MINUTES OF
PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE

Tuesday, 25 July 2017
(6:00 - 7:53 pm)

Present: Cllr Dave Miles (Chair), Cllr Rocky Gill (Deputy Chair), Cllr Jeanne Alexander, Cllr Margaret Mullane, Cllr Tony Ramsay, Cllr Sam Tarry and Cllr Phil Waker

Also Present: Alan Hill, Joe Farnell and Neil Thomas; Cllr Adegboyega Oluwole

Apologies: Cllr Peter Chand, Cllr Elizabeth Kangethe and Cllr Dominic Twomey

9. Declaration of Members' Interests

There were no declarations of interest.

10. Minutes - To confirm as correct the minutes of the meeting held on 28 June 2017

The minutes of the meeting held on 28 June 2017 were confirmed as correct.

11. Requests for information

Members noted the briefing note with actions from the last meeting on 28 June 2017 and highlighted the following areas:

Abbey Leisure Centre budget 2016/17 - Members expressed their continuing concern about the overspend from last year. They acknowledged that at the July Cabinet meeting a loan was agreed to the new Leisure Services Provider. The Director of Finance confirmed that this loan was for about £3.3m and that the interest rate payable to the Council was 4.5%. The loan was partly to finance a demountable pool which had been agreed within the Council’s Capital Programme.

Member Development budget and DBS checks Members asked where the budget for officer DBS checks came from. With reference to Members DBS checks, Members asked whether these could be in the public domain. A briefing note would be prepared on both these points.

12. Corporate Delivery Plan 2016/17 - Quarter 4 Performance Reporting

The Corporate Plan 2016/17 is a key document to ensure the Council has a co-ordinated approach to delivering the vision and priorities, and makes best use of the resources available. Key Performance Indicators (KPIs) have been developed to monitor performance against the priorities and frontline services. Progress is reported quarterly to CPG and Cabinet and every six months to the Select Committee. An in-depth focus on performance takes place at the new Performance Challenge Sessions held quarterly, with areas of concern scrutinised on a monthly basis.
The performance framework for 2016/17 consisted of KPIs and Key Accountabilities for each Member portfolio to form the basis of corporate performance monitoring. The framework set out what needs to be monitored in the year ahead whilst acknowledging that a new framework will be required by 2018/19 as the Council moves further towards becoming a commissioning based organisation.

The report provided an update on performance at the end Quarter 4 of 2016/17 against the Key Performance Indicators (KPIs) and Key Accountabilities. It should be noted, that until formal sign-off of statutory returns, some data remained provisional.

Members were concerned about the direction of travel in general terms and it was advised that detailed Performance Indicators were included within the report. Members welcomed the detailed regular report however they asked whether Cabinet could consider simplifying the information in future.

Members expressed concern about KPI31 (the percentage of Member enquiries responded to within deadline) and considered that the current situation was not acceptable in terms of response and noted that in one specific month it had been only a 50% response. Members enquiries should be dealt with within 10 working days which they felt was reasonable amount of time to respond. The COO responded that the target in dealing with member enquiries had improved since April 2017 and the last weeks performance was 98%. A lot of work had been undertaken in improving this and was discussed with the Chief Executive every Monday morning. After the concentration on speed of response, quality was now being looked at and the Members’ Enquiry team was being asked to do regular spot checks to help improve further.

Members expressed concern about KPI34 (the current revenue budget accounting position (over and under spend)). Since 2014/15 there had been the potential for overspend with a reduction in the reserves. Members were concerned that in the next two financial years, reserves could effectively disappear. The COO advised that overspends was reviewed in the regular budget monitoring reports to Cabinet and work was on-going concerning the challenging budget for 2018/19. Actions were in place in dealing with Homelessness and Clean &Green areas and it was noted that reserves were not as favourable as other boroughs.

Members expressed concern about KPI 39- (the percentage of complaints upheld and noted) and that one third of these complaints were upheld and enquired what actions were being taken to address this matter. The COO responded that there was a need to consider benchmarking and how the Council compared with other local authorities in this respect. There was also a need to refer to the Assurance Board for more detailed reports and learn from errors and improvements for the future.

Members expressed concern about KPI32 (the average number of days lost to sickness absence). They referred to Housing Management and Public Realm and felt the sickness absence figure was very high with more attention needed to tackle this issue. A briefing note would be sent to the Committee on the sickness levels in Public Realm.

The COO advised that sickness absence levels across the Council had now
shown improvement. A lot of work had been undertaken by officers which included ensuring that managers recorded information on Oracle and worked on sickness prevention. In addition, all managers had been required to attend a compulsory briefing on sickness absence matters. Meetings were also held where Managers were required to explain to senior management what steps were taken to deal with high levels of sickness absence in certain work areas.

