MINUTES OF
PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE

Tuesday, 13 January 2015
(6:00 - 8:13 pm)

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

Also Present: Dr Ian Fifield

28. Declaration of Members’ Interests

There were no declarations of interest.

29. Minutes (2 December 2014)

The minutes of the meetings held on 2 December 2014 were confirmed as correct.

30. Debt Management 6 month update (April to Sept 2014)

The Chief Finance Officer introduced the report.

The report covered debt management for the second quarter of the current financial year 2014/15. In noting that the report had been deferred from the last meeting due to budget saving considerations, the CFO acknowledged that this report needs to be presented to PAASC in a more timely fashion, the scheduling of which will be reviewed.

The report included information regarding collection performance in respect of Council Tax, NNDR, rents and general income, leasehold service charges and Penalty Charge Notices. Alongside collection rates were details of service improvements, bailiff performance, and write-offs which in accordance with the write off policy approved by the Cabinet.

Overall target performance across the range of collections is being met, albeit explanations were provided as to why in some areas collection rates are lower than target performance. Those areas included parking charge notices and bailiff performance in relation specifically to Council Tax arrears.

Reference was made to the process and formula used to assess rent collection and in that respect the comparative levels of write off. The question was asked as to whether there would be merit in setting targets for write offs. The CFO responded that the current measures in place are based on those nationally recognised and therefore make it easier to benchmark against other authorities to compare performance. In acknowledging the value of benchmarking against set measures it was suggested that officers look at building in more monitoring/setting targets with a view to increasing income levels rather than simply writing off debt owed to the Council.
The aim of the Council and Elevate is to maximise the levels of income as opposed to writing off debt, however in so doing from a housing perspective the primary role is to provide as much help and support as possible to tenants to allow them to stay in their homes. The final decision to evict is never taken lightly and falls to a cross service panel of officers and Elevate having regard to all due considerations. Instigating court action is always seen as a last resort but is seen as a necessary action as an incentive for debt to be repaid.

Officers recognise the importance of addressing problems of debt whilst persons remain tenants otherwise if they are evicted it becomes increasingly difficult to get money back as the ten largest debt cases appended to the report illustrate. There are currently ongoing discussions between officers and Elevate around putting in more resources as a trade off to lowering write offs.

31. **Composite Risk Management Risk Review**

The Group Manager Risk and Insurance presented the bi-annual risk management report. The number of corporate risks has remained at twenty nine from the last report with nineteen being retained risks, namely those that CMT recognise are being adequately managed as far as is financially effective.

Overall there has been no major change to the positioning of the risks which is mainly due to the mitigation measures that have been put in place yet to have an effect. The risks are presently rated as 4 x red, 23 x amber and 2 x green.

Have regard to the quarter 4 dashboard as appended to the report, questions were asked about some of the descriptions and detail of the red rated risks. The Group Manager explained that the dashboard only provided a summary of the details and that behind each risk were full action plans that she would be happy to provide to Members on request.

The report was noted.

32. **Children Services In year overspend update**

Following consideration of the work programme at the meeting in November it was agreed that an update would be provided setting out the in-year overspend in Children Services. The report presented by the Chief Finance Officer was held over from the meeting in December and consequently the information provided represented the position at the time the overall budget monitoring report was presented to Cabinet in November 2014. That showed a predicted overspend of £4.6m which when allocated reserves were taken into account showed an in-year overspend of around £6m.

The CFO explained that taking into account a number of actions instigated around that time including a council wide freeze on all but essential spend, the projected overspend is currently at around £3.7m. A number of further actions were proposed by the Corporate Director of Children Services which when combined with bringing forward of a range of planned budget savings, aims to achieve a balanced budget. Going forward an additional £2m has been earmarked in 2015/16 to address the ongoing pressures in the Department.

The CFO explained that distinct from how much Children Services are spending
year on year officers are working hard to establish a more accurate base line figure of overall directorate staffing costs to meet the level of demand. This in the CFO view is the principle reason for the overspend in the current year where there has been a particular spike in demand with an unprecedented increase in the number of 0-4 year olds in the Borough.

The other area of significant budget increase relates to the additional premium paid for employing agency workers. It was acknowledged that there will always be a need to use agency staff because of the reactive nature of the service, however it was noted that considerable work is being undertaken to address recruitment issues including the creation of a dedicated post to achieve more permanent social workers and to seek to achieve more collaboration between boroughs so that one is not played off against the other in what is a highly competitive job market. Furthermore the cost of placements for vulnerable children is always difficult to predict and is compounded by the fluctuation of costs to place children out of borough. One of the concerns expressed by members was the fact that there appears to be no allocated budget to meet the cost of placements. The CFO agreed that this was not an ideal situation but that work is being undertaken to establish set budgets covering placement, legal costs etc which will make officers more accountable for spend.

