

General Purposes and Audit Committee

**Meeting held on Wednesday 7 December 2016 at 6:30pm in Council Chamber,
Town Hall, Katharine Street, Croydon**

MINUTES - PART A

Present: Councillor Karen Jewitt (Chair)
Councillor Kathy Bee (Vice Chair)
Councillors Jan Buttinger, Sherwan Chowdhury, Jason Cummings,
Mike Fisher, Patricia Hay-Justice, and Joy Prince

Mr Muffaddal Kapasi and Mr Nero Ughwujabo

Also present: Councillor Yvette Hopley
Councillor Simon Hall, Cabinet Member for Finance & Treasury
Nigel Cook, Head of Pensions and Treasury
Malcolm Davies, Head of Risk & Corporate Programme Office
Chris Long and Keyasha Pillay, Grant Thornton, External Auditors
Simon Maddocks, Head of Governance
Barbara Peacock, Executive Director - People
Lisa Taylor, Assistant Director of Finance and Deputy S.151 Officer

Absent: Councillors Jeet Bains and Humayun Kabir

MINUTES - PART A

A46/16 Minutes of the General Purposes and Audit Committee

RESOLVED: That the Minutes of the meeting held on 14 September 2016 be signed by the Chair as a correct record.

A47/16 Minutes of the Mayoralty and Honorary Freedom Sub-Committee

The Committee queried why one set of minutes was from 2015 and noted that no Members of the General Purposes and Audit Committee attended the meetings of the Mayoralty and Honorary Freedom Sub-Committee.

RESOLVED: That the Minutes of the meetings held on 13 July 2015 and 7 October 2016 be held to the next meeting of the Mayoralty and Honorary Freedom Sub-Committee.

A48/16 Disclosure of Interest

There were no disclosures of interest.

A49/16 Urgent Business (if any)

There were no urgent items of business.

A50/16 Exempt Items

The Committee **noted** that there were no Part B agenda items.

A51/16 Presentation by the People Department

Barbara Peacock provided the Committee with a presentation on the red risks within the People Department which can be found at item 7 of the agenda.

Following the presentation the Committee queried where the insight and intelligence was coming from. The Executive Director – People informed the Committee that data came from across the council which showed the One Team approach the authority aspired to.

The Executive Director – People informed the Committee that considerable lobbying and influencing was taking place nationally regarding the Dedicated Schools Grant. The Local Government Association had been lobbying heavily and released a number of papers which reiterated the important role local authorities had in education. The Executive Director – People informed the Committee that the new Secretary of State may have a new approach to the role of schools and the local authority.

The Cabinet Member for Finance and Treasury informed the Committee that £20 million in grants towards unaccompanied asylum seekers had been lost in 2015/16 and 2016/17. Furthermore there had been an attempt to reduce the daily rate which would have led to a loss of £4 million to the council, however after intense lobbying the plan had been reversed. The Cabinet Member noted that the grant provided by the government did not cover the indirect costs associated with unaccompanied asylum seekers, such as school places, in house foster care places being taken and the further responsibilities once the person is over 18 years of age. The council was working on calculating the indirect costs, which was estimated to be around £3-5 million per year which the council was covering. The Cabinet Member confirmed the council would continue to lobby government to maintain the grant.

The Executive Director – People noted that there was an opportunity for the council to put in a significant bid for the Controlling Migration Fund, for which there was an expectation from the Home Office that the council would do.

The Committee suggested that the council continued to work with the local MPs to assist in the lobbying for the continuation of the grant for unaccompanied asylum seekers. Members confirmed that it

remained a cross-party concern.

Members noted that Croydon had a higher proportion of care homes with non-Croydon residents in placements which after a period of time was paid for by Croydon council. The Executive Director – People stated there were a number of detailed arrangements with regards to placements of non-Croydon residents. It was noted that the burden was not so much on the authority who paid for the placement, rather on the health economy as the care home resident would likely use health services within the borough.

The Committee were informed that the figure stated within the presentation of £3,952.40 for 410 days of accommodation was incorrect.

Members noted that it was difficult to judge the performance of departments and the associated risks when councillors were not closely aligned to the departments. Councillors queried whether the issue within the People Directorate was with inaccurate budgeting of the demand pressures, or whether the budgeting pressures were due to in year changes.

In response, the Executive Director – People stated that it was a challenge for a committee with an audit function to review the risks while a committee with an overview and scrutiny function looked more in depth at the concerns. It was suggested that it was for councillors to decide how best to hold officers to account.

The Executive Director – People noted that it was difficult to judge demand, however it was important to be proportionate in allocating budgets and officers would continue to attempt to give a realistic view. Officers would continue to work hard to provide accurate projections of demand, however there were a number of challenges including the market, increased costs being charged by providers, and the retention of social workers. In the People directorate there were a number of statutory responsibilities and it was important that the service delivered for residents of Croydon.

