancies	Any tenancy where (to the Councillor's knowledge)—

	(a) the landlord is the Council; and
	(b) the tenant is a body that the Councillor, or his/her spouse or civil partner or the person with whom the Councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where—
	(a) that body (to the Councillor's knowledge) has a place of business or land in the area of the Council; and
	(b) either—
	(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or
	(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the Councillor, or his/her spouse or civil partner or the person with whom the Councillor is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.


\*'director' includes a member of the committee of management of an industrial and provident society.

\*'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

**Table B**

- (i) Any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council;
- (ii) Any body—
  - (a) exercising functions of a public nature;
  - (b) directed to charitable purposes; or
  - (c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

of which you are a member or in a position of general control or management.

	<b>Audit and Standards Advisory Committee</b> 26 May 2020
	<b>Report from Director of Finance</b>
<b>Draft Statement of Accounts for the year 2019/20</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Key
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
<b>No. of Appendices:</b>	One: 2019-20 Draft Statement of Accounts – <b>Please note the Draft Statement of Accounts will be circulated “To Follow”</b>
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> (Name, Title, Contact Details)	Daniel Omisore Deputy Director of Finance Email: <a href="mailto:Daniel.Omisore@brent.gov.uk">Daniel.Omisore@brent.gov.uk</a> Tel: 020 8937 3057

**1.0 Purpose of the Report**

1.1 This report presents the Council’s draft 2019/20 Statement of Accounts to members of the Audit & Standards Committee for noting prior to submission to external audit.

**2.0 Recommendation(s)**

2.1 That the Committee notes the draft Statement of Accounts for 2019/20 (which will be circulated as a “To Follow document) and approves its submission to external audit.

**3.0 Detail**

Regulation

3.1 Prior to the outbreak of the recent pandemic the Accounts and Audit (England) Regulations 2015 required that the Director of Finance should by the 31 May following the year end, sign and date the draft Statement of Accounts, and confirm that they present a true and fair view of the financial position as at the

year ending 31 March. The final audited accounts are then typically approved by the Council (or a delegated body) following the external audit but no later than 31 July of the same year.

3.2 With the challenges facing Local Authorities and their finance teams at this time, MHCLG recently announced a relaxation of these deadlines. They have confirmed that applicable from 30 April (for FY2019-20 only) the draft accounts must be approved by 31 August 2020 and final, audited, accounts by 30 November 2020.

3.3 The regulations implementing these measures were laid on 7 April and came into force on 30 April 2020. They can be found here:

<http://www.legislation.gov.uk/ukxi/2020/404/contents/made>

3.4 However, given that remote working arrangements have so far been successfully implemented, the Council has opted to continue to work to the normal timeframes. This approach will ensure finance staff are free to focus on the COVID-19 recovery, budget setting and the Medium Term Financial Plan (MTFP) later in the year without the constraints of auditing accounts. This may also help to alleviate resource pressure for auditors as it is expected that a number of Council audits may now converge at the same time later in the year.

#### Statement of Accounts

3.5 The draft statement of accounts have been prepared under International Financial Reporting Standards (IFRS) in accordance with the Code of Practice on Local Authority Accounting in the UK (The Code) and is comprised of a narrative statement, core statements (balance sheet, cash flow statement, comprehensive income and expenditure statement), notes to the accounts, group accounts, pension fund accounts and auditors certificate.

#### **4.0 Financial Implications**

4.1 The narrative statement included in the draft accounts provides a detailed commentary on the council and its performance during the year, its main objectives and strategies and the principle risks that it faces.

#### **5.0 Legal Implications**

5.1 The Accounts and Audit Regulations 2015 ([updated 7 April 2020](#)) requires that the Director of Finance must, no later than 31 August following the end of the year, sign and date the draft Statement of Accounts, and certify that it presents a true and fair view of the Council's financial position at the end of the year it relates, and of the Council's income and expenditure for the that year. This report and the appendices therefore fulfils the statutory requirements of the Accounts and Audit Regulations 2015.

5.2 As noted in paragraph 3.4 the Council has opted to maintain the original reporting timeframes by producing the draft accounts by the end of May 2020 and set a target of the end of July 2020 for the final audited group accounts. A consequence of this approach is the requirement for the public inspection



period to commence on or before the first working day in June 2020 (to include the first 10 days in June).

## **6.0 Equality Implications**

6.1 There are no specific equality implications arising from this report.

Related Documents:

Letter to all Chief Executives dated 22 April 2020 - The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020

**Report sign off:**

***Minesh Patel***  
Director of Finance

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 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b> 26 May 2020
	<b>Report from the Chair of i4B Holdings Ltd</b>
<b>Report on i4B Holdings Ltd</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	One Appendix 1 Risk Register
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Sadie East Head of Transformation <a href="mailto:Sadie.East@brent.gov.uk">Sadie.East@brent.gov.uk</a> Tel: 020 8937 1507

## 1.0. Purpose of the Report

1.1. This report provides the Audit and Standards Advisory Committee (The Committee, ASAC) with an update on i4B Holdings Ltd's (i4B) recent performance, audit arrangements, and risk register.

## 2.0. Recommendation(s)

2.1. The SAC is asked to note:

- Current performance.
- The update to the i4B risk register.
- The update on recent i4B audits, and progress towards implementing previous audit recommendations.
- The impact of Covid-19 on i4B's operations and business objectives.

### 3.0. Background

- 3.1. i4B Holdings Ltd (i4B; the Company) was established to reduce homelessness, provide affordable, good quality homes, and invest to deliver regeneration and financial benefits for its sole shareholder, Brent Council (the Council).
- 3.2. In November 2016, Cabinet agreed to establish its wholly owned investment company, i4B Holdings Ltd. The Company was set up with the purpose of acquiring, letting, and managing a portfolio of affordable, good quality PRS properties. Properties would be let to homeless families at Local Housing Allowance (LHA) levels. This would enable the Council to either prevent or discharge its homelessness duty and therefore reduce TA costs.
- 3.3. i4B's 2020/21 business plan was agreed by the Shareholder in February 2020. The business plan incorporates the following as i4B's strategic priorities for 2020/21:
- The PRS acquisition programme;
  - The provision of key worker accommodation;
  - Developing a portfolio of new build accommodation working with the Council to develop housing on Council owned land; and
  - Developing a portfolio of new build accommodation working with Registered Providers or private sector developers on sites purchased from the market.

### 4.0. Benefits of i4B

#### 4.1. Social Benefits

- 4.1.1. As of April 2020, 254 Brent families, including 623 children, have been housed in i4B properties, the breakdown for which is below.

Table 1: Breakdown of families directed to i4B as of April 2020.

Previous Accommodation	no. of families	no. of children
Direct to i4B	40	96
Women's Refuge	2	6
TA Stage one – B&B	188	446
TA Stage two – Leased	24	75
<b>Total</b>	<b>254</b>	<b>623</b>

- 4.1.2. All of the Company's private rented homes comply with a good standard of quality and management. Properties are refurbished to a high standard. i4B guarantees households moving into the PRS properties that they will be well maintained, safe, and secure. This compares favourably with market PRS

accommodation which is generally of a lower standard. Also, with i4B as their landlord, tenants are safe from practices such as revenge evictions.

#### **4.2. Financial Benefits**

4.2.1. The Council receives financial benefits from i4B, mainly through reducing the use of temporary accommodation and supporting homeless families. The Council saves £1,960 per i4B property purchased and let. However, i4B does incur costs to the Council. After i4B purchases 300 properties, the net saving to the Council per year will be circa £300k. This saving will increase as purchases increase.

4.2.2. The Council has also received the following one off financial benefits:

- PRS phase one loan: loan arrangement fee of £872k and non-utilisation charge of £330k
- PRS phase two loan: loan arrangement fee of £884k and non-utilisation charge of £408k

#### **5.0. i4B 2020/21 Business Plan**

5.1. The Company's Business Plan was agreed by Cabinet on 10 February 2020. Below is a summary of the Company's strategic priorities and proposals for 2020/21.

5.2. The Company's strategic priorities as set out in the 2020/21 Business Plan are:

- The PRS acquisition programme;
- The provision of key worker accommodation;
- Developing a portfolio of new build accommodation, working with the Council to develop housing on Council owned land; and
- Developing a portfolio of new build accommodation, working with Registered Providers or private sector developers on sites purchased from the market.

5.3. The Company's business plan anticipated the purchase of 280 street side properties by April 2020 using circa £101m of the £109m phase one loan. The remainder of the phase one loan will be used to purchase 20 street properties in 2020/21. The phase two loan of £110.5m will be used to fund the block purchase, new site development purchases, and additional street side property acquisitions. i4B remains committed to increasing its portfolio to 600 units by 2024. This includes 360 street properties, 153 units of key worker accommodation, and 87 new build units.

5.4. Phase two loan funding has been used to fund the acquisition of 153 units of accommodation. These units will be let to key workers at 65% of market rate

plus service charge. Further detail on the key worker block purchase can be found in section 6.0.

- 5.5. The Company will work with the Council to explore investment opportunities on Council owned land. The Council has identified an internal development programme of approximately 1,300 new units. 817 of these units are for social rent and funded by grant from the Greater London Authority. Throughout 2019/20, i4B has worked on developing these opportunities, and will continue to do so in 2020/21.
- 5.6. The Company will continue to work with the Council and private sector partners to explore investment opportunities that bring about benefits to the Council. As in 2019/20, the Company will continue to seek out opportunities to partner with registered providers and commercial developers. These partnerships will enable i4B to be more active and intelligent in the market, and increase the Company's ability to respond quickly to market opportunities.

## **6.0. Key Worker Housing - Quintain Block Purchase**

- 6.1. The 2019/20 Business Plan agreed that the Company progress the purchase of a block of 153 units for the provision of key worker accommodation. This purchase of the key worker block was completed on 20<sup>th</sup> February 2020. The block provides 153 units of 1 and 2 bedroom apartments for key workers. These will be let at 65% of market rate plus service charge.
- 6.2. There are a number of benefits that i4B and the Council will receive from the purchase of the key worker accommodation. These include:
  - Attracting key workers to the Council.
  - Retention of key workers.
  - An increase in the amount of discounted market rented housing stock in the borough.
  - Potential increase in value of the block over time.
  - Diversification of i4B's business plan.
- 6.3. Upon completion the following key dates were given. Arcadis, i4B's employer's agent, is tracking progress on i4B's behalf.
  - 20<sup>th</sup> February 2020 – Completion of purchase.
  - 2<sup>nd</sup> March 2020 – Client and Developer meeting between Quintain and i4B officers.
  - 20<sup>th</sup> May 2020 – Deadline for collateral warranties.
  - 1<sup>st</sup> March 2020 to completion – Snagging inspections every Tuesday.
  - 31<sup>st</sup> August 2020 – Planned practical completion.
  - 5<sup>th</sup> October 2020 – Practical Completion of the gardens serving block 3.
  - 5<sup>th</sup> October 2020 – End of defects rectification period.

6.4. Officers have started the process of the initial marketing work. This is being done in conjunction with Network Homes.

6.5. The Council's CMT has also signed off on the key worker nomination policy. i4B officers are now working with colleagues from around the Council to finalise the CCG and NHS roles which will be added to the priority list

#### 6.6. **Risk Management**

6.6.1. As a result of Covid-19, the building contractor, Wates, has served a notice on Quintain stating that practical completion of the project (due in October 2020) has been delayed. The construction project is progressing, albeit at a slower rate.

6.6.2. i4B is waiting for further information about the length of the delay of the construction project, and is liaising with Quintain on this issue. It is hoped that any delay due to the slow down on site will be mitigated by the fact Wates were up to 4 weeks ahead of schedule on the build.

6.6.3. The Quintain model includes a 6 month contingency on build completion. The model also assumes that only 33 properties will be let by the end of the Financial Year 2020/21. This is around £93k of rental income which is not material and will be offset by actual stamp duty paid. The model assumes that after this, 6 units will be let per month until full capacity is reached in circa November 2022. At this stage, delays due to the current crisis will not impact the model/finances materially if they remain within 6 to 9 months. If the block does not receive income for the whole of the Financial Year 2020/21, this will not materially impact financial performance in terms of losses or extra working capital required.

