

General Purposes and Audit Committee

Meeting held on Thursday 29 June 2017 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 Jeet Bains, Jan Buttinger, Sherwan Chowdhury, Patricia Hay-Justice, Steve Hollands, Bernadette Khan, and Joy Prince

Also present: Councillor Simon Hall, Cabinet Member for Finance and Treasury
Malcolm Davies, Head of Risk & Corporate Programme Office
Chris Long and Jamie Bewick, Grant Thornton, External Auditors
Simon Maddocks, Director of Governance
Dave Philips, Mazars
Richard Simpson, Executive Director Resources and S.151 Officer
Lisa Taylor, Director of Finance and Deputy S.151 Officer

Apologies: Councillors Jason Cummings and Mike Fisher
Mr Muffaddal Kapasi and Mr Nero Ughwujabo

MINUTES - PART A

A13/17 Minutes

RESOLVED: That the Minutes of the meetings held on 22 March 2017 and 22 May 2017 be signed by the Chair as correct records.

A14/17 Disclosure of Interest

There were no disclosures of interest.

A15/17 Urgent Business (if any)

There were no urgent items of business.

A16/17 Grant Thornton reports – External Audit Progress Report

The Chair thanked Chris Long of Grant Thornton for all of his work with the London Borough of Croydon ahead of him moving to a new position.

Chris Long, Grant Thornton, presented the report outlining that the accounts had been presented for audit on 20 June 2017, which was before the deadline, and that the audit had begun shortly after the accounts were received. The Committee were informed that in 2018

the accounts would need to be read by the end of May and Grant Thornton were working with the council to ensure the deadline was achieved.

The Committee noted that it had been the intention of the council to submit the accounts by the earlier deadline that was required in 2018, however they were submitted 20 calendar days later in 2017. The Director of Finance confirmed the council was confident that the earlier deadline would be met as measures had been put in place.

The Executive Director of Resources informed the Committee that in April 2018 a new external audit contract would be in place following the appointment through the Public Sector Audit Appointments Ltd (PSAA), however the council did not yet know who would be the external auditors from April 2018. The Executive Director of Resources confirmed that the Committee would be updated when the external auditors were appointments, however the PSAA had looked to ensure continuity in service and avoid any possible conflicts.

RESOLVED: That the Progress Report be noted.

A17/17

Financial Performance Report for 2016/2017

The Cabinet Member for Finance and Treasury presented the report outlining that the financial performance of the council was set with the backdrop of another challenges, including cuts and additional pressures on services. It was stated that the performance of the pension fund and capital expenditure reflected the excellent work of the administration and officers.

The Executive Director Resources informed the Committee that the report gave an overview of the financial performance of the council for 2016/17 and noted that there had been a £50,000 revenue underspend that had been managed and reported throughout the year. It was noted that the People's Department budget had remained challenging, however it was forecast that in London overspend on adult social care would be £250million. It was noted that Croydon was significantly underfunded in comparison to other boroughs which were overspending. High levels of demand and demographic changes continued to provide challenges for the department. Work had continued with the department to manage the spend effectively, including better commissioning and improved prevention work, however it was anticipated that it would take time for the benefits to be realised from these initiatives.

In response to Member questions the Executive Director of Resources confirmed that the Committee would receive figures at the next meeting which outlined the extent of overspend within the People department being due to demand being higher than anticipated and how much was due to meeting the required savings.

The Cabinet Member noted that significant cultural change had been required to achieve savings and had proved difficult, however demand was had also been difficult to effectively budget for. In previous years the number of looked after children had decreased so the budget had been amended to reflect the previous level, however the number of children had increased in the last year which had not been budgeted.

The Executive Director of Resources informed the Committee that positive outcomes had been seen in the other two departments which had delivered savings and had continued to support the council. Furthermore, payback from investments such as the Real Lettings Fund was starting to be received.

It was noted that there had been an underspend of the capital budget, however significant investment had been programmed and the budget continued for those projects. The Executive Director of Resources stated that underspend was due to some overoptimistic timescales for projects and informed the Committee that project planning would be reviewed to ensure slippage was programmed to mitigate underspend in future years.

The Committee congratulated officers for coming within £50,000 of the forecast outturn and that the pension fund was at £1 billion.

In response to Member questions the Executive Director of Resources acknowledged the budget was challenging for the People department however it was expect to be at the same level in future years.

The Director of Finance informed the Committee that the children's social care legal costs were in relation to an increase in the number of cases which had required legal review, which had been in relation to the backdrop of a rise in the number of looked after children.

The Committee were informed that the council had continued to use agency staff to fill posts that were difficult to fill, however a recruitment drive had been undertaken to increase the number of permanent social care staff. It was noted that the difficulty to recruit permanent staff was reflected across the London and had been driven by people earning more if they were to work on an interim basis, however councils had worked on establishing a cap on interim staff payments. Furthermore, the council had looked to sell the benefits of being a permanent member of staff more effectively.

