

General Purposes & Audit Committee

Meeting of held on Wednesday, 2 December 2020 at 6.30 pm. This meeting was held remotely.
Recordings of meetings can be found on the Council website.

MINUTES

- Present:** Councillor Karen Jewitt (Chair);
Councillor Stephen Mann (Vice-Chair);
Councillors Jamie Audsley, Jan Buttinger, Mary Croos, Steve Hollands,
Bernadette Khan, Stuart Millson, Tim Pollard and Joy Prince
- James Smith (Independent Co-optee)
- Also Present:** Councillor Sean Fitzsimons
- Apologies:** Muffaddai Kapasi (Independent Co-optee)

PART A

41/20 Minutes of the Previous Meeting

The minutes of the meetings held on 7 and 20 October 2020 were agreed as a correct record.

Arising from the minutes of the meeting held on 7 October 2020, Councillor Millson questioned whether the Annual Governance Statement had been amended to take account of the comments raised by the General Purposes and Audit Committee (GPAC) prior to being signed off. It was advised that this would be checked and confirmation would follow. (Note: it has subsequently been confirmed that the Annual Governance Statement was amended to take account of comments made at the GPAC meeting).

Councillor Millson also requested that the minutes of GPAC be expanded to include more detail such as the names of the Councillors against the questions they asked or comments made. It was agreed that the Council's approach to minutes needed further reflection to find a pragmatic solution, as near verbatim minutes were considerably more resource intensive to produce, especially when the recordings of the meeting were available. It was highlighted that recent Audit investigations had used Committee minutes, which were considered to be the legal record of the meeting, to inform the evidence gathering process, as such thought needed to be given to the legal requirements for minutes. One possible option may be to use a technological solution to provide a more complete record of meeting which could accompany summary minutes, but if this route was followed, there would be a need to ensure any such solution was retained in perpetuity.

42/20 **Disclosure of Interests**

There were no disclosures of interest made at the meeting.

43/20 **Urgent Business (if any)**

There were no items of urgent business.

44/20 **Report in the Public Interest - Action Plan**

The Committee considered the Report in the Public Interest which had been debated at an extraordinary meeting of the Council on 19 November 2020, along with an accompanying action plan that had been created to address the recommendations raised in the report. The action plan had been referred to the Committee for review, with any feedback due to be submitted to the Cabinet at its meeting on 18 January 2021.

Sarah Ironmonger from the Council's external auditor, Grant Thornton, introduced the report by delivering a presentation which provided additional context including summarising the role of an audit committee, reviewing the terms of reference of GPAC, explaining Integrated Assurance, summarising the duties of external auditors, as well as outlining the themes of the report in the public interest.

A copy of the presentation can be viewed on the Council website on the following link:

<https://democracy.croydon.gov.uk/documents/b7979/Item%205%20-%20Introductory%20Presentation%2002nd-Dec-2020%2018.30%20General%20Purposes%20Audit%20Committee.pdf?T=9>

Arising from the presentation the Committee had a number of questions, the first of which from Councillor Millson asked for further clarity on the threshold for GPAC making recommendations to the Council. In response it was advised that it was a matter for Members to consider whether what they were being told was of sufficient importance that it needed to be escalated above the Audit Committee. For instance, when reviewing an internal audit report the Committee can provide challenge where recommendations have not been implemented, but should assess whether it is of sufficient concern to bring it to the attention of Council. Part of the role of an Audit Committee was to operate outside of politics interests, instead it should focus on what was right for the authority.

As an example, Councillor Millson suggested that should the Committee identify items that were being brought forward outside of existing budget controls, then consideration would need to be given to referring these to Council.

Councillor Tim Pollard highlighted that the Report in the Public Interest had been critical of transformation spending and had questioned whether it has

resulted in any real transformation. Furthermore, when transformation projects were commissioned they should start out with objectives, but it seemed that when these outcomes had not been delivered there was no process in place for reviewing projects to establish the reasons for this. As such it was questioned whether, for the projects arising from the Croydon Renewal Plan, Councillor Stuart King should be regularly reporting back to Cabinet on the progress made on.

In response it was advised that for any complex project it was good practice to have tracking in place to help determine whether the intended outcomes had been delivered. Many transformation projects often take longer than 12 months to deliver their intended outcomes and needed to be viewed as an investment. In some cases, although the original outcomes had not been achieved, it was often the case that project evolved during the course of their lifespan and needed to be redirected toward new priorities. As part of a robust programme management process it would be good practice to have regular updates on long term projects reported back to Members to provide the opportunity for challenge.

Councillor Pollard also suggested that the Committee needed to give consideration to how it could get other backbench councillors more involved in the audit process.

Councillor Mann highlighted that many of the reports presented to GPAC asked for the content to be noted and it may help to strengthen the role of the Committee if this was changed to 'make recommendations'.

