Present: Cllr Dave Miles (Chair), Cllr Amardeep Singh Jamu (Deputy Chair), Cllr Rocky Gill, Cllr Eileen Keller, Cllr Tony Ramsay and Cllr Phil Waker

Also Present: Dr Ian Fifield

Apologies: Cllr Jeanne Alexander and Cllr John White

48. Declaration of Members’ Interests

There were no declarations of interest.

49. Minutes (11 February 2015)

The minutes of the meeting held on 11 February were confirmed as correct subject to the inclusion of Dr Ian Fifield in the list of those present.

50. Update on Capital Delivery- Progress against projects

At the request of Members the Group Manager Capital Commissioning and Delivery presented a comprehensive update on progress on the Council’s major capital projects. In summary there are a total of 140 live projects including 78 major construction schemes, the overwhelming majority of which are on time and budget. A schedule attached to the report set out the RAG status of each project which the Group Manager summarised. Given the size and complexities of the capital programme it is inevitable that some projects have slippage and/or are not on budget for which actions to address were outlined in the schedule.

In response to the report members commented on the scale of the programme and the fact that the majority of the schemes are on track and being delivered within budget which is credit to the officers involved. However concerns were expressed about delays and resultant cost implications in relation to the following schemes:

Abbey Leisure Centre

Councillor Gill asked about the number of delays regarding the completion and opening of the new Abbey Sports Centre originally scheduled for September 2014, and now scheduled for March 2015. What financial penalties are being imposed on the contractor for the delays?

The Group Manager explained that the initial delay was due to archaeological finds leading to more significant than anticipated excavation works which were no fault of the contractor. However subsequent delays were down to a combination of sub contractors failing to deliver ground works on time and a number of site management problems. However final accounts have now been settled and agreement reached with the main contractor.
Councillor Gill challenged the compensation figure reported and suggested that putting aside the archaeological issues seeing the extent of the delays the figure should have been calculated on the basis of the revised completion date of November 2015. Taking that and the apparent watertight case the Council had, it was his view that the final settlement should have been considerably higher in excess of £0.5m. The Group Manager explained that in reaching an agreement it avoided potentially costly litigation. He added that with the recent upturn in construction costs, had the Council tendered the scheme today it would cost considerably more to build.

Despite the justification outlined by officers we have placed on record our concerns about the delays in delivering the scheme and the decision to settle on a lower compensation payment with the main contractor.

**School projects**

A number have exceeded agreed budgets which was a concern to the Committee seeing the growing squeeze on the Government Building Schools for the Future funding programme.

The Capital Delivery team work closely with Children Services to better plan these days. However a combination of things such as changes to specs and site conditions, as well as the buoyant London construction market means that some schemes have come up short financially.

In response to questions about the (red) status of the Robert Clack expansion the Corporate Director of Children Services explained that a combination of trying to meet DFE grant timescales and land costs resulted in having to revise the scheme wholesale.

Turning to the question of central government funding for schools the Corporate Director confirmed that the latest announcement indicates the Authority has secured £16m in addition to which there will be a Free School planned for Gascoigne. On that basis there will be sufficient funding up until September 2017. A report will be presented to Cabinet in March looking at planning the spend allocation. Thereafter it will depend on the future Government Spending Review.

There is currently a disagreement between the Council and GLA as to future population growth projections with the big risk for B&D coming around 2020 when the current large cohort of primary aged children reach secondary school age. Added to this the buoyant London construction market and the need to make school places available makes it harder for the Council when it comes to negotiating building costs.

In response to a question from Councillor Keller as to why the Adult College are relocating to Sydney Russell School, the Corporate Director explained that this is a 100% DFE funded scheme.

*The Committee ask whether in officers’ opinion the capital programme is too big having regard to the resources available?*

In response the Group Manager stated that he believed that there was sufficient
capacity within the organisation to deliver the current programme but it would benefit from earlier and better project planning. The Divisional Director of Regeneration added that concerns had been expressed by Cabinet Members at their last meeting about slippage on the capital programme, particularly in respect of housing schemes. The general consensus was that whilst there would always be resource issues to contend with, the keys issues were better planning and acknowledgement by Members as to what could be achieved within the resources available.

In thanking the officers for a comprehensive report, the Committee recommends that the Cabinet consider capitalising additional officer resources in the Capital Delivery Team to enable the Council’s ambitious capital programme to be delivered and to allow for better long term planning for the success of future projects.