The Executive Director of Resources informed the Committee that the level of agency staff was a KPI that was monitored by Cabinet. The bulk of agency staff was in social care, however often agency staff were introduced for capacity reasons or the difficulties associated to recruiting good officers in certain services such as Planning. The council had not only conducted a campaign to encourage agency staff to become permanent members of staff, but the authority had reviewed the Apprenticeship Levy as it was

desirable to grow its own workforce.

The Committee queried what work had been done to raise the council's concerns in regards to the inequality of funding for social care and were informed that the funding formula had been set in 2013 based on outdated census data. The council had been clear that it would like to see a change in the formula which was due to be released in 2020. The Executive Director of Resources stated that it was expected that London as an area would suffer but it was hoped that Croydon would comparatively benefit. The Cabinet Member for Finance and Treasury further noted that Wandsworth, which was the lowest funded inner London borough, had received £28million more per annum and so work had begun with outer London boroughs to encourage a more equitable revised formula.

The Executive Director of Resources stated that spend within the People department had been driven by the rise in demand and work had been initiated to transform the services to respond to the challenges as the alternative would have been to cut discretionary services in other departments. The Executive Director further identified the risk of changes in funding from government leading to uncertainty and possible annual budget setting as opposed to medium term financial planning.

In response to Member questions the Executive Director clarified legal services had been a mixture of in house and outsourced contracts. It was intended to move more legal work in house and to use a legal firm for large work, such as Compulsory Purchase Orders or Judicial Reviews, and it was anticipated significant savings would be achieved when fully implemented.

Members queried the suggested improved commissioning and contract management and were informed that work had begun to utilise the skills within the Resources department more effectively and to invest in contract management expertise. With regards to improvements in commissioning the Committee were informed that work had been undertaken to ensure the outcomes were clearer and that services were assessed as to whether they could be delivered better in house or outsourced.

In response to Member queried the Committee were informed that work had been done on in house fostering which had saved the council money. The Cabinet Member went on to state that the council were ensuring that the right providers were in place and that long and short term placements were distinguished as to rate paid rather than the previous set rate.

The Cabinet Member noted the improvements made to the Facilities Management team, from being a single contract that had been changed to a number of contracts that were delivered in house or outsourced. It was stated that the mixed economy had not only saved the council around £2million per annum but had also delivered an improved service.

In response to questions the Executive Director of Resources confirmed that the council had written to the Secretary of State to request support for the funding for sprinklers in tower blocks and other safety measures, and the removal of the borrowing cap on the HRA. It was stated that while the works could be funded through the reserves it would impact investment in the HRA capital programme in future years.

The Committee noted that the council had experienced an increase in waste tonnage and were informed that a reduction in recycling had not been noted and it was due to an increase in waste that had been experienced by a number of boroughs.

In response to Member questions the Executive Director informed Members that the General Fund pays the Pension Fund and that a transfer had been made in one go which had provided the council with a discount of around £600,000.

RESOLVED: That

1. The levels of reserves and provisions set out in section 7.4 of the report, as recommended by the Section 151 Officer be approved;
2. The Council's outturn position, and the progress of the Council's current Financial Strategy objectives be noted;
3. The departmental outturn variances as contained with Table 2 and Appendix 1 of the report be noted; and
4. A report seeking final approval of the accounts following their review by external audit will be presented the General Purposes and Audit Committee prior to the deadline of 30 September 2017.

A18/17

Anti-Fraud Annual Report 1 April 2016 – 31 March 2017

The Director of Governance presented the anti-fraud annual report for 1 April 2016 to 31 March 2017 and informed Members that a mistake had been identified in Table 2 of the report in that the outcomes associated with stopping Right to Buy amounted to £405,000, which made the total value of the work of the Anti-Fraud team amount to £1,382,348.

A significant amount of work had been undertaken on blue badges, including cautioning some people where appropriate. Safeguarding referrals were also reviewed and included incidences where relatives were taking the money that had been allocated rather than it being spent on the individual. Work had also been undertaken on the Landlord Licensing Scheme and had led to six further licences being issued to landlords that had previously avoided paying.

In response to Member questions the Director of Governance stated that it was difficult to compare performance with other councils as they had different ways of recording performance, however future reports would include a year on year internal comparative data. It was hoped that the work of the London Counter-Fraud Hub would enable a standardised way of working and thus comparative data with councils in future years.

The Executive Director of Resources confirmed that the team were successful and saved, or recovered funds for the council through the Proceeds of Crime Act, which more than covered the team costs. The council sought to recover losses from fraud and used the most appropriate action to recover or seize assets.