#### 7.0. **Performance**

7.1. Performance measurement for i4B is based on: acquisitions, conveyancing of properties, and on the housing management of the three contractors (Mears, Pinnacle, and Brent Housing Management).

7.2. As of i4B's last report to the Committee, the Company had 228 properties in its portfolio, purchased at an average cost of £356,637. 213 of these properties were let. As of the end of March 2020, i4B's portfolio has increased to 276 properties, purchased at an average cost of £356k. The target acquisition cost is £363k. 254 of these properties have been let. The rate of purchases has been slower than originally forecast due to a lack of properties available on the market that meet i4B's financial criteria.

- 7.3. As of the end of March 2020, i4B has 38 properties in negotiation and valuation, 21 properties in conveyancing, 10 properties in the delegated authority (final approval) stage, and 2 properties awaiting contract exchange.
- 7.4. The cumulative rent collection rate at the end of March 2020 is 95.09%. This has increased from 92.80% as of i4B's last report to the Committee. The 2019/20 financial year collection rate was 97.12%. This is in line with the business plan assumption of 95% but short of the business plan target of 98.5%.

## 8.0. Financial Performance

- 8.1. Income was expected to be down on the original budget set out in January 2019, with fewer properties purchased during the year. However, purchases maintained throughout the year, resulting in income coming in closer to budget, due to strong performance in Q2 and Q3.
- 8.2. The loss for the year is £293k, an adverse variance of £107k to budget.
- 8.3. Operating profit is £346k favourable to budget driven by less operating expenditure of £371k.
- 8.4. The increased loss for the year to budget is driven by interest cost and finance charges for the Quintain block, which came to just over £800k and was not included in the original budget. Without Quintain charges, interest cost would be £2.3m compared to budget of £2.6m, a favourable variance of £300k due to using equity for the street purchases.
- 8.5. All phase 1 equity of £21.8m has now been issued.
- 8.6. Table 2: Full Year Actual vs Budget FY 2019/20

Full year 2019/20	Budget		Actual		Variance	
	£000	£000	£000	£000	%	
<b>Rental Income</b>	3,620		3,595	(25)	(1)	
<b>Less: Operating Expense</b>						
Fixed SLA	640		631	9	1	
Maintenance	180		249	(69)	(38)	
Utilities	7		3	3	52	
Service Charges	190		176	14	7	
Council Tax	44		33	10	23	
Long term maintenance	0		0	-		
Insurance	50		10	40	81	
Audit Fees	0		32	(32)		
Professional Services	340		205	135	40	
Contributions to Provisions	260		0	260	100	
<b>Total operating expense</b>	<b>1,710</b>		<b>1,339</b>	<b>371</b>	<b>22</b>	
<b>Net Operating Income</b>	<b>1,910</b>		<b>2,256</b>	<b>346</b>	<b>18</b>	
Interest & Finance Charges	2,690		3,144	(454)	(17)	
Revaluation Gain	591		(595)	-	-	
<b>Net Operating Profit / (Loss)</b>	<b>(185)</b>		<b>(293)</b>	<b>(107)</b>	<b>(58)</b>	



## 9.0. Risk Register

9.1. The Company's Risk Register can be found in Appendix 1.

9.2. Since the last meeting with the Committee in September 2019, the following risks have been added:

- Risk 20: New risk added in January 2020, to separate the risk of purchases being slower and the risk of a slowdown in the housing market.

*There is an insufficient volume of properties on the market that meet i4B's financial criteria.*

9.3. Risk descriptions and mitigations have also been amended throughout the risk register to reflect the impact of Covid-19 on the business. Risks that have increased in likelihood due to Covid-19 include:

- Risk 4: Business plan rent collection rates are not achieved and bad debt exceeds business plan assumptions.
- Risk 5: Void periods exceed business plan.
- Risk 15: The pipeline of properties is slower than the SLA target.
- Risk 18: The refurbishment period exceeds the SLA target.
- Risk 19: The nominations process exceeds the SLA target.
- Risk 20: There is an insufficient volume of properties on the market that meet i4B's financial criteria.
- Risk 21: Company cash flow is insufficient to manage expenditure.

9.4. The Company is taking a safety-first approach to ensure the wellbeing of all parties. i4B has written to tenants to outline some of the measures that the Company will be taking as a result of Covid-19. These measures include:

- Postponing all scheduled deep cleans and window cleaning programmes.
- Ensuring that all employees and contractors follow government advice in relation to hygiene and social distancing.
- Prioritisation of emergency and urgent repairs.
- Encouraging households to remain vigilant to fire risks whilst spending more time at home.
- Encouraging tenants to contact i4B if they are facing financial difficulties.

9.5. The following risks are live issues and are being monitored as such:

- The pipeline of properties is slower than the SLA target.

- There is an insufficient volume of properties on the market that meet i4B's financial criteria.

## 10.0. Audit Update: Property Acquisitions Audit

10.1. An audit was carried out in September 2019 into i4B's property purchasing. The focus of this audit was to provide assurance on the key controls in place in relation to the sub-processes listed below:

- Property Acquisitions Strategy
- Performance Management and Management Information
- Property Sourcing
- Reporting

10.2. The audit identified a number of examples of good practice. Two high, and one low risk issues were identified. They were:

- 1) A discrepancy between data on CRM Dynamics and manual spreadsheets.
- 2) One property was agreed to be acquired outside of the documented acquisition and approval process.
- 3) A lack of formal evidence of the performance checklist control.

10.3. The audit's follow up report was issued in April 2020. Details of the audit's recommendations and actions taken are detailed in Table 3.

Table 3: Internal Audit Follow Up Review.

Recommendation	Actions Taken	Status and Due Date
1. Acquisition Data	<p>A reconciliation between manual spreadsheets, CRM Dynamics, and Northgate has been carried out. This revealed some discrepancies between the systems, which i4B officers are now working towards resolving.</p> <p>The i4B Management Team are working towards using CRM Dynamics as the sole database for property information.</p>	<p>Partially Implemented.</p> <p>Revised target date: 30<sup>th</sup> September 2020.</p>

2. Property Sourcing	Other than the unique circumstances that led to the purchase of the Brent Community Law Centre building, the documented acquisitions approval process is strictly adhered to.	Implemented  Target date: December 2019.
3. Performance Checklist	A request has been logged with Dynamics to add a Performance Checklist tick box to the system, to prompt the team to go through the checklist and provide an audit trail.	Partially Implemented.  Revised target date: 30 <sup>th</sup> September 2020.

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Risk Number	Risk	Business plan assumption	Risk Owner	Risk Type	Pre-mitigation Likelihood (out of 5)	Pre-mitigation Impact (out of 5)	Pre-mitigation Risk Score (out of 25)	Comparison to last report	Mitigation	Post-mitigation Likelihood (out of 5)	Post-mitigation Impact (out of 5)	Post-mitigation Risk Score (out of 25)	Comparison to last report	Risk Status	Comment
21	Company cash flow (capital and revenue) is insufficient to manage expenditure	I4B has commenced a large acquisition and refurbishment programme. The 2019/20 Business Plan outlines plans to increase the Company's portfolio to over 600 units in the next four years. The period between purchase and letting requires significant financial resources. The business plan assumes an average of 90 days for property refurbishment and letting from the point of purchase. I4B's revenue account also requires an element of cash flow support to manage expenditure until it creates a surplus through rent.  The potential consequences of this risk materialising is the company becomes insolvent.	I4B	Financial	4	5	20		I4B is monitoring SLA performance to deliver capital works and refurbishments within business plan requirements. I4B is focusing on reducing the amount of time taken during refurbishment and letting to maximise rental income. The Council has approved a cash flow facility of up to £4m and modelling is being undertaken to assess if this will be sufficient to meet I4B working capital requirements. I4B will monitor cash flow requirements at its monthly meetings and with the shareholder at client/company meetings.  A business modelling exercise was undertaken in late 2019 which confirmed that the Company's finances were sound. Modelling on the Quintain block has confirmed that if business plan assumptions are met then cash-flow will not be an issue.  Covid-19 guidance has increased the likelihood of this risk. The government has advised that property purchases pause whilst the UK lockdown is ongoing.  Finance have done some modelling on reductions in rent collection against the base line business case. Additionally, Wates have issued a notice of delay which may impact the progress on the Wembley DMS construction. The current financial model includes 6 months build completion delay.  At present, losses are within tolerable ranges. Mitigating actions include analysis to find the percentage of income that is paid by housing benefit, as this will reduce the risk to income. Additionally, BHM and agents will work with tenants with financial difficulties.  As a result of Covid-19, there has been an increase in LHA rates of around 13% in 2020/21. This will mitigate some income loss.	3	5	15		Open	14/01/2019: Business Plan assumption amended to reflect growth ambitions. Mitigation amended to reflect increased cash flow facility.  20/01/2020: Mitigation amended to reflect current sound Company finances.  14/04/2020: Mitigation amended and likelihood increased as a result of Covid-19.
19	The nominations process exceeds SLA target.	The business plan assumes 90 days for the refurbishment and lettings process.  The potential consequences of this risk materialising is properties are unable to be let and remain void for longer than envisaged. The loan cost will not be met by rental income which will mean cash flow requirements increase and expenditure such as council tax liabilities increase.  It is likely that the handover of new build schemes will cause challenges as to the number of suitable customers available immediately.	I4B	Financial & achieving operational objectives	5	3	15		Weekly meetings take place at the operational level between I4B and the council's housing needs service. I4B could work to bespoke some properties through a variation to its refurbishment specification. The programme of purchases could be slowed to keep pace with council demand from customers likely to be requiring emergency accommodation.  I4B no longer purchases hard to let Home Counties properties.  For new build schemes the company may need to develop alternative short term letting strategies to prevent voids prior to the first letting. The net yield calculator should also anticipate difficulties. Schemes should be managed to provide a steady stream of properties and avoid too many units being handed over at any one time. New approaches required for nominations and lettings teams. The Quintain block assumes a prudent estimate of 50% void for year 1.  Due to Covid-19 and the UK lockdown, the speed at which I4B will be able to let properties will reduce. This will result in a decrease in performance in this area.	4	3	12		Open	14/02/2019: Risk likelihood reduced. However, the Company will face the future risk of ensuring that the Wembley Park Block is let in an efficient manner.  14/04/2020: Mitigation amended to reflect the ongoing situation with Covid-19.  27/04/2020: Likelihood increased due to Covid-19.
15	The pipeline of properties is slower than the SLA target	The SLA has a target of 13 weeks for properties to be purchased from approval at the PRS panel.  The potential impact of this risk is on I4B's cash-flow; the company pays for the loan facility when it is not being used although this charge increases once funds are drawn down, and rental income is its only source of funding.	I4B	Financial & achieving operational objectives	5	3	15		It was agreed at the June 2018 Board meeting that this risk had materialised into a live issue. The following steps are being taken to manage this issue:  I4B is working with teams across the Council to improve performance. I4B has weekly meetings with property, legal, refurbishment, and housing needs to monitor performance.  Covid-19 will have an impact on this risk. Current government guidance encourages property purchases to be delayed where possible.					Open - Live issue	11/06/18: Risk has materialised into a live issue  15/10/2019: Mitigation amended. Discussions progressing on new purchases as well as ways of proactively increasing purchasing.  14/04/2020: Mitigation amended.
18	The refurbishment period exceeds SLA target	The SLA has a target of 70 days for the first 100, 64 days for the 2nd 100 and 56 days for the 3rd 100 units.  The potential consequences of this risk materialising is that properties are unable to be let and remain void for longer than envisaged. The loan cost will not be met by rental income which will mean cash flow requirements and expenditure such as council tax liabilities increase.	I4B	Financial & achieving operational objectives	3	4	12		The Board monitor refurbishment KPIs at their monthly Board meeting. Weekly meetings take place at the operational level between I4B and the council's refurbishment service. I4B could encourage the council through the SLA to introduce additional refurbishment teams or processes. The programme of purchases could be slowed to keep pace with refurbishment capacity.  Risk likelihood has been increased, as refurbishment performance slipped in late 2019/20 due to the inconsistent flow of properties. As a result the Council has changed void contractor from Wates Major Works to Wates Repairs. Weekly meetings are taking place.  As a result of the UK Covid-19 lockdown, the length of the refurbishment process has increased. New refurb contractor quotes are encouraging, but officers are unable to currently analyse performance.	3	4	12		Open	11/01/2019: Risk likelihood increased from 1 to 2. Although current refurbishment performance is within business plan assumptions, performance is likely to deteriorate. This is due to the reduced pipeline of refurbishment work making it harder for the contractor to mobilise their supply chain.  14/04/2020: Mitigation amended. Covid-19 has increased the length of the refurbishment process.  27/04/2020: Likelihood increased due to Covid-19.
4	Business plan rent collection rates are not achieved and bad debt exceeds business plan assumptions. Introduction of universal credit adversely affects rent collection	The business plan assumes a rent collection rate of 95% of rent for 2020/21 and then 98.5% from there after. It also assumes 2% bad debt  The potential consequences of this risk materialising is the company's income is insufficient to cover its expenditure.	I4B	Financial	4	3	12		The company is seeking to diversify its products to introduce new customers with different household income profiles than existing PRS customers. The introduction of new products and some new build properties with higher yields may mitigate a slightly lower rent collection rate.  The 2019/20 Business Plan states that rent collection should achieve 95% for the first year and 98% thereafter. The Quintain block has an additional risk that the letting period will be lengthened to ensure the brand is maintained and potential customers can be vetted. Properties on schemes should be phased.  Rent collection rates are expected to be impacted by Covid-19. Collection rates will be routinely reviewed as part of the Management Information pack in the Board meetings. Collection rates do not currently appear to be impacted, however the likelihood is that collection rates may decrease in the coming months. All management agents have sent letters to tenants to advise them to get in contact if they are experiencing financial difficulties.  As a result of Covid-19, there has been an increase in LHA rates of around 13% in 2020/21. This should mitigate some loss of income if rent collection rates drop.	3	3	9		Open	11/06/18: Risk has materialised into a live issue  14/02/2019: Mitigation amended.  14/04/2020: Mitigation amended to reflect Covid-19 considerations