51. Internal Audit Charter, Audit Strategy and Audit Plan 2015/16

The Group Manager, Internal Audit, presented the Internal Audit Charter and Internal Audit Strategy. Regulations require the organisation to undertake an effective internal audit taking into account public sector internal auditing standards. One requirement of these standards is to have an up to date audit charter and strategy in place. These documents are primarily intended to set out: the position of Internal Audit as independent within the organisation, the arrangements for ensuring the service is professionally delivered and how internal audit objectives will be delivered.

The documents set out in appendix 1 to the report are based on best practice layout and wording. The standards also prescribe how the annual plan of audit work should be determined which require formal approval by this Committee. The Group Manager outlined the main points of note as:

- Although planned audit work is being reduced by 10% it is still viewed as sufficient to enable Internal Audit to give an annual opinion
- The plan has been fully consulted on & researched and therefore represents proper focus on the right areas, and strikes the right balance between audit’s involvement with operational controls and strategic risks
- There is a small departure from the traditional audit approach of review and report at a point in time, instead part of the plan has been earmarked to keep a watch in brief on key developments and involve audit at key stages which it is believed will enhance the usefulness and impact of internal audit whilst retaining its assurance role.

In response to the report the following questions were raised:

*What are the main changes compared to previous years?*

There have been minor wording changes to the regulations aimed at clarifying the measure of a good internal audit function. In practical terms it’s about how officers best use the allocated audit days using a risk-based approach with the aim being to help managers head off problems rather than getting drawn in to addressing problems that have already occurred, in addition to the traditional assurance role.
What are the cost implications of using bought-in audit days over and above the loss of internal audit days?

All costs will be contained within the reduced budget provision.

Have our external auditors commented on the loss of audit days?

Not as yet although it is probably too early in the financial year to expect them to comment, albeit informally they do not think the way the plan has been devised will cause any issues.

The Committee discussed in general the amount of housing fraud in the borough and the actions being taken by officers to address the problem. The Chief Finance Officer reminded members of the dedicated phone line to report possible cases of fraud (020 8227 2775) which is available to the general public which last year helped in the return of thirty six properties to the Council’s housing stock.

Accordingly we have AGREED the Audit Plan 2015/16 as presented.

52. Debt Management Performance and Write-Offs 2014/15 (Quarter 3)

The Head of Revenues, Elevate introduced the report.

The report covered debt management for the third quarter of the current financial year 2014/15. It included information regarding collection performance in respect of Council Tax, NNDR, rents and general income, leasehold service charges, environmental penalty charge notices and housing benefit overpayments.

Alongside collection rates were details of service improvements, bailiff performance, and write-offs in accordance with the write off policy approved by the Cabinet.

With the exception of the collection of business rates target performance across the range of collections is being achieved. NNDR collection rates are 0.4% below the profile target. The main reason for this is that following changes this year to payment scheduling businesses can now choose to pay over twelve instead of ten months. This has meant that some of the debt has been back loaded and seeing this is the first year of the changes a truer picture will emerge next year.

In addition rates avoidance activity by a number of companies has affected collection rates. Perception is that companies are exploiting loopholes in current legislation and in 2014/15 £420k of debt has already been identified as being uncollectable.

Councillor Gill questioned about the use of industrial buildings for worship and consequently the potential loss of business rates. The Chief Finance Officer explained that the Council is working closely with Elevate to data match to build back the business rates portfolio by making sure that current delisted commercial properties are being used wholly for worship. He recognises that to do this there needs to be a greater level of inspection and enforcement work carried out.

In response to a question from Councillor Ramsey the Head of Revenues
confirmed that Elevate over the past few months have investigated older debt where previously debtors have disappeared.

Dr Fifield noted that the report only addresses debt collected by Elevate and would it not be more beneficial for PAASC to review update reports on all debt? The CFO confirmed that Elevate collect all the main debt apart from that small percentage associated with parking, hostel and private sector leasehold debt. He did however undertake to review the debt management report arrangements.

The report was noted.

53. **Addressing Financial Pressures in Children's Services**

The Corporate Director of Children Services presented an update from the meeting in January when a progress report was presented regarding the Children Services social care overspend at that time. The report addressed actions taken in response to the issues raised in the Peer Review in July 2014 and in response to a predicted budget overspend in August 2014 of £4.652m.

In terms of the current position it is estimated that overall Children Services is forecasting a year end overspend of £3.947m which takes into account the use of the reserve of £1.5m and actions undertaken totalling £1.12m.

The Corporate Director put the overspend into context pointing out that unlike schools when numbers go up, in children social care there is no additional central funding available. She summarised the actions being taken to both drive down and contain costs. This has included reviewing services and making changes in the senior management team to create capacity, review of systems to manage the growing demand on the service, moving to Oracle R12 to better support managers in understanding their financial responsibilities and a review of recruitment arrangements.