The Committee queried whether the Anti-Fraud team undertook work in relation to illegal subletting which had come to light following the Grenfell disaster, and in response the Director of Governance stated that the team had recovered properties where there had been instances of illegal subletting. Furthermore, the Director of Governance informed the Committee that cases had been referred to the Home Office when appropriate. The Chair requested that a future report to the Committee included some outline case history for Members information.

Members raised concerns that work within the London Counter Fraud Hub would detract from the work undertaken by Croydon's officers and in response the Director of Governance stated that it was not foreseen that work would be stopped but rather enhanced due to the sharing of data. Furthermore it was hoped that the Hub would have investigative opportunities and the council would be able to utilise the resource if required.

RESOLVED: That the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2016 – 31 March 2017 be noted.

A19/17

Internal Audit Review of Effectiveness 2016/2017

The Executive Director of Resources presented the Internal Audit Review of Effectiveness 2016/17 and directed Members to Table 2 of the report which showed that delivery remained highly effective. The Committee were further informed that the contract for internal audit had been put out to tender.

In response to Member questions the Executive Director confirmed that a rating of generally conforms was the highest that could be received as the other ratings were partial or do not conform.

The Director of Governance informed the Committee that Priority 1 recommendations were followed up one month after the report had been finalised and continued to be followed up until implemented. Priority 2 recommendations were followed up three months after the

final report. The Committee were assured that recommendations had not been made easier to implement, however not all follow ups had been conducted as the follow up period after the final reports had been issued had not yet passed.

In response to Member questions the Executive Director of Resources confirmed that the external audit was the best review of internal audit work.

RESOLVED: That the report of the Internal Audit Function 2016/17 be noted.

A20/17

Head of Internal Audit Annual Report

The Director of Governance introduced internal audit annual report and informed the Committee that internal audit had given a substantial assurance based on 86% of audits receiving substantial or full assurance.

In light of the Grenfell Tower disaster Members queried whether work was undertaken with regards to risk management in general. The Executive Director of Resources confirmed that the Council was undertaking a large volume of work around fire safety in general, not just concentrating on council owned and managed tower blocks, focussing on processes and systems and ensuring the authority was working well with the London Fire Brigade. Furthermore it was noted that the internal audit report on fire safety had received full assurance.

Members were assured that the council was assessing whether health and safety had full visibility and that the Head of Risk regularly attended Directorate Management Team meetings to review the risk register to ensure it reflected the current climate, however work would be undertaken to think wider around the risk register what needed to be included.

In response the Member concerns in regards to the control weaknesses identified at paragraph 3.7 of report the Director of Governance informed Members that the concerns were in regards to a number of concerns raised over several audits and was an accumulation of a number of small things. Members were informed that when audits had requested to view contracts a number could not be found and it had also been found that some contracts had been initiated prior to being signed. Due to the control weakness identified work was had begun on contract management to professionalise contract management, and it had been transferred to the Annual Governance Statement to ensure it was reviewed. Where issues with contracts had been identified work had been undertaken to find or replicate the contract.

The Director of Governance confirmed that there were four categories for assurance within audit and that in 2016/17, 14% of

internal audits were given limited assurance and so had priority 1 recommendations.

In response to Member concerns the Director of Governance confirmed that the external auditors reviewed the work of the council in a different way and so there was not a complete reliance.

The Director of Governance conceded that perhaps the improvement in performance had not been achieved, however investment in contract management and procurement capacity had been increased to mitigate the risks.

Members raised concerns that the audit report of Octavio suggested that the right controls were not in place, and in response the Director of Governance confirmed that there had been an opportunity for the council to learn lessons when setting up new organisations however it was felt that the authority had improved. It was furthermore confirmed that a follow-up audit of Octavio had been completed and the issues had been largely resolved.

RESOLVED: That the Head of Internal Audit Report 2016/17, at Appendix 1 of the report, and the overall Substantial level of assurance of the Council's systems of internal control.

A21/17

Annual Governance Statement 2016/17

The Head of Risk and Corporate Programme Office introduced the annual governance statement for 2016/17 informing the Committee that appendix 1 of the report set out the detail of the risks which had been collated from the corporate risk register and internal audits.

Following Member requests the Executive Director of Resources confirmed that the report on the risk register at the next meeting of the General Purposes and Audit Committee would include details around the thinking around the developing the risk register and assessing risks.

RESOLVED: That

1. The Annual Governance Statement for the year 2016/17, at appendix 1 of the report, in relation to scope of responsibility, purpose of the framework, governance framework detail and review of its effectiveness be agreed;
2. The statement on 'outcomes' in relation to 'Issues raised in 2015/16 Statement and progress to date be agreed; and
3. The significant governance issues identified in relation to 2016/17 and the actions being taken to mitigate those risks be agreed.

A22/17

[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 20.18pm