Risk Number	Risk	Business plan assumption	Risk Owner	Risk Type	Pre-mitigation Likelihood (out of 5)	Pre-mitigation Impact (out of 5)	Pre-mitigation Risk Score (out of 25)	Comparison to last report	Mitigation	Post-mitigation Likelihood (out of 5)	Post-mitigation Impact (out of 5)	Post-mitigation Risk Score (out of 25)	Comparison to last report	Risk Status	Comment
20	There is an insufficient volume of properties on the market that meet I4B's financial criteria.	The programme assumes 360 by April 2021.  The potential impact of this risk is on I4B's cash-flow; the company pays for the loan facility when it is not being used although this charge increases once funds are drawn down, and rental income is it's only source of funding.	I4B	Financial & achieving operational objectives	4	3	12		I4B intends to offset properties that cannot be achieved through open market purchase by working with the Council and developers to deliver new build properties / block purchase properties.  I4B is also looking at ways to increase property purchases. It is liaising with local RPs, putting out marketing to local landlords, and exploiting options to reduce costs.  The property market picked up in January, leading to an increase in property prices in Brent. Covid-19 may cause property prices to fall.					Open - Live Issue	14/04/2020: Mitigation amended to reflect changes in the property market.
10	The cost to deliver I4B services exceeds business plan assumptions	There are a number of key assumptions built into the business plan and the setting of the Net Yield %. These cost assumptions include: housing management services; repair and maintenance; insurance; contracts and service level agreements; major refurbishment programmes; and debt finance arrangements. As the business grows, cost assumptions may change and new costs may be encountered. For example, Housing Management for 153 Key worker properties may be at a premium. There is a risk that property price inflation reduces the average yield and increases average purchase prices. The potential consequences of this risk is that the acquisition programme would slow down. The Company would also be weaker as there would be fewer opportunities to spread fixed costs between the	I4B	Financial & achieving operational objectives	3	3	9		A review of business plan assumptions will take place bi-annually and will be reported to the Board. Should additional costs be noted, options will be considered to reduce cost through contract management renegotiation, eliminating the cost where the minimal property standard can be amended. It would be possible to reduce the volume of units purchased but seek higher net yield margins on each property. The company is seeking to introduce additional products with higher yields to blend the overall yield, for example new build blocks purchased from the Council.  Company budget and spend is reported and monitored at monthly Board meetings to ensure the Company is operating within budget.  For the 153 key worker properties, housing management costs will be built into the purchase price. Economies of scale for repairs and housing management should be achieved as the business grows.  I4B continues to purchase higher yielding street properties above 1.22%. Property price inflation is difficult to mitigate due to limited control of market conditions, however it will continue to be monitored closely. I4B's business operates on 300 properties at 1.33% net yield. All new build properties will be expected to achieve between 1.3% and 1.7% net yield in the future from I4B	2	3	6		Open	14/02/2019: Business Plan assumption and mitigation amended to reflect ambition to purchase 153 key workers units.  20/01/2020: This risk merged with 16: Property price inflation reduces average yield and increases average purchase prices, as it was felt that it fell under the remit of this risk.
5	Void periods exceed business plan	The business plan assumes 1.5% void loss. The business provides an additional allowance of 90 days for refurbishment following the purchase of a property.  The potential consequences of this risk materialising is the company has fewer properties able to receive rent and therefore income would reduce whilst expenditure potentially increases. Additional costs such as council tax increase during void periods.	I4B	Financial & achieving operational objectives	3	3	9		I4B has built the requirement to cooperate to ensure void periods are minimised into the contracts with housing management and void contractors. I4B has weekly meetings with the council's housing needs team who are responsible for nominating tenants. I4B is working with the council to ensure purchases are in line with the council's customer profile and sustainable tenancy requirements. I4B will review the nominations agreement at client/company meetings. I4B could approach the shareholder to dispose of properties in locations consistently failing to attract customers.  All future properties will be purchased in Brent where there will be high demand.  I4B has set up weekly calls with housing management contractors to ensure the re-let period for voids is minimised.  Mears and Pinnacle have picked up the management of voids in the Home Counties, so voids are being turned around more quickly. Government advice to delay home moves may impact voids performance.	2	3	6		Open	15/10/2019: Mitigation amended to include information on weekly calls with housing management contractors.  14/04/2020: Mitigation amended.  27/04/2020: Likelihood increased due to Covid-19.
17	Due to affordability the demand for the location of properties purchased varies from the business plan	The business plan assumes that: phase 1 – 220 properties purchased in Brent & Greater London, 80 in the Home Counties; phase 2 – up to 60 properties purchased in Brent.  If demand for the properties in Brent reduces I4B may have to purchase more Home Counties properties. Properties in Brent have performed better financially and have been easier to manage.	I4B	Financial & achieving operational objectives	3	3	9		These risks are managed through the yield and ensuring demand is high. The business plan anticipates all new homes will be in Brent. Therefore the more challenging out-of-Brent properties in terms of housing management and rent collection are already purchased and managed within the current risk levels. The scale of growth should act to reduce further the risks associated with out of borough lets.	1	2	2		Open	14/02/2019: Mitigation amended. I4B will not purchase any more Home Counties properties.
26	There is a risk of Fraud to the company	The Company faces a range of fraud risks. Fraud could result in a loss of income and/or reputational damage to the company and the Council	I4B	Fraud	2	3	6		An internal audit into the fraud risks the company faces was carried out in 2018. Actions from the audit have since been implemented. The Board will review fraud risks on an annual basis.	1	3	3			18/10/19: Fraud risks 26.1 to 26.7 merged.
8.1	There is a risk that I4B is deemed to have failed a statutory H&S obligations as a landlord	The SLA places a requirement on the Council to deliver this function, but is unable to transfer the risk of non-compliance with legislation e.g. H&S, gas safety etc.  Failure to comply H&S requirements increase the opportunity for hazards including the causing of death. The ultimate penalty for failure to abide by statutory H&S requirements is imprisonment of the Chair of the Board.	I4B	Financial & Reputational	1	5	5		Contracts cover compliance requirements including gas servicing. Only suitably qualified people will be employed to deliver works. Monthly monitoring and KPI reports include some key aspects including gas, complaints and customer satisfaction.  BHM Property Services are implementing a new Asset register which will improve ability to monitor / plan compliance activities.  BHM Property Services have a team that works solely on properties' compliance with regulations.  BHM Property Services have carried out self-assessments looking at compliance with regulatory standards.	1	5	5		Open	15/10/2019: Mitigation amended.
8.2	There is a risk that I4B is deemed to have failed a statutory requirement in its corporate role	The company must comply with regulatory and best practice requirements around its own management and governance such as annual accounts, returns to companies house, and other regulatory bodies such as the Housing Ombudsman.  The consequences of other statutory failures may be fines and/or reputational damage to I4B.	I4B	Financial & Reputational	1	5	5		The Board is putting in place suitable policies and procedures in place to ensure regulatory compliance, e.g. escalation policy, schemes of delegation, risk management, internal audit arrangements.  Support for company governance is included within the companies' core SLA with the Council.	1	5	5		Open	

Risk Number	Risk	Business plan assumption	Risk Owner	Risk Type	Pre-mitigation Likelihood (out of 5)	Pre-mitigation Impact (out of 5)	Pre-mitigation Risk Score (out of 25)	Comparison to last report	Mitigation	Post-mitigation Likelihood (out of 5)	Post-mitigation Impact (out of 5)	Post-mitigation Risk Score (out of 25)	Comparison to last report	Risk Status	Comment
11	Interest rates increase impacting on new loans taken out by the Company	<p>30 year loan facility for up to £109m at a fixed interest rate of 2.87%.</p> <p>Short term working capital loan facility for up to £3.5m at a fixed interest rate of 3%.</p> <p>The loan rate for the Quintain block purchase is 2.5%.</p> <p>The remaining loan will be charged at PWLB rates at the time of drawdown, this presents a potential risk, e.g. in December 2019 PWLB increased to 3%, which was higher than the 2.8% charged for most of the phase 1 loan.</p>	i48	Financial	4	1	4		The current facilities are for fixed terms and fixed interest rates therefore i48 is not currently exposed to any interest rate risk. i48 will seek to arrange future loan facilities on the same terms whilst interest rates remain low. Should base rates significantly change, i48 will review and revise its growth and financing strategy appropriately having taken the necessary professional advice.	4	1	4		Open	30/05/2018: Risk wording changed to clarify this risk relates to new loans

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	<b>Audit and Standards Advisory Committee</b>
	<b>Report from the Chair of First Wave Housing Limited</b>
<b>Report on First Wave Housing Limited</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	One Appendix 1 Risk Register
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Sadie East Head of Transformation <a href="mailto:Sadie.East@brent.gov.uk">Sadie.East@brent.gov.uk</a> Tel: 020 8937 1507

## 1.0. Purpose of the Report

- 1.1. This report provides the Audit and Standards Advisory Committee with an update on First Wave Housing Limited's (FWH) business plan, recent performance, risk register, and audit arrangements.

## 2.0. Recommendation(s)

- 2.1. The ASAC is asked to note:

- FWH performance.
- The updates to the FWH risk register.
- The update on recent FWH audits.
- The impact of Covid-19 on FWH's operations and business objectives.

## 3.0. Performance Update

- 3.1. FWH has 329 tenanted properties: 89 at social rent, 25 at intermediate rent, and 45 at PRS/market rent. FWH also has 170 Settled Homes. Settled Homes are a form of temporary accommodation. They are let on assured short hold tenancies, with rent levels slightly below LHA rates. When business plan

surpluses are sufficient, properties will be converted on an incremental basis to social rents, on assured tenancies

- 3.2. FWH's primary purpose is to manage, maintain, and improve its stock of 329 properties and to contribute to Brent's Housing Strategy by providing good quality, affordable, secure, and well managed homes to Brent residents.
- 3.3. The annual rent roll is £4.2 million. There are also two commercial properties within the portfolio. FWH has not purchased any new properties, therefore performance is only based on housing management.