Members noted that there were a number of challenges for officers in the People departments, however Outcomes Based Commissioning (OBC) was within the council's control. The Committee queried whether there had been difficulties in agreeing the risk share model. Furthermore concerns were raised that better funded authorities may be able to pay more for the delivery of services.

In response to Member questions the Executive Director – People noted that due to Croydon council's commitment to paying the London Living Wage it would be paying more than other authorities. In relation to OBC and the risk sharing, there was an ongoing discussion that would continue for a few months. There was a sharing of the risk, on how they would manage if any budget is overspending, but there was also a sharing of the reward if a budget was making a saving. The key to ensuring the success of OBC was

to have fewer people in acute care and more being cared for in the community. The authority would be commissioning for outcomes and the money would follow to ensure the right results for the residents of Croydon. It was stated that OBC was a red risk due to being in a transition phase, not because the model was wrong. There were a number of sophisticated models which would assist in calculating the figures involved, however the processes were not yet agreed which was an audit risk.

The Cabinet Member for Finance and Treasury stated that the quality of life and number of times people were being readmitted had been reviewed, and it was important to deliver a better quality of life for the people of Croydon. It was noted that it was critical for the health economy that OBC happened, as while the council spent £40 million a year on old people, the NHS spent over £100 million.

Concerns were raised regarding the risks and how the liabilities would be dealt with once the OBC agreements had been signed. In particular, it was noted that Croydon University Hospital was in special measures and the CEO of Age UK was leaving the role, and a number of the systems did not seem to be in place.

The Executive Director – People noted that the work around the sharing of liabilities given the different governance arrangements of the organisations involved was being actively worked upon. The report to Cabinet in December 2016 would recommend 1 year +9 years which recognised that year one would be used to work out the details and the transition required. It was stated that not all risks would need to be signed off by the end of December 2016 and it was confirmed that while the CCG and hospital were in special measures OBC would not carry any debt.

The Cabinet Member for Finance and Treasury noted that the reason for the recommendation for a 1 +9 year agreement was that it had been recognised that there were concerns.

The Executive Director – People stated in response to concerns that partners were leaving organisations, that when people left organisations it was often an opportunity to bring a new perspective and could strengthen partnerships.

The Committee noted that the council procured some temporary accommodation outside the borough and queried where residents were being placed and at what cost. The Executive Director – People stated that placements had not yet been procured but a number of locations were being considered for those residents who would welcome moving outside of Croydon. It was noted that it was important to take into consideration people's aspirations.

The Chair noted she had help a resident relocate to East Grinstead for which the family was very happy as they had a larger home and were near a local school. The Committee stated it was important to relocate only if that was the customers wish, not to just decrease the

housing list.

In response to Member questions the Executive Director – People stated that there was a strong team working closely on reducing the reliance on commercial B&Bs as urgent accommodation. Two directors were working closely to influence across London to shape the policy offers and were reviewing how to increase the volume of good quality temporary accommodation, such as using brownfield sites. The Cabinet Member further noted that events were being held with those in temporary accommodation and council tenants to review how to meet people's aspirations. It was stated that every option was being considered.

In response to Member questions the Executive Director – People stated that the government recognised that there was inequity in school funding across the country as funding was per pupil and costs of educating a student differed across the country. The government had looked at reviewing the funding, however it had stalled due to the lobbying of organisations and a desire to not destabilise the education system.

The Cabinet Member informed the Committee that there had been cross party London meetings on the issue as previous proposals had amounted to every London borough seeing a drop in funding. Proposals had shifted money from urban areas to rural areas.

The Chair thanked the Executive Director – People for attending the meeting and answering member questions.

RESOLVED: To note the presentation.

Councillor Sherwan Chowdhury arrived at 6.45pm.

Councillor Mike Fisher left the meeting at 8pm.

A52/16

External Auditors Annual Audit Letter 2015/16

Chris Long, Grant Thornton, presented the Annual Audit Letter for 2015/16 to the Committee and noted two updates since the publication of the letter. It was noted that the certification work on housing benefits had been completed and the certificate would be provided shortly.

It was further noted that Highways Network Asset work had been delayed nationally for all authorities and so the external auditors were no longer anticipating an impact.

RESOLVED: To note the Annual Audit Letter for 2015/16.

A53/16

Anti-Fraud Report 1 April – 30 September 2016

Simon Maddocks, Head of Governance, introduced the anti-fraud report for the period 1 April to 30 September 2016 and informed the Committee that nearly £849,000 of savings had been identified due to the work of the team.

The anti-fraud work was slightly ahead of where it was projected to be with 11 properties returned to use and four Right to Buy applications stopped, with around £455,000 of savings. Furthermore, all prosecutions had been successful.

