MINUTES OF
PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE

Wednesday, 21 September 2016
(6:00 - 8:30 pm)

Present: Cllr Rocky Gill (Deputy Chair in the Chair), Cllr Elizabeth Kangethe, Cllr James Ogungbose, Cllr Adegboyega Oluwole, Cllr Tony Ramsay and Cllr Phil Waker

Also Present: Alan Hill and Phil Johnstone; Cllr Dominic Twomey and Cllr Maureen Worby

Apologies: Cllr Dave Miles, Cllr Jeanne Alexander and Cllr Peter Chand

18. Declaration of Members' Interests

There were no declarations of interest.

19. Minutes (25 July 2016)

The minutes of the meeting held on 25 July 2016 were confirmed as correct.

20. Approval of the Statement of Accounts 2015/16

The Council’s draft statement of accounts (SOA) were approved by the Strategic Director, Finance & Investment (SDF&I) in June 2016 and had been subjected to detailed audit by the external auditors, KPMG. Whilst the audit had yet to be completed, KPMG anticipated issuing an unqualified audit opinion on these, including the Pension Fund. In accordance with the Accounts and Audit Regulations 2015, the accounts were presented to the Select Committee for their consideration and review prior to publication by 30 September 2016.

The report was presented by the SDF&I. Members highlighted in particular the need to monitor and address the social care and homelessness overspends. In the first instance, an updated report on the SAFE Programme was to be considered later at this meeting and in terms of homelessness overspend, the Select Committee requested a detailed report to its meeting in December 2016. It was noted that in terms of homelessness, there were a number of vulnerable families living in the borough and a rent shortfall of £2.7m.

It was noted that the some of the Council’s reserves had been used to pay for work on the Ambition 2020 programme.

The SDF&I advised that the SOA were required to be presented in a prescribed way and were necessarily complex and had been brought more into line with private sector accounts. There would also be more changes in future to the way the SOA was presented by a step or on an incremental basis. The Select Committee considered that its awareness and understanding needed to be enhanced and requested training on the SOA.

The Select Committee noted that the SOA presented to the Select Committee and
Cabinet varied in certain aspects. The SDF&I responded that the statements provided to Cabinet related to recognisable services. The headings were presented differently but the same numbers were apparent concerning spend and overspend.

The Select Committee:

(i) Reviewed and approved the Statement of Accounts for the year ended 31 March 2016;

(ii) In order to comply with the Council’s statutory obligations, confirmed that the Statement of Accounts for the year ended 31 March 2016 can be published by 30 September 2016 and authorise the Strategic Director, Finance & Investment in liaison with the Lead Member to make any changes to the accounts that may be agreed with KPMG.

21. **External Audit Report 2015/16**

The report highlighted the key findings from the audit work at the Council in relation to the Council’s 2015/16 financial statements and the Pension Fund. It also summarised the work to support external audits 2015/16 conclusion on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources.

The report was introduced by Phil Johnstone, Director of KPMG and he advised that the external auditors were anticipating issuing of an unqualified audit opinion on the Authority’s financial statements by 30 September 2016. He also stated that the Annual Governance Statement complied with CIPFA and SOLACE guidance in June 2007. There had been no objections to the SOA from members of the public during the summer consultation period and the external auditors had no specific concerns although they felt that the audit process for 2015/16 was not as smooth as it has been in previous years. No problems were identified with financial resilience.

The Director of KPMG was confident that the audit of the financial statements would be substantially completed in two days time with only a handful of issues to be clarified. He also considered that the SOA needed to be more user friendly in future whilst remaining comprehensive and detailed.

The Select Committee raised questions in relation to the External Auditor’s key issues and recommendations concerning monthly bank reconciliations, budget monitoring and significant audit risks and the Director of KPMG highlighted his comments as contained in the report.

The Select Committee highlighted about budget overruns in social care and homelessness and KPMG had discussed this with Council officers as it was higher at LBBD. Controls would be reviewed in the foreseeable future but did not impact on the external auditors’ unqualified opinion.