Table 1: FWH Stock Breakdown

Product Type	No. properties	Average of 2020/21 Weekly Rent	Sum of 2020/21 Weekly Rent
<b>Intermediate properties</b>	<b>25</b>	<b>£312.50</b>	<b>£7,812.44</b>
1 bed	11	£300.88	£3,309.72
2 bed	14	£321.62	£4,502.72
<b>Market rent</b>	<b>42</b>	<b>£290.60</b>	<b>£12,205.19</b>
1 bed	42	£290.60	£12,205.19
<b>Social rent</b>	<b>89</b>	<b>£131.02</b>	<b>£11,660.55</b>
1 bed	24	£122.11	£2,930.54
2 bed	32	£130.28	£4,168.94
3 bed	23	£138.66	£3,189.28
4 bed	10	£137.18	£1,371.78
<b>PRS</b>	<b>3</b>	<b>£320.74</b>	<b>£962.22</b>
1 bed	3	£320.74	£962.22
<b>Settled Homes</b>	<b>170</b>	<b>£301.68</b>	<b>£51,285.84</b>
1 bed	9	£273.80	£2,464.19
2 bed	139	£302.51	£42,048.71
3 bed	22	£307.86	£6,772.94
<b>Grand Total</b>	<b>329</b>	<b>£255.09</b>	<b>£83,926.23</b>

- 3.4. Performance is reported to the FWH Board on a monthly basis, and is measured against the Company's Key Performance Indicators. The below summarises current year to date performance. It also provides a comparison to the YTD figure from August 2019, as this was the data used when FWH last reported to the Committee.

### 3.5. Rent Income Collection

- 3.5.1. As of March 2020, the year to date cumulative performance outturn for rent collection is 98.96% against an annual target of 98.5%. YTD rent income collection for August 2019 was 97.29%, slightly under the monthly performance target of 98.5% and the year to date target of 99.5%.

### 3.6. Tenancy Verification Visits

3.6.1. The year to date position for tenancy verification visits as of March 2020 is 67%, against a target of 100%. In August 2019, the YTD position for tenancy verification visits was 65.63%.

### **3.7. Voids**

3.7.1. For minor voids, FWH's target is 21 days. For major voids, FWH's target is 76 days. The year to date performance as of March 2020 for voids is as follows:

- General Market Rent (Minor Void) – 35.9 days.
- Settled Homes (Minor Void) – 33.65 days.
- Settled Homes (Major Void) – 94.2 days.

The YTD performance for major voids has been notably increased by one Settled Homes major void of 148 days, reported in March 2020. This was as a result of works being delayed due to a roof leak. The block is managed by a registered provider who took just under 4 months to complete the roof works. Once remedied, the void works commenced and the property was let in 34 days.

3.7.2. At the time of FWH's last report to the Committee, YTD void performance was as follows:

- General Market Rent (Minor Void) – 35.9 days.
- Settled Homes (Minor Void) – 33.42 days.
- Settled Homes (Major Void) – 143.5 days.

### **3.8. Urgent and Routine Repairs**

3.8.1. The year to date performance as of March 2020 for urgent and routine repairs completed within 14 days is 89%, against a target of 85%. At FWH's last report to the Committee, the year to date repairs performance was 88%.

### **3.9. Emergency Repairs**

3.9.1. As of March 2020, the year to date performance for emergency repairs completed within 24 hours is 94%, against a target of 100%. In August 2019, YTD performance for emergency repairs stood at 98%.

### **4.0. Financial performance update – summary of 2019/20**

4.1. Table 2: Full Year Actual vs Budget FY 2019/20

	<b>Business Plan Budget 2019/20</b>	<b>2019/20 Actual</b>	<b>Variance</b>
	£'000	£'000	£'000
<b>Net turnover</b>	<b>4,180</b>	<b>4,317</b>	<b>137</b>
<b><u>Operating costs</u></b>			
Depreciation	(560)	(557)	3
Audit fees	(30)	(30)	0
SLA Costs and other costs	(920)	(1,814)	(894)
<b>Total Operating Costs</b>	<b>(1,510)</b>	<b>(2,401)</b>	<b>(891)</b>
<b>Operating Profit</b>	<b>2,670</b>	<b>1,916</b>	<b>(754)</b>
Less: Loan Interest payable	(2,036)	(2,036)	-
<b>Profit (loss) before tax</b>	<b>634</b>	<b>(120)</b>	<b>(754)</b>

4.2. Total loss for the year has come in as £120k. Previous in-year projections were in line with this loss for the year.

4.3. This is a variance of circa £750k to the original budget. This is driven mainly by repair costs. However, it should be noted that the main reason for the large variance is that the original budget was inaccurate and underestimated costs. 2019/20 costs are in line with 2018/19 costs.

4.4. A benchmarking exercise undertaken in February 2020 demonstrated that FWH's operating costs are in line with other providers of similar size. This exercise found that FWH has a strong performance in operating margin (46%), with the Company placing within the upper quartile in all peer groups. Essentially, operating margin is a measure of profitability, indicating how much revenue is left over after operating expenses. In this case, FWH generates high income in proportion to cost. The benchmarking also identified that FWH's financing costs were high compared to other providers.

4.5. Total operating costs can be broken down into the following categories. It should be noted that pass through costs can be defined as costs the Council incurs on behalf of FWH and recharges back to FWH, such as service charges, section 20 notices, and legal fees.

Category	£000
Administration and other costs	57
Depreciation	557
Pass through costs	492
Repairs	802
SLA fixed costs	493
<b>TOTAL</b>	<b>2,401</b>

## 5.0. Summary of 2020/21 Business Plan

5.1. In the 2020/21 Business Plan, the following were identified as the Company's strategic priorities for 2020/21:

- Increasing the affordability of the capital investment programme;
- The disposal of four properties in regeneration zones; and
- The purchase of new build developments from the Council and market.

5.2. The 2019/20 Business Plan outlined that the condition of FWH's stock was poor. In October 2018, the Council's Asset Management Team carried out a stock condition survey (SCS). The 2019/20 Business Plan proposed that FWH would work with the Council's Asset Management Team to use SCS results and areas of local knowledge to create an investment plan. Throughout 2019/20 this work has been carried out. Using the SCS and areas of local knowledge, FWH has produced the stock investment programme. At present, this is unaffordable. The 2020/21 Business plan outlines options for increasing affordability.

	Investment Stream	Start date	End date	Properties included	Assumed Value
1a	Replacement and side weather protection shield works, cyclical works and complementary communal and heating works at a FWH block.	2019	2021	49	£2,600,000
1b	Weather protection shield works and complementary communal and heating works at two FWH blocks.	2020	2022	36+19	
2	One bed refurbishment programme	2019	2027	45	£720,000
3	Cyclical programme of works	2020	2049	139	£22,300,000
4	Internal works programme	2020	2049	325	£11,300,000
5	Section 20 set aside	2019	2049	190	£29,132,700
6a	Enfranchisement	2019	2020	10	£150,000
6b	Enfranchisement	2021	2031	43	£215,000
7	Disposal of 4 x FWH properties in regen areas	2019	2020	4	<b>-£1,200,000</b>
<b>Sub Total</b>		<b>2019</b>	<b>2049</b>	<b>325</b>	<b>£65,217,700</b>

- 5.3. Throughout 2020/21, FWH will explore options for increasing the affordability of the stock investment programme. This will involve working with the Council's Asset Management team to confirm costs; reducing costs for FWH; undertaking a benchmarking exercise; and working to understand the optimum structure of its portfolio including the potential to sell a small number of properties that are least suited to FWH's operating model. FWH will then work with the Council's Asset Management Team to produce a revised, affordable, investment plan.
- 5.4. Another priority in the 2020/21 FWH Business Plan is the sale of four properties via mutual agreement within regeneration areas. FWH has been approached to sell four properties in regeneration areas by the London Borough of Brent (three properties), and the London Borough of Ealing (one property). In 2020/21, FWH will repay the grant element of the capital receipt back to the GLA. FWH will work with the Shareholder to understand implications of the capital gains tax. The FWH stock will reduce to 325 units as a result of these sales.
- 5.5. The final priority for FWH is the purchase of new build accommodation, through working with the Council and the market. In October 2019, Cabinet agreed for loan facilities of up to £110.5m be made available to i4B Holdings and FWH. A large proportion of this will be made available for the purchase of new build homes from the Council and the market. As a registered provider, there will be scope for FWH to use grant funding when purchasing properties from the Council and the market.
- 5.6. The Council has identified an internal development programme of approximately 1,300 new units. 817 of these units are for social rent and funded by grant from the Greater London Authority. 140 units over four schemes are considered initially suitable for purchase by FWH. As these opportunities develop, FWH will review its financial model and potential grant funding opportunities to ensure schemes remain affordable and in keeping with the Council's requirement of 65% of market rents. This is a new way of working for the Company. However, new build purchases will bring social and economic benefits to the Council in the form of increased affordable accommodation and reduced TA spending.

## **6.0. Risk Update**

- 6.1. The Company's Risk Register can be found in Appendix 1.
- 6.2. Since the last meeting with the Committee, the impact of Covid-19 on the Company's operations has been added to the risk register. It is expected that Covid-19 and the resulting UK lockdown will have an impact on the following risks:
  - Risk 5: There is a risk that business plan rent collection rates are not achieved and bad debt exceeds business plan assumptions.
  - Risk 6: There is a risk that void periods will exceed the business plan.

6.3. The Company is taking a safety-first approach to ensure the wellbeing of all parties. FWH has written to tenants to outline some of the measures that the Company will be taking as a result of Covid-19. These measures include:

- Postponing all scheduled deep cleans and window cleaning programmes.
- Ensuring that all employees and contractors follow government advice in relation to hygiene and social distancing.
- Prioritisation of emergency and urgent repairs.
- Encouraging households to remain vigilant to fire risks whilst spending more time at home.
- Encouraging tenants to contact FWH if they are facing financial difficulties.

6.4. The following risks remain as live issues and are being monitored as such:

- There is a risk of loss of income as a result of poor quality housing stock.

## **7.0. Audit Update: Rent Collection Audit**

7.1. The aim of this audit was to review FWH's rental charges to ensure that rental charges and rates are reviewed on a regular basis, tenants are charged the correct rates and that the rent collection service that FWH receives from BHM is robust.

7.2. Good practice was identified in a number of areas. This includes the following:

- A clear and well-defined Rent Strategy in the form of the FWH Business Plan 2019-20. The Business Plan outlines key risks and new opportunities relating to rent collection, which is monitored and analysed on a regular basis through management meetings.
- Clearly articulated roles, responsibilities and accountabilities between FWH and BHM.

7.3. The audit identified one high and three medium risk issues. These were:

- The Rent Collection KPI (high risk).
- Lack of guidance around arrears rental agreements (medium risk).
- Formal evidence of monitoring rental agreements (medium risk).
- Non-compliance with the arrears recovery process (medium risk).

7.4. The recommendations of the audit were presented to the FWH Board in January 2020 and agreed. The recommendations and responses have been summarised below.