The Committee queried why a Right to Buy application would be cancelled and were informed that there were a number of reasons, such as money laundering and people not having the right to be in the property in the first place.

Members queried the process of fraud investigators working in other boroughs and were informed that Croydon charged a day rate and the authority benefitted from the proceeds of the work carried out.

The Head of Governance informed the Committee that intelligence was gathered from members of the public and officers across the council. In addition, the council took part in national programmes and would be piloting the London Fraud Hub which would involve data matching. The Committee would receive more information on the London Fraud Hub once it was running.

Following Member questions the Head of Governance stated that it had been difficult to make comparison to other authorities as each locality had its own challenges, however the London Fraud Hub would assist in setting up comparatives with other London boroughs. A review had been requested, which would be undertaken by Mazars as the service wanted to ensure it was not missing any opportunities.

The Chair stated that she and the Vice-Chair had met with Mazars and they were informed that Croydon's Anti-Fraud team was one of the best in the country.

RESOLVED: That the Anti-fraud activity of the Corporate Anti-Fraud team for the period 1 April – 30 September 2016 be noted.

A54/16

Internal Audit Update Report April to October 2016

Simon Maddocks, Head of Governance, presented the internal audit update report for April to October 2016 and informed Members that as the report covered until end of October 2016 there were not enough finalised reports to give an overall assurance level, however of those completed all but one had been given a full or substantial assurance level.

The Head of Governance noted that the status of follow-up audits

was not at the level it should be, however improvements were being made.

The Committee noted that there was an outstanding priority 1 recommendation from 2014 and queried why this had not been actioned. In response the Head of Governance stated that officers tried to maintain pressure of services to action recommendations. The Committee suggested that if priority 1 recommendations continued to remain outstanding for over 12 months officers were requested to attend a future meeting to explain the delay.

Members noted that direct payments was only 20% and the Head of Governance informed the Committee that there had been a change in manager in the service who had not been aware of the issue. Officers had been assured that the issue would be addressed.

In response to Member questions the Head of Governance explained that how officers followed-up risks depended on the level of the risk. Priority 1 recommendations were followed-up within one month and then on a regular basis. If the issue was a priority 2 then it would be followed-up around every three months. Furthermore, the Committee were informed that for priority 1 recommendations the issue would be retested to ensure the recommendation had been addressed, whereas for a priority 2 recommendation officers may request for evidence only.

The Committee noted a priority 1 recommendation remained outstanding on the Schools Building Programme which would have serious consequences if not dealt with appropriately. The Head of Governance confirmed this would be looked into.

RESOLVED: That

1. The Internal Audit Report for April 2016 to October 2016 be noted; and
2. Services be invited to future meetings to discuss outstanding audit recommendations.

A55/16

Corporate Risk Register 2016/17

Malcolm Davies, Head of Risk & Corporate Programme Office, presented the report and informed the Committee three risks had been escalated, as outlined within the report.

Members noted that it appeared that there were a number of optimistic future risk ratings as many risk rating were decreasing. In response the Head of Risk & Corporate Programme Officer stated that officers evaluated risks for the forthcoming 12 months and due to the strong controls in place it was considered the ratings would drop.

RESOLVED: That the contents of the corporate risk register as at

December 2016 be noted.

A56/16 Treasury Mid-Year Review

Nigel Cook, Head of Pensions and Treasury, introduced the Treasury Mid-Year Review report.

Members noted that the results that had been produced suggested that the authority was doing a good job in managing the figures.

Resolved: That

1. The report be noted; and
2. The continued implementation of the Council's Treasury Strategy Statement, Annual Minimum Revenue Provision Policy Statement & Annual Investment Strategy 2016/17 by the Executive Director of Resources (Section 151 Officer) be endorsed.

A57/16 Council Meeting Dates 2017/18

Lisa Taylor, Assistant Director of Finance, introduced the report to the Committee noting that the proposed calendar of meetings had been consulted upon with both Groups.

Members noted that the date for the Annual Council meeting in May 2018 was different in the report to the one in the appendix. The Assistant Director of Finance confirmed that this would be rectified and the calendar recirculated.

The Committee queried who had been consulted and were informed by the Cabinet Member for Finance and Treasury that the Leaders of both Groups and Whips had been consulted

Resolved: That

1. The schedule of Full Council meeting dates for 2017/18 be approved on behalf of the Council with the correction of the Annual Council meeting taking place on 14 May 2018; and
2. The schedule of Cabinet meeting dates for 2017/18 be approved on behalf of the Council.

A58/16 [The following motion is to be moved and seconded as the "camera resolution" where it is proposed to move into part B of a meeting]

The Chair informed the Committee that there was no business to be conducted in Part B of the agenda, in accordance with the Council's openness and transparency agenda.

MINUTES - PART B

None

The meeting ended at 8.28pm.