The Select committee asked for an explanation of the term “unqualified opinion”. In response, the Director of KPMG stated that this was positive whereas a “qualified opinion” would have showed some level of concerns by External Auditors. He
added that the Council’s SOA had provided sufficient evidence in which to issue an unqualified opinion.

Whilst it was noted that Select Committee had some queries about the SOA, the Deputy Leader for Finance, Growth and Investment stated it would be able to rely on the External Auditors in providing assurance including overspend and under spends. Members could raise any additional concerns with the Director of KPMG or the SDF&I outside of the meeting.

The Select Committee noted the report.

22. **Addressing Financial Pressures in Children's Care and Support- The Children's Social Care Ambition and Finance Efficiency (SAFE) Programme**

In October 2015, the Select Committee endorsed the Outline Business Case (OBC) for the SAFE Programme in Children’s Social Care. The Programme was subsequently launched and a report was submitted to the meeting on 22 March 2016. This update report presented by the Cabinet Member for Social Care and Health Integration outlined the progress made to manage spend in Children’s Care and Support for 16/17 and recommended a re-profiling of savings based on performance to date.

The Cabinet Member advised that there was still an overspend in 2016/17 and both she and the Strategic Director for Service Development & Integration had taken the opportunity to review the SAFE programme. In order to achieve the remaining organisation related savings, significant investment and specialist support were required and that a marketing and recruitment campaign was being launched to replace the 45 agency workers with permanent social workers in 16/17. In addition, the overall children social care budget was being reviewed including the potential for commissioning of additional services. She added that it was very difficult to predict the number of children coming into the system. Achieving the remaining organisation related savings for 2016/17 would not be easy due to the shortage of social workers who needed to be recognised and valued and there was also competition on social worker recruitment with other London Boroughs. If no additional permanent staff were employed, this would cost the Council additional agency costs of approximately £590K in 16/17 and £1.3m in 17/18.

The Select Committee welcomed the report and noted the progress made and endorsed the re-profiling of savings. They were also encouraged that the Programme was addressing the overspend and would receive a further update report to their meeting in February 2017.

23. **Housing Benefit Performance in 2015/16**

The Select Committee had requested a report detailing housing benefits Performance for 2015/2016 and subsequent impacts and recovery. In particular this request referenced the rise in Housing Benefit Overpayments reported to Cabinet in December 2015. The request also asked for the report to detail how the overpayment growth was being managed and monitored.

The SDF&I introduced the report and stated that this information was presented to
Cabinet and PAASC on a regular basis as part of performance management reporting. Whilst the case load for housing benefits has remained static at between 22,000 and 23,000, the number of transactions and work received has been increasing steadily year on year and in 2015/16 this was 136,578. This increase was owing to demographic changes and more housing benefit claims. There had been changes to the delivery of the housing benefits service in the ‘back office’ which had caused disruption and backlog which had led to a dip in the housing benefit performance and claims had been processed more slowly. At its worst, the processing of overpayments had taken 70 days however for new claims this was now down to 27 days, which was a substantial improvement. As at July 2016, there were approximately 14,500 individual debts totalling £18.9m and these debts were being managed, monitored and recovered by all means available.

At the start of each financial year, the Local Authority Error (LAE) subsidy rates are set at zero. LAE is created when there are delays or errors caused by the Council when processing new claims or changes in benefit claims. This then changes throughout the year subject to the amount of overpayments created. As LAE was recorded as 0.689% by the end of April 2015, the Council were due to lose at least £640K of subsidy by March 2016 if urgent action had not taken to reduce this to below the lower threshold. By 2 January 2016, LA Error had reduced to below 0.54% which subsequently reduced the expected subsidy loss to £352,000. By the end of March 2016, LA error had been brought back into line and ended the year below 0.43% which meant that any potential loss of subsidy was reduced to zero.