Risk	Recommendation	Management Response
Rent Collection KPIs	Develop a reporting method that segregates actual rent collections and the collection of historic arrears.	<p>Management will explore available options with the Performance Improvement Team. A Power BI report will be in development in January – March 2020 to provide detailed arrears analysis. More clarity will be given to the FWH Board on what the KPI figures represent.</p> <p>FWH officers will work with housing teams to ensure accurate reporting of rent collection and arrears.</p>
Guidance around arrears rental agreements	<p>The FWH Board should develop and issue formalised guidance to BHM around maximum and minimum rental agreement thresholds.</p> <p>FWH should request management information on the number, value and adherence to tenant rental agreements on a regular basis to assess the effectiveness of rent recovery procedures.</p>	<p>There is currently a consistent approach to the development and issuance of rental agreements, as there is a single member of staff managing FWH properties. However, there is a need to formally define and implement guidance to ensure that in the event of rent officer absence, rental agreements are made and monitored in line with requirements.</p> <p>Management will explore available options to collate and report to FWH on the number, value and adherence to tenant rental agreements.</p> <p>FWH officers will work with the Income team to agree a set of parameters when agreeing rental agreements. FWH will monitor information on rental agreements and adherence at monthly board meetings.</p>
Formal evidence of monitoring rental agreements	FWH should request management information based on the number, value and adherence of tenant rental agreements on a regular basis to assess the effectiveness of rent recovery procedures.	<p>Options will be explored as to how BHM can collate and present information on the number, value and adherence of tenant rental agreements. Management plan to integrate this information as part of monthly reporting to the FWH Board.</p> <p>The FWH Board will request KPI reporting on the number, value and adherence of tenant rental agreements.</p>




<p>Arrears recovery process</p>	<p>FWH should work with BHM to understand the effectiveness of the arrears recovery process and consider whether process timeframes should be revised. FWH should also discuss and consider the manual nature of controls currently implemented by BHM to assess whether risks are being mitigated.</p> <p>FWH should develop and enforce KPIs covering each stage of the arrears recovery process.</p>	<p>Plans are in motion to bring the FWH process in line with the wider Council's process. Management plan to discuss and spot check case notes on a regular basis. Process maps will be reviewed and potentially revised.</p> <p>Management disagree with the second recommendation as they feel that this would set the team up for failure.</p> <p>FWH will request BHM to look into the most effective arrears collection processes, and revise their processes based on this.</p> <p>Rather than create bespoke KPIs on each stage of arrears collection, FWH will ask for quarterly/bi-annual reviews into arrears collection.</p>
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- 7.5. Officers will carry out the recommendations agreed above. This audit will be followed up when appropriate, to ensure the actions have been implemented and are operating effectively.

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Risk Number	Risk	Business plan assumption	Risk Owner	Risk Type	Pre-mitigation Likelihood (out of 5)	Pre-mitigation Impact (out of 5)	Pre-mitigation Risk Score (out of 25)	Mitigation	Post-mitigation Likelihood (out of 5)	Post-mitigation Impact (out of 5)	Post-mitigation Risk Score (out of 25)	Comparison to last report	Risk Status	Comment
1	*There is a risk loss of income as a result of poor quality housing stock	The potential consequence of this risk materialising is that the Company's income is insufficient to cover the expenditure required to maintain good quality housing stock	First Wave	Operational & Financial	4	4	16	A stock condition survey has also been carried out, figures still need to be analysed. However, it is anticipated that the Company will need to invest £2.2m a year into its stock. Cash flow will become an issue after three to four years.  Options are being explored to remedy cash flow issues. Officers will also work with Brent Asset Management to understand and prioritise works. Officers are due to receive accurate stock condition survey in Q1 2020. They will work with the finance team to review spend against budget.	3	4	12		Open - Live Issue	14/11/2019: Live Issue. 20/01/2020: Mitigation amended to include upcoming accurate stock condition survey.
6	There is a risk that void periods will exceed the business plan	The potential consequences of this risk materialising is the company has fewer properties able to receive rent and therefore income would reduce whilst expenditure potentially increases. Additional costs such as council tax costs to the company increase during void periods.	First Wave	Financial & achieving operational objectives	4	3	12	First Wave has built the requirement to cooperate to ensure void periods are minimised into the contracts with housing management and void contractors.  BHM are carrying out a review into their voids process.  As a result of Covid-19, the Company may face longer void times. Current government guidance discourages people from moving house during the UK lockdown.	4	3	12		Open	15/10/2019: There are currently 4 void properties for FWH. We will work with Housing Management to understand how this can be better mitigated in the future. 14/04/2020: Mitigation amended to reflect the impact of Covid-19. 27/04/2020: Likelihood increased as a result of Covid-19.
2	There is a risk of reduction in income in market rent because the properties cannot achieve market rent yield	The business plan assumes that market rent achieves 20% uplift over LHA	First Wave	Financial	5	2	10	Where market rented properties are not achieving LHA rent levels, the 2019/20 Business Plan proposes to amend the tenure of these properties once they become void in order to increase rental income.	4	1	4		Open	17/01/2019: New mitigation. Risk reduced.
4	Page 61 There is a risk that First Wave policies and procedures specific to the non-social housing tenures e.g., market rent and intermediate rent are not applied appropriately	The failure to adhere to core policies and procedures could lead to a financial and reputational risk to the company	First Wave	Operational & Financial	3	3	9	An audit into FWH rent setting and rent collections found no issues in how rents have been set. Rent setting exercise for 2020/21 applied a 2.7% increase for intermediate and market rented properties.	2	3	6		Open	15/10/2019: Mitigation amended. 14/04/2020: Mitigation amended to reflect the findings of the rent setting audit.
5	There is a risk that business plan rent collection rates are not achieved and bad debt exceeds business plan assumptions.	The potential consequences of this risk materialising is the company's income is insufficient to cover its expenditure.	First Wave	Financial	3	3	9	Rent collection rates are monitored at monthly First Wave board meetings and remain consistent at around 100%.  Brent Housing Management who deliver housing management services for First Wave have in place an action plan for Universal Credit implementation. A rent collection audit has been carried out.  It is recognised that Covid-19 may impact FWH's rent collection rates. Letters have been sent to tenants to encourage them to contact BHM should they face financial difficulty.	3	3	9		Open	14/05/2019: Audit on rent collection identified for 2019/2020 20/01/2020: Mitigation has been amended to include the recent rent collection audit. 14/04/2020: Mitigation amended to reflect the impact of Covid-19. 23/04/2020: Likelihood score increased by 1, as a result of Covid-19.

9	There is a risk of Fraud to the company	The Company faces a range of fraud risks. Fraud could result in a loss of income and/or reputational damage to the company and the Council	i4B	Fraud	2	3	6	An internal audit into the fraud risks the company faces was carried out in 2018. Actions from the audit have since been implemented. The Board will review fraud risks on an annual basis.	1	3	3		18/10/19: Fraud risks 9.1 to 9.5 merged.
7	There is a risk that First Wave is deemed to have failed a statutory health and safety obligation as a landlord	The SLA places a requirement on Brent Council to deliver this function, but is unable to transfer the risk of non-compliance with legislation e.g. H&S, gas safety etc.  Failure to comply with H&S requirements increases the opportunity for hazards including the causing of death. The ultimate penalty for failure to abide by statutory H&S requirements is imprisonment of the Chair of the Board.	First Wave	Financial & Reputational	1	5	5	Contracts cover compliance requirements including gas servicing. Only suitably qualified people will be employed to deliver works. Monthly monitoring include some key aspects including gas, complaints and customer satisfaction.  The council has recently had an audit on its asset management systems and a number of improvements have been identified. FWH and i4B should participate in discussions around the key data basis of CRM, Northgate and Keystone.  BHM have carried out an self assessment into its compliance with NROSH standards. The self assessment says BHM are compliant.	1	5	5	Open	15/10/2019: Mitigation amended.

 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b> 26 May 2020
	<b>Report from the Director of Legal HR Audit and Investigations</b>
<b>Internal Audit Progress Report for the period January - April 2020</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	Three Appendix A Completed Audits for the period January to April 2020 Appendix B: Current Programme of Audits Appendix C Follow Up Reviews
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Michael Bradley, Head of Audit and Investigations, Email: <a href="mailto:Michael.bradley@brent.gov.uk">Michael.bradley@brent.gov.uk</a> Tel: 07920 581620

## 1. Purpose of Report

- 1.1. This report provides an update on progress against the Internal Audit Plan for the period 1 January 2020 to 30 April 2020.

## 2. Recommendations

- 2.1. The Audit & Standards Advisory Committee note the content of the report.

## 3. Internal Audit Performance

- 3.1 During this period, Internal Audit have:
- Completed 10 audit reviews and advisory pieces of work;
  - Issued a further seven draft reports awaiting management responses;
  - Completed 14 follow up reviews;
  - Completed two school audits and
  - Completed grant claim certifications for the Troubled Families Programme.

The team has also been able to react to urgent management requests when required. Further details are set out below.

- 3.2 The team remained under resourced during this period with a vacancy for a Principal Auditor. A successful recruitment campaign was completed in March although the new recruit will not be starting until July. Once in place this should bring increased stability and performance. The team continues to be supplemented by a contracted resource from PWC.

**Audit Work Undertaken**

- 3.3. The Internal Audit Plan for 2019/20 initially comprised 55 audits excluding school reviews, follow-ups and advisory work.
- 3.4 10 audits have been completed during this period (adding to the 20 audits completed previously). A further seven draft reports have been issued awaiting a response from management. A further seven audits are nearing completion or are in progress. Due to the ongoing Coronavirus situation a number of this year’s audits have had to be postponed and will be rescheduled in 2020/21. Planning work has also now commenced on a number of audits from the 2020/21 Audit Plan.
- 3.5 For each audit where controls have been analysed and a report agreed with management, an assurance opinion was given previously. This grading mechanism provided an indication of the level of confidence in the controls in operation and the extent to which they are being applied. For 2019/20 this grading system is no longer being used and an indication of the level of confidence is now gained by examining the number of issues raised and their associated risk level.
- 3.6 Details of the audits and the key findings are set out in Appendix A. Details of the audits currently in progress are set out in Appendix B.

**Follow up Reviews**

- 3.7 As part of the audit process, follow-up reviews are carried out to ensure that agreed management actions in respect of significant risks have been implemented.
- 3.8 During the period, 14 follow up reviews have been completed. A further 11 are currently in progress. Details of the completed follow up reviews are set out in Appendix C.
- 3.9 Of the 14 completed, four had high-risk actions that had not been implemented or only partially implemented. These will be further followed up to ensure they have been satisfactorily implemented and details are included in Appendix C.

119 management actions have been reviewed:

Implemented	Partially Implemented	Not Implemented	No Longer Relevant
73	28	17	1

- 3.10 Revised completion dates have been agreed with management where actions remain partially or not implemented. Audit will revisit to confirm implementation where appropriate.

### **Schools**

- 3.11 The program of school audits focuses on governance, financial processes and accompanying back office resources.
- 3.12 Following the first seven reviews in quarters one and two, a further two have been completed. One was a new review and the other was a follow up review at Leopold Primary School, following a 'No Assurance' rating given last year. The follow up found that there had been significant improvements in the overall risk management, governance and internal control processes of the School.
- 3.13 The remaining two school reviews were scheduled to take place during quarter four but have now been postponed until the next financial year due to the ongoing Coronavirus situation. Internal Audit continue to attend the Teachers' Panel and School Information Exchange meetings to discuss the audit process, key risk areas and any other concerns raised by schools.

### **Customer Satisfaction**

- 3.14 Management are asked to provide feedback on individual audits completed and the feedback is incorporated into the continuous improvement of the service. Questionnaires issued at the end of each audit ask the auditees to provide feedback on areas including usefulness of the audit, quality of the report and usefulness of any recommendations made.
- 3.15 Five questionnaires have been returned during this period. All responses were very positive with 97.5% of scores either very satisfied or satisfied.