Whilst year on year there have been pressures on these budgets the increasing difficult financial climate and the budget reductions across services means the capacity to absorb the pressures has become increasingly more difficult. Looking at the predicted year end position taking into account all known factors the CFO is forecasting an overall Council overspend of the order of £1.5m.

In last year’s Peer Review recommendations were put forward seeking to address the increasing demands being placed upon Children’s Services given the significant financial challenges. To that end the Committee are asking the responsible Cabinet Members to attend a future meeting to explain the actions being taken to address these issues.

33. Financial issues arising from PWC Review of LB Tower Hamlets

At the request of the committee the Chief Finance Officer presented an information report setting out the key financial issues of concern identified and considered relevant to this Authority arising from the PriceWaterhouseCoopers Best Value Inspection of LB Tower Hamlets, a report on which was issued in October 2014.

The key issues highlighted related to grant making, property transactions, role of statutory officers and applying the best value duty in relation to the authority’s processes and practices for entering into contracts. In each area the report referenced the position in LBBD.

The two key themes arising from the auditor’s report in the committee’s view was the lack of adherence to best value and transparency. Looking specifically at this Council’s arrangements around property transactions members referred to the point made in the CFO report as to the decision to cease the operation of the Property Appraisal Group and asked what alternative arrangements were proposed seeing the important function the group had played. The CFO confirmed that an equivalent meeting involving the Cabinet Members for Finance and Regeneration with relevant officers regularly meets to effectively carry out
what PAG previously did, the governance arrangements around which need to be reflected in the new Constitution.

Turning to specific projects enquiries were made as to the current state of play with regards the disposal of the former Mayesbrook Old People’s Home and the Fanshawe Centre. The CFO confirmed that in respect of the Mayesbrook site the agreed capital receipt had been received following a more recent planning approval. As regards the Fanshawe site, the CFO was unable to confirm the current status.

The Committee placed on record its concern at the apparent stalling in the disposal of the site and the lack of realising a large capital receipt at a time when this Council is having to make difficult financial decisions.

The report was noted.

34. My Account- update

At the request of the Committee the Chief Finance Officer presented an update on MyAccount including details of the level of investment in the project to date and future plans for its roll out.

By way of background the CFO explained that as part of the Elevate contract the Council agreed to invest in initiatives that would support Elevate meeting its target cost reductions with one area identified being the development of an online approach for the revenue and benefits services as a way of ensuring that savings could be delivered whilst continuing to manage the growing demand in customer services. To that end work on a MyAccount online platform was established to manage a high proportion of the customer contact for that service.

The report outlined details of the services that were including in the first phase launch that took place in December 2011 and those under phase two which followed in early 2012. In June 2013 Agilisys developed a business case for furthering the coverage of MyAccount under a phase 3 which aimed to help the Council move closer to realising its ambition of offering residents a “virtual one stop shop” of online services. A list of those services currently in development that will be rolled out between now and August 2015 were outlined along with a roadmap of the roll out of more online services in further modules from 2015 onwards.

Recognising that the lead in time for roll out of phase 3 online services spanned two years, it was explained that this was due to in part to the lead in time to redesign certain back office systems, although for some services the roll out will be much swifter.

The report also detailed the total costs invested by the Council to date alongside the expected levels of saving this investment is expected to generate year on year.

In response to a question as why payment of garage rents had not formed part of phase 3, officers explained that phase 3 is focused on high volume transactions which garage rents are not. That said, longer term there was no reason why they would not be included.
Responding to a request about developing a smart phone app for MyAccount, officers explained that this will not be necessary as the Council’s website recently launched follows what is called responsive design and resizes the display to fit whichever device MyAccount is being viewed upon.

35. Work Programme 2014/15

Noted the current work programme 2014/2015 and agreed the inclusion for the meeting on 25 March 2015 of the item “Update on Capital Delivery- progress against projects” from the Divisional Director of Regeneration.

36. Housing IT evaluation

In response to a request from a previous meeting the Group Manager Housing and Neighbourhood Services presented a report in November 2014 updating the position regarding the Housing Management IT system following the decision by Capita, the current provider to cease development input for the system beyond March 2015.

The Committee was informed that following a full evaluation of the situation officers subsequently took the decision not to proceed with upgrading the IT but to instead to retain the current system for a period of three to five years. This was on the basis of continuing discussions with Elevate to address existing operational problems and deficiencies with the current system and with Capita providing continued support over that period.

Whilst welcoming the decision the Committee requested sight of the original options appraisal report commissioned by Housing and delivered by Elevate which was appended to the report. The assessment of the options considered in the appraisal although not acted upon at this time have provided a useful exercise in as much that firstly it identified that the value in financial and resource terms of changing as opposed to retaining the current system cannot be justified at this time. Secondly the analysis carried out will form the basis of the background information necessary when the time comes to consider replacing either as a standalone bespoke system or one developed in conjunction with other authorities.

It was noted that the options paper referred to a number of appendices not included as part of the report, details of which will be separately circulated to Members for information.