The report highlighted that housing benefit performance had now improved following robust conversations with Elevate. Due to the increasing overpayments and the financial implications of LA error for the Council, a structured improvement plan was formulated during 2015 and six additional full-time assessors were brought into the service on an interim basis although it had proved difficult to match the volume of claims received. These resources had been funded by Elevate and were not a cost to the Council.

The Select Committee considered that the Government’s welfare reform agenda and other factors such as low wages and zero hours contracts were creating unnecessary debts for residents. However the intention was that the local Welfare Reform Task Group would take preventative action to minimise and mitigate the impacts of the changes.

The Select Committee enquired about the number of housing benefits pieces of work outstanding, with 2604 under one month old at the end of the 2015/16 financial year which had increased to 2,729 by 29 August 2016. The SDFI responded that there were slightly more pieces of work outstanding but they were newer cases.

Councillor Mullane had e-mailed the SDFI with a series of questions relating to the report and as she was not at the meeting and owing to time constraints, the Select Committee agreed that a response to the Councillor and members of the Select Committee would be separately e-mailed.

The Select Committee noted the report and requested an update report on Housing Benefit performance to its meeting on 1 February 2017. They also considered that sharing information across other local authorities in this matter
was beneficial and sensible.

*(Standing Orders were suspended at this juncture, in order to allow the meeting to proceed beyond 8.00 pm.)*

24. Waste Strategy Presentation

At the last meeting of the Select Committee on 25 July 2016, Members enquired whether there were any obligations within the existing contract with ELWA to improve the borough’s recycling rates and if so and on the basis that they were not being met, whether break clauses be applied to renegotiate the terms of the contract. This presentation sought to address these issues and also how the Council could achieve the behavioural shift to support an increase in recycling rates.

The Operations Director Green and Clean provided a presentation on the Council’s draft Waste Strategy and advised the Select Committee that the “Waste Strategy 2016-20 – Reuse and recycle” had been approved at Cabinet on 20 September 2016.

The presentation covered the following areas:

- Providing a brief overview of the ELWA contact
- Lays out the options for termination
- Lays out the commitments LBBD had made in updating the Waste Strategy to tackle inputs into the recycling performance
- Highlighted the work being undertaken to change residents’ behaviour on recycling.

The ODGC stated that in December 2002, through the ELWA partnership, the Council had entered into a twenty-five year integrated management contract with Shanks Waste Management Limited which will expire in 2027. He explained the nature of the contract and stated that ELWA members were being advised to rule out early termination, based on risk and costs. There had been a focus on discussion with Shanks that could allow for a reduction in the levy and for them to look at further investment. The contract however could not be changed without additional cost to the Council.

The ODGC went on to explain about the Council’s Waste Strategy vision which is to “reduce waste, increase re-use, increase recycling and provide effective, efficient and customer–focused waste services that demonstrate value for money.” He included in the presentation what the Council was doing to improve recycling performance and achieving behaviour change with the aim to achieve 31% average recycling rates by 2020. The Council aspire to reduce the volume of waste per household by 6% year on year until 2020. It is the ambition to become the best performing ELWA borough by 2020, which could save the Council over £2m, dependent upon achieving the London average recycling rate (currently 31%) by 2020. The Council had conducted a wide consultation on the new draft strategy and received 350 positive comments supporting it.

Members were concerned about fly-tipping and enquired how this was being addressed. In response, it was noted that there would a comprehensive
programme of waste education starting on 24 October 2016 including visiting residents and this would seek to improve recycling knowledge within the borough.

Members were concerned about the additional charge for green waste and felt that residents may deposit green waste into their domestic waste instead of paying this charge.

Members welcomed the presentation and urged that officers needed to give consideration to preparing when the current ELWA contract ends in 2027 as it was only eleven years away.

25. **Work Programme 2016/17**

The Work Programme was noted, which included the Select Committee's requested update reports on the SAFE programme and the Housing Benefit performance in February 2017. In addition, the work programme would include a report on the Homelessness overspend at its meeting in December 2017.