## **4. Financial Implications**

- 4.1 The report is for noting and so there are no direct financial implications

## **5. Legal Implications**

- 5.1 The report is for noting and so there are no direct legal implications

## **6. Equality Implications**

- 6.1 None

## **7. Consultation with Ward Members and Stakeholders**

- 7.1 None

**Report sign off:**

**Debra Norman**  
**Director of Legal HR Audit and Investigations**





## Appendix A

Completed Audits for the period January to April 2020

Audit Title	Key Findings
Car Parks	<p>Medium risk:</p> <ul style="list-style-type: none"> <li>• Analysis of the usage, land value and income generating ability of all car parks, and</li> <li>• Completeness and accuracy of Civil Enforcement Officer deployment hours.</li> </ul> <p>Low risk:</p> <ul style="list-style-type: none"> <li>• Governance and control over internal operational process, procedure and policy documents, and</li> <li>• Car park risk assessments.</li> </ul>
IT Access and Identity Management	<p>High risk:</p> <ul style="list-style-type: none"> <li>• Access to applications.</li> </ul> <p>Medium risk:</p> <ul style="list-style-type: none"> <li>• User Access Reviews;</li> <li>• Audit Log Management and Monitoring of Users;</li> <li>• New User Creation Requests and Approvals;</li> <li>• Leavers Process and</li> <li>• Password Controls.</li> </ul>
Staff Benefits	<p>High risk:</p> <ul style="list-style-type: none"> <li>• Effective and regular management reporting and reconciliations of staff beneficial loans;</li> <li>• Loan policy or procedures and roles and responsibilities;</li> <li>• Central record of loans issued.</li> </ul> <p>Medium risk:</p> <ul style="list-style-type: none"> <li>• Season ticket loans compliance with the relevant terms and conditions;</li> <li>• Welfare loans compliance with terms and conditions;</li> <li>• Car loan compliance with the relevant terms and conditions</li> </ul>
First Wave Housing Rent Collection	<p>High risk:</p> <ul style="list-style-type: none"> <li>• Rent Collection KPI.</li> </ul> <p>Medium risk:</p> <ul style="list-style-type: none"> <li>• Guidance around arrears rental agreements;</li> <li>• Formal evidence of monitoring of rental agreements, and</li> <li>• Non-compliance with the arrears recovery process.</li> </ul>

VAT	<p>Medium risk:</p> <ul style="list-style-type: none"> <li>• Sampling / trend analysis of the figures provided by the schools in the borough.</li> <li>• Application the 'reverse charge' and reporting payments to international suppliers on its VAT return.</li> <li>• AR control testing synchronisation with the VAT return preparation process.</li> <li>• Partial exemption calculations.</li> </ul> <p>Low risk issue is in relation to VAT returns trend or seasonal analysis.</p>
Apprenticeships	<p>Medium risk</p> <ul style="list-style-type: none"> <li>• Monitoring and reporting of performance against priorities set out in the Apprenticeships Strategy.</li> </ul> <p>Low risk:</p> <ul style="list-style-type: none"> <li>• process documentation;</li> <li>• apprentice's recruitment and induction records, and</li> <li>• Ongoing support to apprentices.</li> </ul>
Housing Allocation	<p>Medium risk:</p> <ul style="list-style-type: none"> <li>• Evidence for homeless housing applications.</li> <li>• Evidence regarding verification checks for residents during the allocations process.</li> <li>• Monitoring of fraud awareness training for staff within the Housing team.</li> </ul>
Attendance Management	<p>Medium risk:</p> <ul style="list-style-type: none"> <li>• Training - compliance from managers with the Attendance Management Policy.</li> </ul> <p>Low risk:</p> <ul style="list-style-type: none"> <li>• HR Records - records on Infostore.</li> </ul>
Pension Fund	<p>Medium risk:</p> <ul style="list-style-type: none"> <li>• Terms of Reference for the PFSC and vacant posts within the two governing bodies;</li> <li>• Skills matrix for members of both PFSC and Pension Board.</li> </ul> <p>Low risk:</p> <ul style="list-style-type: none"> <li>• Monitoring arrangements to oversee the administration of LCIV.</li> <li>• Investments in passive trackers that exclusively follow Environmental, Social and Governance (ESG) indexes.</li> </ul>
Legal Services Case Risk Management	<p>Medium risk:</p> <ul style="list-style-type: none"> <li>• Risk Management Forms.</li> <li>• File and work reviews - management trail.</li> </ul> <p>Low risk:</p> <ul style="list-style-type: none"> <li>• evidence of approval to instruct Counsel.</li> <li>• oversight of the demotion of risk cases.</li> <li>• Evidence of closure of a risk file.</li> </ul>

## Appendix B

Audit	Current Status
IT Sourcing & Procurement	Draft Report issued to Management
Schools Capital Programme	Draft Report issued to Management
Children Disability Placements	Draft Report issued to Management
Registrars	Draft Report issued to Management
Platform Review	Draft Report issued to Management
IT Governance	Draft Report issued to Management
Robotic Process Automation	Draft Report issued to Management
Highways	Fieldwork in progress
Older Persons Pathway	Fieldwork in progress
Spot Purchasing, Residential and Nursing Care	Fieldwork in progress
Voluntary Sector Funding	Fieldwork in progress
Parking Enforcement	Fieldwork in progress
H&S Lone Worker	Terms of Reference Issued to Management
Fostering	Terms of Reference issued to Management

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## Appendix C

### Follow Up Reviews

Audit Title	Management Actions			
	Implemented	Partially Implemented	Not implemented	No Longer relevant
Staff Performance Management	0	8 (8)	4	0
Footways Business Case Review	11	0	4	0
Supplier registration	0	4 (3)	2	0
Children In Need	8	0	0	0
School Effectiveness/Monitoring	8	0	0	0
Arboriculture	2	1	3	0
Joint Front Door (Customer Services/ASC)	9	0	0	0
P2P Programme	4	1	0	0
London Borough of Culture	5	0	0	0
Licensing of Landlords	2	2	0	1
I4B Property Acquisitions	4	2 (1)	0	0
Discretionary Housing Payments	4	2	0	0
IT Licencing	9	4	0	0
Accounts Receivable	7	4 (1)	4 (3)	0

The numbers in brackets are high risk actions not fully implemented and detailed below:

**Staff Performance Management** – The high risk actions, all partially implemented, relate to the Performance Management Framework (PMF), training, guidance and objectives. A new PMF is to be circulated to staff later this year. A standard objective template is due to be introduced along with the updated PMF which will facilitate the setting of objectives for staff.

**Supplier Registration** – This audit was followed up as part of the follow up work on the ongoing P2P Programme. The high priority issues were;

- Procedure Documents – to support the new process;

- Supplier Registration Checks and;
- Supplier Database Cleansing.


Completion of the actions is part of the P2P Programme. Further audit work is scheduled in 2020/21 on the Programme and will include a further review of the yet to be implemented actions and how the new i-supplier process is working.

**I4B Property Acquisitions** – The partially addressed high risk action relates to the i4B Management Team working towards using CRM Dynamics as the sole database for recording and storing information on property acquisitions. CRM is still not the sole database due to ongoing system errors and a revised date has been agreed for 30 September 2020.

**Accounts Receivable** – The high risk actions either partially or not implemented were:

- The backlog of chargeback transaction should be reviewed. Where feasible chargebacks should be investigated and correspondence should be sent to World Pay, the relevant service area and customers (if applicable).
- The team should trial the new process and ensure all chargebacks are investigated in full and correspondence sent to all the relevant parties.
- Any outstanding chargebacks debit balance on the payroll accounts should be credited and reconciled against the 279 accounts.
- Priority should be given to rectify AIM/bank accounts mapping issue. Until the mapping issue is resolved, all the incorrect journal entries made by AIM should be identified and correctly reconciled, at least on a monthly basis.

The revised completion date for all outstanding actions is 30 September 2020.

 <b>Brent</b>	<b>Audit And Standards Advisory Committee</b> 26 <sup>th</sup> May 2020
	<b>Report from the Director of Legal, HR and Audit &amp; Investigations</b>
<b>Counter Fraud Progress Report – Q4 2019/20</b>	

<b>Wards Affected:</b>	N/A
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	N/A
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Michael Bradley, Head of Audit and Investigations Service Email: , <a href="mailto:Michael.Bradley@brent.gov.uk">Michael.Bradley@brent.gov.uk</a> Tel: 07920 581620

## 1.0 Purpose of the Report

1.1 The report sets out the activities of the counter fraud function in Q4.

## 2.0 Recommendation

2.1 That the Audit and Standards Advisory Committee notes the counter fraud work in the period of this report.

## 3.0 Detail

### Internal Fraud

3.1 The total internal fraud referrals in 2019/20 is slightly higher than the previous year. This includes whistleblowing referrals and a range of case types such as financial, staff conduct and procedural irregularities. Proactive work and our review of the National Fraud Initiative (NFI) data-matched reports is covered in the 'Proactive' section of this report. Internal fraud typically has the fewest

referrals in any period but is generally more complex in nature. The table below sets out key figures in this area.

Table A – Internal Fraud

Internal Fraud	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1	2018/19 (full year)	2017/18 (full year)	2016/17 (full year)
Open Cases b/f	12	15	9	5	11	16	22
New Referrals	5	6	13	11	28	35	28
Closed Cases	5	9	7	7	34	40	34
Open Cases c/f	12	12	15	9	5	11	16
Fraud/Irregularity Identified*	1	7	2	2	11	10	12
Dismissal	0	2	0	1	2	1	1
Resignation/Left	0	2	1	1	2	1	2
Warning	0	0	0	0	3	2	1
Other Outcome	1	3	1	0	4	7	8

\* Where closed cases do not identify fraud / irregularity, these are recorded as NFA (No Further Action)

3.2 There were five referrals logged in Q4 from a variety of sources. Due to the confidential nature of the type of referrals, it is not appropriate to provide details in this report. However, a summary of the case types is as follows:-

- misuse of IT (x1);
- conflict of interest (x1);
- recruitment irregularities (x1);
- breach of financial / other regs (x1), and
- bribery or corruption (x1).

3.3 One case of note that is still under investigation relates to the fraudulent misuse of client funds held on a payment card. The investigation found irregular transactions totalling over £7,000 over an 18-month period, and some service control weaknesses. The subject resigned during enquiries. Enquiries are ongoing to consider criminal proceedings and a report will be issued to management.

3.4 Another case of note that concluded in Q4 related to a successful applicant for a vacancy in Children's Services. They supplied out of date and invalid identity documents that the Recruitment team identified during the recent identity scanner pilot in Q3. Enquiries found no evidence of fraud, and the applicant eventually obtained correct documentation to commence employment. This highlighted the importance of adequate identity scanners, particularly for recruitment, and it is anticipated that new scanners will be introduced as soon as circumstances allow.



## Tenancy and Social Housing Fraud

3.5 The recovery of social housing properties by the Counter Fraud team has a positive impact upon the temporary accommodation budget and remains a high priority fraud risk for the Council. The average value of each recovered tenancy is £93,000 per property as reported by the Cabinet Office (National Fraud Initiative Report 2016). The counter-fraud activity to end of year is summarised in the table below:

Table B – Tenancy and Social Housing Fraud

Housing Fraud	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1	2018/19 (full year)	2017/18 (full year)	2016/17 (full year)
Open cases b/f	74	44	41	23	28	82	121
New Referrals	34	60	35	47	151	130	332
Closed cases	42	30	32	29	156	184	371
Open cases c/f	66	74	44	41	23	28	82
Fraud Identified	5	7	2	5	27	42	52
Recovered Properties	5	6	2	2	20	38	44
Applications Refused	0	0	0	1	3	1	0
Property Size Reduced	0	1	0	1	0	2	4
Right To Buy	0	0	0	1	3	1	4
Value of properties recovered*	£465,000	£651,000	£186,000	£372,000	£2,139,000	£738,000	£864,000
Value of Right to Buy Discount Prevented**	NIL	NIL	NIL	£170,900	£315,800	£103,900	£311,700
Cases with Legal for Possession/Prosecution	9	9	9	8	12	11	26

\* Notional value of recovered properties (including housing and Right to Buy applications stopped, property size reduction and prevention of split tenancy) used for reporting purposes is £93,000. (£18,000 used previously)

\*\* Actual amount of Right to Buy discount stopped.

\*\*\* Fraud Found includes one housing case where Council Tax fraud/irregularity (£145.10) was identified.

3.6 Five housing cases, with a notional value of £465,000, were recorded as a result of fraud / irregularity in Q4. The total number of fraudulent housing cases concluded in 2019/20 was 19, which is lower than the total recorded in the previous year of 27.

3.7 The number of housing frauds detected has reduced when compared to an average of 40 recoveries over the last three years. Referrals have declined over the last two years, though relevant teams are working together to address this and help improve the quality and quantity. Of the 34 referrals logged during Q4, nine were from Housing Management teams.

3.8 The total referrals are increasing due to information received from the public and proactive work conducted by the team, such as data matching against tenancy records. Totals referrals logged this year was 176, compared to last year's total of 151, and a further 24 referrals were received in Q4 that need to be processed.