Members also referred to KPI 9 (the number of anti-social behaviour incidents reported in the borough) and considered that the Corporate Delivery Plan report may not be the best way of reporting this information. This was included in the work programme for the Safer and Stronger Select Committee and would be referred to them.

Members noted that key task 31 was to develop and implement a new Customer Access Strategy. They noted that a revised strategy and action plan had been presented to Cabinet at its meeting in March 2017 and residents had approached Members to say there were difficulties and asked whether these concerns were being addressed by Cabinet. The COO responded that a lot of work was being undertaken to improve customer services. There had been examples of poor customer care experiences at the Call Centre during 2016 but the situation had now improved. The website had also been improved and this had been referred to in a recent Cabinet report. Members gave a couple of examples of poor call centre customer care which included inconsistent advice provided to residents on the issue of setting up direct debits. The COO advised that all telephone calls made to the call centre were recorded and any bad experiences could be traced and followed up if the detail of when the call was made was noted.

Members asked about the Licensed landlord scheme and asked for a table comparing the scheme with those in other London boroughs. The COO advised that there were different schemes applicable in other boroughs, but she would investigate this matter and report back to the Select Committee in a briefing note.

The Select Committee:

(i) Noted progress against the Key Accountabilities as detailed in Appendix 1 to the report;

(ii) Noted performance against the KPIs as detailed in Appendix 2 to the report; and

(iii) Agreed any actions to address areas of deteriorating performance

13. **External Audit report 2016/17**

The report highlighted the key findings from the audit work at the Council in relation to the Council’s 2016/17 financial statements and the Pension Fund. It also summarised the work to support external audits 2016/17 conclusion on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources.

Neil Tomas, KPMG introduced their report and recognised the efforts of the finance function to bring forward the year-end timetable compared to the prior
year. KPMG brought the attention of members to page 3 of their report which set out those areas which were not yet completed. The main area of substance was verifying the accuracy of the assumptions used by the Council’s valuers. KPMG explained that pending the satisfactory completion of the areas on page 3, it was anticipated that an unqualified opinion would be issued on the financial statements and the value for money conclusion. This would be confirmed to the Chair of the Select Committee prior to issuing the opinion on the financial statements.

KPMG brought members attention to the recommendations in Appendix one, the confirmation in Appendix two that materiality had not changed since their audit plan, the audit differences identified during their work outlined in Appendix three, and that they were appropriately independent and qualified to conduct the audit. They drew attention to the body of the report which outlined the detailed findings from their financial statements and use of resource audit work.

Members were concerned about the valuation of land and buildings in the financial statements audit and asked if there was a wider problem in valuations and referred to the Eastbrook School that was to be demolished as to whether it had been underestimated in value. Neil Thomas responded that the overall work in the audit relating to valuations had not yet been concluded. KPMG had identified the issue and were working with the Council’s Estates Team. The new Eastbrook school was included in the balance sheet.

Members were concerned about the risk based value for money in relation to budget overruns in Children’s Services and the redundancy programme conducted in 2016. In particular they were concerned that the voluntary redundancy (VR) scheme had cost £8.2m and that KPMG had identified that the Redundancy Panel had not kept formal records of its meetings. Neil Thomas advised that in terms of value for money, KPMG had conducted a broad risk assessment and that in terms of the voluntary redundancy package, they had considered that formal records were needed but reflections could be learned in future VR exercises. The COO advised that the VR exercise in 2016 was time limited and the VR panel met on a weekly basis, chaired by the Chief Executive. She assured Members that records of the decisions made were kept on a spreadsheet and reviewed by the Panel. Formal minutes had not been kept but the VR spreadsheet was agreed every week.

Members were concerned that there was a pension liability for 35 deferred pensioners had been inaccurately recorded.

Members asked about the VAT payment included within the external audit fees. Neil Thomas from KPMG stated that they were required to comply with the standards set by the National Audit Office and they were not able to challenge case law, they were independent external auditors.

Members asked about the Housing Revenue Account (HRA) and link to the General Fund and how closely this was included and were concerned about recharges. Neil Thomas advised that the HRA was looked at in aggregate along with all other financial statements for the local authority.

Members asked about the audit fee to the Council and asked why there had been a significant increase in fees. Neil Thomas advised that there had been a modest
increase in fees which had been highlighted in the audit plan to the Select Committee.

Members referred to a query on the statement of accounts raised by an elector. Neil Thomas advised that they had not yet managed to check if the query was a relevant matter and to establish if the person raising the query was a local elector.