Unfortunately despite undertaking significant recruitment campaigns the Department has been unable to attract as many permanent staff as it would wish. The reputation of social workers means people prefer to work as agency staff making it easier to walk away. That said on a positive note the number of permanent staff leaving has slowed and although this does not help the financial position it does mean more children are being properly supported and progressed through the social care system, which longer term reduces costs from poor management.

In terms of actions taken to scale back demand the creation of the Multi-Agency Safeguarding Hub (MASH) is ensuring that cases that do not meet the threshold for social care are managed at an early intervention level, which in its first six months has had significant results. However this has to be viewed in the context of the increasing number of referrals to social care of around 3600 in 2014/15 compared to 1812 in 2011/12. The Corporate Director estimates that in the order of 300 new children are coming into the borough each month.

The Troubled Families team have also worked hard to prevent families from reaching care thresholds, being one of the most effective teams in London.

In response to the Peer Review recommendations and action plan, external
experts were brought in to look at particular aspects of financial risks, the findings of which were appended to the report. These covered:

- ISOS Partnership who reviewed “No Recourse to Public Funds” (NRPF), Early Intervention and Contact Arrangements

- iMPOWER who reviewed the possible areas for short term savings, analysed current volumes of work in the dept, identified opportunities for behavioural change and reviewed corporate financial planning to address the challenges of a rising population.

- Nicky Page who reviewed the current costs and proposed areas for spending reduction, working alongside the Divisional Director for Social Care, to ensure all areas of efficiency had been covered.

The Corporate Director commented on the value of this work which has led to the following priorities underpinning the Department’s work:

- Expanding and targeting early help
- Improving the Child’s Journey
- Recruiting and retaining the workforce
- Managing NRPF demand

**Standing Orders were suspended at this juncture, to allow the meeting to continue beyond 8.00pm**

Responding to the report and its findings the Committee welcomed the detailed analysis which highlighted the huge challenges faced by Children Services social care which is only going to increase. A number of points and questions arose as follows:

*How much did the external consultants cost?*

iMPOWER were recommended by the LGA who provided a £10k grant towards their total costs of £20k. ISOS provided a reduced rate of approx £3k whilst Nicky Pace was recommended by Graham Farrant at a cost of £??

*The analysis carried out by ISOS shows that social workers are doing a considerable amount of paperwork. What is the Corporate Director’s view on changes in working practices to make them more efficient?*

Paperwork is a necessary part of a social workers day. The inefficient bit is travelling time which is being reviewed on a model based around the Children Centres to minimise the amount of travel necessary for social workers.

*The report talks about the level of possible fraudulent claims to NRPF. What are we doing to minimise such claims and are we able to get more government funding support?*

The Corporate Director is aware that a number of families in the system and the need to get smarter seeing we are unable to get any additional funding support where these cases are concerned. We need to make sure those families who genuinely need support get it. Children's Services are currently managing the
accommodation budget for NRPF which might, perhaps, be better placed in Housing.

From the Department's perspective it is frustrating why more government funding cannot be secured. There is a real difference between the treatment of inner and outer London boroughs when it comes to children social care funding. That said the Department is campaigning and lobbying to have the child exploitation agenda treated equally with the Prevent agenda as well as working with the Police to get more funding and resources as well as more health visitors.

Longer term the solution to driving down costs and managing children social care will be about changing the demographics of the Borough which will be achieved through a better mix of housing with less social housing. Councillor Gill whilst recognising the solution suggested the problem is that those residents with higher aspirations are tending to move out of the Borough and those with larger properties are renting them out which in some cases leads to attracting so called “problem” families.

_The suggestion in the past has been that Children Services offer a premium service compared to other boroughs and to that extent does the Corporate Director feel that the budgets between Children and Adult Services need re profiling?_

The Corporate Director pointed out that the only area where that would apply is NRPF and as reported that is an area currently under close scrutiny and review. The authority does not provide a premium service by any stretch of the imagination, and in fact is coming under increasing pressure from other agencies such as the Police to do more.

In terms of the budgets the department are looking to do a remodelling exercise to predict the needs of the service in 2020 but it is important not to do this with the silo mentality of Children’s v Adults.

In conclusion we welcome the closer links between Children Services and Finance and in particular what Oracle R12 offer Children Services staff in terms of better financial management of budgets. It was noted that a further report will be presented to PAASC in four months to outline progress to implement the recommendations of the external reviews, and to provide detailed analysis of the financial progress in Q1 against the 2015/16 budget.

54. **Work Programme 2015/2016**

The current work programme was noted.