- 3.9 There are currently 92 live housing investigations and of these; ten cases are involved with legal proceedings to recover the property, and a further nine cases have been concluded by the team with a report issued to Housing Management to instigate recovery action. We are working closely with the Home and Communities team to progress these outstanding cases.
- 3.10 One case concluded in Q4, was a tenant who had been residing in a care home for a long time and who had passed away in March 2018. Housing Management were not aware of the non-occupancy, and following an investigation into the circumstances, the property was successfully recovered.
- 3.11 Another case of note was a leaseholder claiming to be resident in order to be eligible for the higher compensation pay-out as part of the regeneration buyback process. The investigation established that the leaseholder is not resident and was only eligible for lower compensation amount.
- 3.12 Another property recovery concluded in Q4 was that of a sub-tenant found to be living in a property for a year. The investigation found previous sub-tenants were also living there. The tenant was located and found to be living in Milton Keynes. Effective and collaborative working with Housing Management staff recovered the property without the need for court action, and within three months of the Counter Fraud team identifying the fraud.

### **External Fraud**

- 3.13 'External fraud' includes all external fraud / irregularity that affects the council. This will include (but is not limited to) fraud cases involving; Blue Badge, Direct Payments, Council Tax, Business Rates, insurance, finance, concessionary travel and grant applications. The counter fraud activity up to end of the year is summarised in the table below:

Table C – External Fraud

<b>External Fraud</b>	<b>2019/20 Q4</b>	<b>2019/20 Q3</b>	<b>2019/20 Q2</b>	<b>2019/20 Q1</b>	<b>2018/19 (full year)</b>	<b>2017/18 (full year)</b>	<b>2016/17 (full year)</b>
Open cases b/f	56	61	44	20	13	14	57
New Referrals	43	48	49	53	142	88	161
Closed Cases	62	53	32	29	135	89	204
Open cases c/f	37	56	61	44	20	13	14
Fraud / Irregularity *	14	22	11	2	23	12	22
Prosecution	0	4	0	1	2	1	2
Warning / Caution	14	18	5	1	4	2	6
Overpayment/Saving	14	22	11	2	19	11	7

\* Where closed cases do not identify fraud / irregularity, these are recorded as NFA (No Further Action).

- 3.14 There has been a significant increase in referrals throughout this year. This is mainly due to a new referral process developed in April 2019 with the Parking Service and its contractor Serco to tackle Blue Badge fraud and misuse. A total of 193 referrals have been processed this year, compared with 142 in the previous year. In addition, there are a further 106 outstanding referrals to be processed.
- 3.15 In addition, successful outcomes have increased compared to the previous year with five prosecutions and 38 cautions/warnings being issued for Blue Badge fraud and / or persistent misuse.
- 3.16 A current investigation, considered for criminal proceedings, is against an ex-agency staff member who previously worked for the Council. They were fraudulently misusing a Blue Badge that had been reported as lost.
- 3.17 Another investigation concluded and considered for criminal proceedings, is a Brent resident who was using a counterfeit Blue Badge on multiple occasions.

#### **Proactive and other Counter Fraud activity**

- 3.18 In Q4, an on-street Blue Badge operation with Parking Enforcement took place in the Willesden area. This resulted in 12 Blue Badges checked and three PCNs issued. A vehicle was towed away as the badge belonged to a deceased person was being used. A further vehicle was towed due to multiple unpaid and outstanding parking fines. The format for this operation was a smaller group and carried out over a shorter timeframe. This was trialled successfully with two previous operations in Q3. A further operation was planned for the end of Q4, but cancelled due to current circumstances.
- 3.19 The National Fraud Initiative (NFI) 2018/19 exercise has generated 19,296 data matches in Q4 2018/19 covering multiple data reports across the full range of data sets that include Payroll, Pensions, Finance, Creditors, Housing, Benefits, Direct Payments, Insurance, Parking Permits and concessionary travel. In addition, there is an annual data match between Electoral Roll and Council Tax Single Persons Discount data, which produced over 6,500 matches this year, of which it is expected that approximately 25% will have the Single Persons Discount cancelled. All reports are currently being reviewed by the team and full summary of outcomes will be presented in the end of year report. One report that was recently completed relates to deceased person records against live Parking Permits, which has resulted with a notional value saving of £33,925. Another report matching Council Tax Support and deceased persons' data identified £26,285 in savings.
- 3.20 After a recent successful pilot in Q3, the team will introduce an identity authentication system that will enable all council services to have full assurance when accepting and verifying identity documents, which will help to prevent fraud. The system is called IDScan – Scannet. The system is designed for use at customer facing points. It is anticipated the new scanners will be introduced as soon as circumstances allow at four locations.

## **Covid-19 Anti-Fraud Arrangements**

3.21 Given the circumstances surrounding the Covid-19 pandemic response by the Council, the Committee may wish to be aware of the following:

- The Coronavirus pandemic which manifested towards the end of this reporting period has necessitated some interim amendments to processes and controls in services. These are being delivered in a controlled manner with appropriate advice to managers regarding the risk of error and fraud.
- There has been an increase in fraud referral across categories from March to April – it is not yet clear whether this because referrers have more time to make referrals or whether fraud is actually increasing.
- The investigations team have necessarily been working from home dealing with individual caseloads, NFI reports and assessing new referrals. Homeworking was already embedded so there has been minimal impact on effectiveness and productivity.

### **4.0 Alternative Options Considered**

4.1 N/A

### **5.0 Financial Implications**

5.1 There are no specific financial implications associated with noting this report.

### **6.0 Legal Implications**

6.1 There are no specific legal implications associated with noting this report.

### **7.0 Equality Implications**

7.1 None.

### **8.0 Any Other Implications (HR, Property, Environmental Sustainability - where necessary)**

8.1 None

### **9.0 Proposed Consultation with Ward Members and Stakeholders**

9.1 None.

**Report sign off:**

***Debra Norman***

Director of Legal, HR, Audit and Investigations

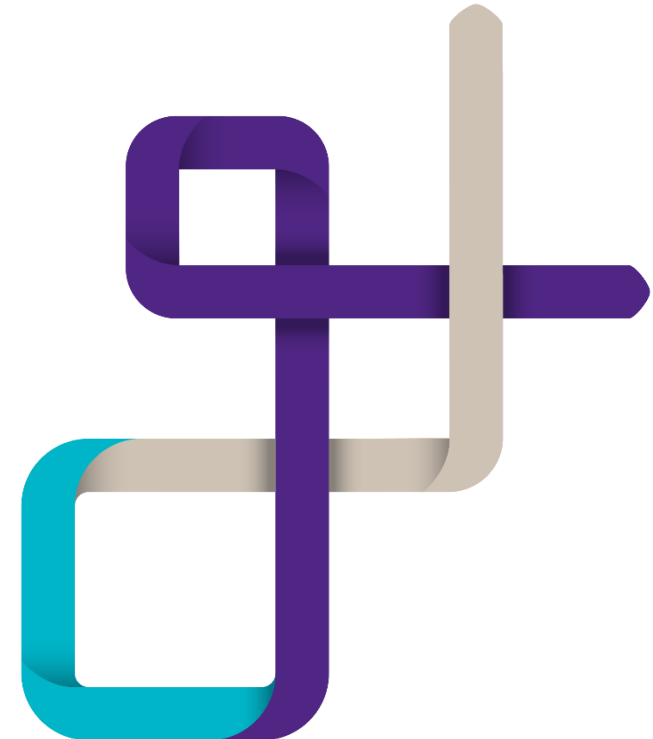
# External Audit Plan update

*Year ending 31 March 2020*

London Borough of Brent

London Borough of Brent Pension Fund

April 2020



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# Introduction & headlines

## Purpose

This document provides an update to the planned scope and timing of the statutory audit of the London Borough of Brent ('the Authority') and London Borough of Brent Pension Fund ('the Fund') as reported in our Audit Plan dated February 2020, for those charged with governance.

## The current environment

In addition to the audit risks communicated to those charged with governance in our Audit Plan on 11 March 2020, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

## Impact on our audit and VfM work

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020, however we will liaise with management to agree appropriate timescales. We continue to be responsible for forming and expressing an opinion on the Authority and group's financial statements, the Fund's financial statements, and VfM arrangements.

In order to fulfil our responsibilities under International Auditing Standards (ISAs (UK)) we have revisited our planning risk assessment. We may also need to consider implementing changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2020/21.

## Changes to our audit approach

To date we have:

- Identified a new significant financial statement risk, as described overleaf; and
- Reviewed the materiality levels we determined for the audit. We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19.

## Changes to our VfM approach

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19 but we have enhanced our financial sustainability VfM significant risk to reflect the impact of Covid-19 on the Council's 2020/21 budget and beyond.

## Conclusion

We will ensure any further changes in our audit and VfM approach and procedures are communicated with management and reported in our Audit Findings Report. We wish to thank management for their timely collaboration in this difficult time.

# Significant risk identified – COVID-19 pandemic

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Covid-19	Authority and the Pension Fund	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to:</p> <ul style="list-style-type: none"> <li>- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation;</li> <li>- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates;</li> <li>- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and</li> <li>- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.</li> </ul> <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation’s ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach;</li> <li>• Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise;</li> <li>• Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic;</li> <li>• Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely;</li> <li>• Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances, and Level 3 asset valuations for the Pension Fund;</li> <li>• Evaluate whether sufficient audit evidence can be obtained to corroborate management’s fair value hierarchy disclosure for the Pension Fund;</li> <li>• Evaluate management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment; and</li> <li>• Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.</li> </ul>

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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20 April 2020

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Dear Minesh

**Audit scope and additional work 2019/20**

I hope you and your colleagues are all keeping safe and well in these very unusual and difficult times. In this letter, I want to update you on our plans to work with you over the coming months, and to ensure that we plan our audit effectively, to provide assurance for those charged with governance, and to deliver a high quality audit to all users of the audit, whilst also seeking to maintain our fee within the envelope which we discussed previously.

I wrote to you previously regarding our detailed audit proposals on 3 January 2020, to outline how the increased regulatory focus facing all audit suppliers was impacting on our planned audit programme. I set out in my letter my expectation of what this would mean for our audit coverage for 2019/20, as well as for the audit fee. Items I highlighted in particular included the impact of 'raising the bar' to meet the FRC's expectation that all audits would now achieve a level of 2a (acceptable with limited improvements only) or above. I explained that we would need to increase our managerial oversight to achieve this audit standard. In addition, I outlined how you should expect the audit team to exercise even greater challenge of management in areas that are complex, significant or highly judgmental. I also outlined the specific additional work which we would need to undertake in complex areas of the accounts with high estimation uncertainty, such as Property, Plant and Equipment and Pensions valuations. I also outlined the changes we were making to our materiality level to reflect greater public scrutiny, as well as our planned use of an auditor's expert for PPE valuation. I set out full details in my audit plan dated February 2020, where I advised that my estimate was that additional fees of £30,500 for the Council audit and £8,830 for the Pension Fund audit would be required to complete the audits.

Subsequent to the above, global events have moved in an unexpected and tragic direction. None of us could have foreseen in January the impact that the Covid19 crisis has had on the world. As a local government body, you are at the forefront of efforts to support local people, and clearly the focus of the Authority will be directed to supporting local communities as best you can in these exceptionally difficult circumstances. As your auditors, we absolutely understand the challenges that you and your teams are facing and we have already been discussing with you and your team how we can work with you as effectively as we can. At these challenging times it is even more important to ensure that we can deliver a high quality audit, focused on good governance and the application of relevant accounting and auditing standards, whilst recognising the day to day pressures you face.

With this in mind we have prepared an update to our Audit Plan for 2019/20 and I attach this for your consideration. The following are the key points which I particularly wish to highlight for your attention.

**Addition of a significant audit risk in respect of Covid 19:**

The crisis has increased audit risk factors in the following areas:

- Remote working arrangements and redeployment of staff to critical front-line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation;
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management's estimates;
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and their overall financial resilience and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We have set out in the Audit Plan update the additional work we propose to undertake in respect of this new significant risk. Fundamental to our response will be working with you to understand the arrangements the Authority has in place to address relevant risks in respect of Covid 19 in its accounts preparation. We will also review the appropriateness of your disclosures, including in respect of any estimation uncertainties around for example PPE and Pensions asset valuations.

#### **Value for Money and Financial Standing**

As part of our VfM work we will ensure we understand the arrangements you are putting in place to manage risks around business continuity in the current crisis. We do not envisage this will be a significant audit risk for 2019/20, although we will keep this under review for 2020/21. We will also review your assessment of going concern and financial stability in the light of increased uncertainties around for example Council Tax and NNDR collection rates, car park income, and performance of subsidiary companies. We envisage linking the additional VfM work around financial standing with our Going Concern opinion work.