The Council’s draft accounts were approved by the Chief Operating Officer in June 2017 and have been subjected to detailed audit by the Council’s external auditors, KPMG. Whilst the audit has yet to be completed, KPMG proposed to issue an unqualified audit opinion for the Statement of Accounts, including the Pension Fund.

In accordance with the Accounts and Audit Regulations 2015, the accounts and the Annual Governance Statement were presented to the Select Committee for their consideration and approval prior to publication by 30 September 2017

Members welcomed the detail shown in the statement of accounts however expressed concern about the overspends of £4.9m overall across the Council and the diminishing reserves. The Chief Operating Officer (COO) advised that she and the Director of Finance had been working on the 2018/19 budgets and noted that this would be a very challenging financial year. She recognised that there was substantial pressure on reserves however stated that the borough was now a prime area for regeneration and in future years income would come to the Council which would assist in replenishing the reserves. She added that there was a need to also deliver on previous agreed and existing savings and highlighted the Council was radically transforming which included the creation of a number of new service delivery blocks”. She assured the Select Committee that the budget overspends and reserves were closely monitored via the Corporate Performance Group and Cabinet received regular budget monitoring updates.

Members were concerned about the figures shown for the Housing Revenue Account (HRA) with recharges of £45m and felt that a strategy was needed to show how these figures were worked out and not shown as one figure. They asked for a detailed report to the meeting on 18 October 2017.

Members referred to the Council’s investment strategy and asked what would happen if the reserves ran out as the integrity of the Council’s finances needed to be protected. Borrowing for growth could be justified but there was pressure to deal with the service debt. The COO advised that the intention was to increase income to the Council and the new “Be First” organisation would provide £10.3m in savings for the Council. There was concern amongst all London Boroughs about implementing savings and closing overspend gaps.

The Select Committee:

i. Reviewed and approved the Statement of Accounts for the year ended 31 March 2017;
Approved the Annual Governance Statement for the year ended 31 March 2017;

In order to comply with the Council’s statutory obligations, confirmed that the Statement of Accounts for the year ended 31 March 2017 can be published by 30 September 2017 and authorise the Chief Operating Officer in liaison with the Lead Member to make any changes to the accounts that may be agreed with KPMG.

15. Housing Benefit & Housing Benefit Overpayment Performance Update in 2017/18

The Select Committee requested a report providing updated details on the Benefits Service Performance for 2017/2018 and subsequent overpayment impacts and recovery. The request also included how the overpayment growth was being managed and monitored. Overall, performance continued to improve and the outturn for 2016/17 was positive.

The impact of welfare reform, and the volume of changes being experienced by borough residents, together meant the Council were continuing to see increases in the level of housing benefit overpayments. However, the level of local authority (LA) error remained low, indicating strong performance in the service itself. This meant that the increase in overpayments was not being generated through errors or omissions made by the Council. The overpayments arose from delays in recipients notifying the Council of changes and the number of changes being experienced.

The total outstanding overpayments at the beginning of 2016/17 was £18,402m. As at 1 April 2017, this had risen to £22,865m. The introduction of Real Time Information (RTI) from the DWP increased the amount of overpayment created in 2015/16 and this scheme is ongoing and the levels of overpayments created remain consistent.

The Head of Benefits advised that the rate of overpayment was slowing down from £1.2m a month to approx. £800-900K per month. HMRC had provided a great deal of “real time information” and although the debts were high they were starting to reduce and clients were becoming more aware of the need to notify the Council of their material changes. There were some debts that were running over many years and Elevate were investigating ways of reclaiming money from alternative sources such as Universal Credit (UC).

The Select Committee were concerned about how money was deducted from UC and the Council’s role in this matter. The Head of Benefits responded that Elevate had to apply to the Department of Work and Pensions (DWP) for the latter to make a deduction. UC was treated differently to other benefits in that a list of “priority reductions” would be drawn up in UC.

The Head of Benefits advised that the number of days in dealing with new claims was currently 26.2 and this had fallen from 28 days previously and a lot of work was being done on a manual and automated basis. The UC digital roll-out was planned for February 2018 and in this regard, Elevate officers were meeting DWP
officers next week and the impact was not yet known.

The Select Committee noted the report.

16. **Work Programme**

The Select Committee agreed the work programme with the following requests for reports/briefing notes during 2017/8:

- Housing General Fund Account split – 18 October 2017 meeting

- Public Realm Review- 18 October 2017 meeting including the requested attendance of the Portfolio Holder

- Regeneration of the Sanofi site including a cost benefit analysis- to be included within the Investment Strategy presentation at the meeting on 18 October 2017

- Fly tipping and travellers cost- a briefing note to Members to include the illegal travellers’ encampment and the cost of cleaning the encampments in 2016/17 and to include Alleygate.