#### **Regulatory changes.**

As you will be aware, earlier this month, CIPFA decided to adopt a small number of presentational changes to its Accounting Code of Practice for 2019/20. The changes which are now proposed to the Code, for example around disclosure, will have only a marginal impact on the audit. The additional audit risk factors that I highlighted in my January 2020 letter regarding raising the bar, PPE and Pensions work, for example, will therefore all still be required this year. You will also be aware that the Government accounting Financial Reporting Advisory Board (FRAB) has deferred the implementation of IFRS 16 by a year. Whilst IAS 8 disclosures will be required, this change will lead to some reduction in preparatory work required by both you and us, for this year at least.

Finally, MHCLG has revised the publication date for the draft accounts to 31 August and set a target date for publication of audited accounts of 30 November. Whilst flexibility in moving away from July is welcome, a number of authorities have highlighted the risk that a delayed closedown process could impact on their budget programme for 2021/22. We are keen to agree a timetable that works for you, and that we can both commit to, and as agreed we will keep in communication with you and remain flexible on both sides.

#### **Fee impact**

As I set out in my previous letter, final audit fees are determined by PSAA, after the audit has been completed. At this stage, it is difficult to quantify the impact of the additional work required in respect of Covid19. My best estimate is that, taking into account increased work in respect of Covid 19, and reduced work on IFRS 16, the fees set out in our Audit Plan of February 2020, totalling £184,184 for the Council audit and £25,000 for the Pension Fund audit, remain appropriate, and we will do our best to work within this envelope. Should circumstances change, we will let you know.

I hope this is helpful and allows you to plan accordingly for the 2019/20 audit. Should you wish to discuss this further, please do not hesitate to contact me. I attach a copy of our Audit Plan update for your comment. We look forward to working with you again this year,

Yours sincerely




**Paul Dossett**

**Engagement Lead and Key Audit Partner**

For and on behalf of Grant Thornton UK LLP

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 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b>  26 May 2020
	<b>Report from the Director of Legal, HR, Audit and Investigations</b>
<b>Review of the Use of Regulation of Investigatory Powers Act 2000 – Inspection Update 2020</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not applicable
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	One Appendix A Investigatory Powers Commissioner's Inspection letter 2020
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Debra Norman, Director of Legal, HR, Audit & Investigations Email: <a href="mailto:debra.norman@brent.gov.uk">debra.norman@brent.gov.uk</a> Tel: 020 8937 1578  Bianca Robinson, Senior Constitutional & Governance Lawyer Email: <a href="mailto:biancia.robinson@brent.gov.uk">biancia.robinson@brent.gov.uk</a> Tel: 020 8937 1544  Tola Robson, Principal Lawyer Criminal Lit and Licensing Email: <a href="mailto:Omotolani.Robson@brent.gov.uk">Omotolani.Robson@brent.gov.uk</a> Tel: 020 8937 1455

## 1. Purpose

- 1.1. On the 20.01.2020, this Committee received an annual report addressing the Council's use and conduct of surveillance techniques in accordance with the Regulation of Investigatory Powers Act (RIPA) 2000. It noted the proposed changes to the RIPA policies and procedures and the pending Investigatory Powers Commissioner's Inspection. The Committee will be aware that changes to the RIPA policy were approved at the Cabinet meeting on the 9.3.2020. This report provides

details on the outcome of the inspection undertaken by the Investigatory Powers Commissioner's Office (IPCO) on the 9.03.2020.

## **2. Recommendation**

- 2.1. That the Committee notes the positive outcome of the 2020 IPCO inspection into the council's use of RIPA as set out in the Inspector's letter. The Inspector's letter is attached as Appendix A.

## **3. Detail**

### Background

- 3.1. The Regulation of Investigatory Powers Act 2000 (RIPA) gave the Council significant powers in order to investigate serious matters and offences. It enables the Council to use covert surveillance, covert human intelligence sources (CHIS) and the acquisition of service use or subscriber information in relation to communications data in a manner which is compatible with Article 8 of the European Convention on Human Rights (which governs an individual's right to respect for their private and family life). Before the Council may undertake covert surveillance, there are various criteria which must be met including approval of the application by a Magistrate.
- 3.2. Covert surveillance techniques include static surveillance (e.g. taking up an observer post to monitor the activities and movements of those suspected of having committed criminal offences); mobile surveillance (e.g. following someone to see where they are going without their knowledge) and using hidden CCTV at a crime hotspot. RIPA refers to these techniques as 'directed surveillance'. It also extends to the use of undercover officers and informants. RIPA refers to these as 'Covert Human Intelligence Sources' (more commonly referred to as CHISs).

### Inspection

- 3.3. The Council is periodically inspected (approximately every 2-3 years) by the Investigatory Powers Commissioner's Office (IPCO, formally referred Office of Surveillance Commissioners).
- 3.4. The IPCO has responsibility for reviewing the use of investigatory powers by public authorities and other intelligence and law enforcement agencies. They oversee how these powers are used, and ensure that investigations are conducted in accordance with the law.
- 3.5. The inspections focus on RIPA policies, procedures and practice; including, for example, the training undertaken by the Council, the use of open source data in particular via social media, data protection compliance and the processes in place for investigations that do not meet the RIPA thresholds (Non-RIPA process).
- 3.6. The council's last inspection was undertaken in November 2016; and the report following the Inspection was very positive with only two recommended suggestions. This Committee considered a report in March 2018 which set out the compliance with the two suggestions made by the Commissioner arising out of the 2016 inspection as part of its higher-level review.
- 3.7. The Committee will recall that for the inspection that took place on the 8.11.16, the Chief Surveillance Commissioner wrote to the Council's Chief Executive acknowledging that the inspector considered the Council's policy and procedure document to be "excellent".

Describing the Council's standards as "impressive" and noting that "the attitude of the Council to the need for training and awareness is sensible and far sighted". No formal recommendations were made but "some suggestions were offered for 'fine tuning'".

- 3.8. It is against this backdrop of good compliance that on the 9.03.2020 the Inspector undertook his telephone and desk-top inspection; concluding "your Council was last inspected in November 2016 by Mr McCrory who found, then, a good compliance regime with no recommendations for improvement required. I am pleased to note that this inspection has found similarly good levels of compliance. My Inspector noted the regular updating of the Council's RIPA policy document; a robust application process for the use of social media investigations; and clear processes to comply with R v Sutherland conditions when the use of CCTV equipment is required by external agencies".
- 3.9. Following the inspection no recommendations have been made. In accordance with the assurances affirmed by The Investigatory Powers Commissioner, officers will ensure "that the integrity of [the] Council's processes and governance procedures will be maintained to ensure that the noted high standards of compliance with the Act and relevant codes of practice continue".

#### **4. Financial Implications**

- 4.1. There are no financial implications arising out of this report.

#### **5. Legal Implications**

- 5.1. RIPA was introduced to ensure that covert surveillance undertaken by public authorities was done in accordance with the European Convention on Human Rights and the Human Rights Act 1998. The RIPA framework establishes a lawful process to use covert surveillance and thereby protects the Council from legal claims, providing it have been complied with.
- 5.2. The use of RIPA was modified by the Protection of Freedoms Act 2012. These changes mean that a local authority can only grant authorisations under RIPA for the use of directed surveillance where it is for the purposes of investigating criminal offences that carry a custodial sentence of six months or more, or criminal offences relating to the underage sale of alcohol or tobacco. Further, a magistrates approval is required before the RIPA authorisation can take effect.

#### **6. Equality Implications**

- 6.1. Under section 149 of the Equality Act 2010, the council has a duty when exercising its functions to have 'due regard' to the need to eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act and advance equality of opportunity and foster good relations between persons who share a protected characteristic and persons who do not. This is the public sector equality duty.
- 6.2. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.
- 6.3. Due regard is the regard that is appropriate in all the circumstances.
- 6.4. There are no equalities implications arising from this report.

**7. Consultation with Ward Members and Stakeholders**

7.1. None

**Report sign off:**

**DEBRA NORMAN**

Director of Legal, HR, Audit and Investigations





Investigatory Powers  
Commissioner's Office

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2 April 2020

Dear Ms. Downs,

### **Inspection of Brent Council**

Your Council was recently the subject of a telephone and desktop-based inspection by one of my Inspectors, Graham McCrory, MBE. This has been facilitated through your Senior Responsible Officer (SRO), Director of Legal, Human Resources, Audit and Investigations, Ms. Debra Norman and Ms. Bianca Robinson, Senior Constitutional and Governance Lawyer, who were interviewed over the phone and provided the supporting documentation requested by the Inspector.

The information provided has demonstrated a level of compliance that removes, for the present, the requirement for a physical inspection.

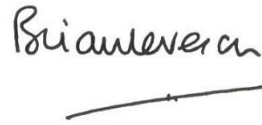
Your Council was last inspected in November 2016 by Mr McCrory who found, then, a good compliance regime with no recommendations for improvement required. I am pleased to note that this inspection has found similarly good levels of compliance. My Inspector noted the regular updating of the Council's RIPA policy document; a robust application process for the use of social media investigations; and clear processes to comply with *R v Sutherland* conditions when the use of CCTV equipment is required by external agencies.

In conclusion, it must be emphasised that although your Council has not exercised its RIPA powers since the last inspection, it is vital that the relevant staff are appropriately trained should the need arise to authorise covert activity. I note that your Council undertakes annual training events conducted by an external trainer, and this is recognised as good practice. However, it is also important that officers engaged in investigatory or enforcement areas where RIPA considerations are not so immediately apparent (for example Children's Services), maintain their levels of knowledge and know whom to approach for guidance. The SRO has given assurances to the Inspector that the integrity of your Council's processes and governance procedures will be maintained to ensure that the noted high standards of compliance with the Act and relevant codes of practice, continue.

My Office is available to you should you have any queries following the recent inspection, or at any point in the future. Contact details are provided at the foot of this letter.

I shall be grateful if you would acknowledge receipt of this letter within two months.

Yours sincerely,

A handwritten signature in black ink that reads "Brian Leveson". The signature is written in a cursive style and is positioned above a horizontal line.

**The Rt. Hon. Sir Brian Leveson**  
The Investigatory Powers Commissioner

**A&SAC FORWARD PLAN & WORK PROGRAMME 2020/21**

Topic / Date	05-May-20	26-May-20	29-Jul-20	08-Sep-20	08-Dec-20	11-Feb-21	31-Mar-21	11-May-21
<b>Internal Audit &amp; Investigations</b>								
Internal Audit and Counter Fraud Annual Report, including Annual Head of Audit Opinion			X					
Review Internal Audit Charter					X			
Internal Audit and Counter Fraud Progress Reports		X			X		X	X
Draft Internal Audit and Investigations Annual Plan							X	
<b>External Audit</b>								
External Audit progress report and sector update report		X	X	X	X	X	X	X
External Audit plan						X		
External Audit - Certification of grants and returns							X	
External Auditor's Report			X					
External Auditor Annual Audit Letter				X				
<b>Financial Reporting</b>								
Treasury Management Mid-term Report				X				
Treasury Management Strategy & Annual Investment Strategy						X		
Accounting Policies						X		
Statement of Accounts (Draft)		X						
Statement of Accounts (Final)			X*					
Treasury Management Outturn Report			X					
<b>Governance</b>								
To review performance & management of i4B Holdings Ltd and First Wave Housing Ltd		X		X			X	
Review of the use of RIPA Powers		X		X		X		X
Receive and agree the Annual Governance Statement	X*							X
<b>Risk Management</b>								
Strategic Risk Register Update			X			X		
Emergency Preparedness	X							
<b>Audit Committee Effectiveness</b>								
Review the Committee's Forward Plan	X	X	X	X	X	X	X	X
Review the performance of the Committee (self-assessment)								
Training Requirements for Audit Committee Members as required								
<b>Standards Matters</b>								
Quarterly update on gifts and hospitality		X		X		X		X
Annual Standards Report		X						X
Review of the Member Development Programme and Members' Expenses							X	

\* Will also require approval by Audit & Standards Committee

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