Councillor Mann also highlighted that a predecessor of GPAC had fed into decision making on the sale of council assets and questioned whether this was something the Committee should be looking to do going forward. In response, it was highlighted that audit committees are not part of the decision making process and it would be unusual for them to be making asset disposal decisions. Alternatively, GPAC could make recommendations to Council such as the need to ensure learning from previous investments was reviewed before progressing with future investments.

Finally, Councillor Mann questioned whether the fact that GPAC had had four different Chairs in the past six years had led to inconsistency and whether there could be an opportunity for the Committee to use peer learning from other authorities? In response it was advised that peer learning was a good idea, although work would be required to identify the right authority and the delivery mechanism. Changing Chair regularly can make it difficult for a Committee to gain consistency, but conversely a fresh pair of eyes can bring a renewed focus.

Councillor Tim Pollard suggested that a change to the threshold for Member decision making had further removed the majority of Councillors from decision making, which meant that most Members lacked the means of keeping informed on the activity of the Council.

In following up this point, Councillor Steve Hollands highlighted that in his opinion there had been a disparity between the information provided to administration and opposition councillors no matter whether the Conservatives or Labour had control of the Council. From his experience of the Committee system, it was felt there had been more information available to a wider variety of Members.

The concerns raised about the flow of information to Members were echoed by Councillor Prince, who advised that backbench administration councillors had a similar view. As such it was important that the findings of the Governance Review on the ability of Members to access information were not lost.

Councillor Jamie Audsley felt that the lack of uptake of training from Members had also contributed to a lack of understanding of the Council. He also questioned whether audit recommendations had been treated with sufficient importance when received in the past. In response it was advised that the auditors only tended to make a limited number of recommendations and these were on areas they considered needed to be taken seriously.

Following the initial discussion on the presentation the Committee focussed its attention on the Action Plan for the Report in the Public Interest. To ensure that the action plan was reviewed in detail the Committee decided to review each of the 24 recommendations in turn, with each being introduced by the officers present. What follows below is a summary of the comments and recommendations made by the Committee during its discussion.

Recommendation 1A

Councillor Hollands highlighted that one of the key issues contributing to the budget overspend was the demand for Children's Services and the need to manage this demand was one of the major challenges facing the Council. As such it was essential that data was available to ensure the service could be managed effectively. It was confirmed that data was available and tracked on a weekly basis. The overspend in the Children's Service was due to a number of different factors which included not managing down demand, too expensive placements and not moving children on from placements to more sustainable arrangements quickly enough.

It was confirmed that a report was due to be considered by the Scrutiny & Overview Committee in January 2021 which would provide more detail on the delivery of the actions set out in the action plan.

Councillor Tim Pollard highlighted that every budget agreed by the Council in recent memory included the need to manage demand within social care. As such further consideration needed to be given to how assurance could be given to Members that this was being managed, with a dashboard suggested as a possible means of achieving this.

It was agreed that a potential addition to the action plan could be the ongoing production of a transparent data set to track the progress made with

addressing demand in social care. It was suggested that this should include comparison data with other London authorities and statistical neighbours.

Councillor Bernadette Khan stated that an underlying principle should be that there are no children at risk in the borough. This statement was supported by the other members of the Committee.

In response to a question from Councillor Prince about the Partners in Practice scheme it was confirmed that this was national scheme which paired a local authority in need of assistance with a partner authority to drive improvement. As an example, it was highlighted that the Council had been paired with the London Borough of Camden as part of the improvement journey for the Children's Service. It was agreed that confirmation of when the partnership with Camden began would be supplied to the Committee after the meeting.

Recommendation 1b

It was confirmed that the first action under this recommendation had now been completed had been completed.

The Committee did not have any suggestions specifically for this recommendation.

Recommendation 2

In response to a suggestion from Councillor Audsley that it may help raise awareness of the Council's reserves by announcing the current level held at the start of each Council meeting, it was advised that the General Fund reserves tended to remain static during the year until drawn down at year end. It was agreed that further thought could be given to improving Member's awareness of the Council's reserves.

In response to a question from Councillor Buttinger, it was confirmed that the reserves would next be considered by the Council as part of the Budget report on 1 March 2021.

Councillor Millson suggested that as there tended to be greater movement within the earmarked reserves there should be further work to identify how to best ensure Members remained informed about what was happening with these reserves. It was confirmed that performance data for both the general fund and earmarked reserves was being developed.

Councillor Millson also questioned the feedback process should the Committee have concerns about the Section 151 Officer's reserves assessment. As a result it was agreed that the need to ensure there was sufficient time built into the budget setting process to allow for any of the Committee's concerns to be addressed.

Recommendation 3

Councillor Prince questioned what would happen if the review of transformational funding found that not all funding had been used for its intended source. It was advised that should this happen, funding may need to be reversed which would have an impact on the general fund. Alternatively it may be the case that alternative transformational uses could be identified.

It was agreed that further consideration needed to be given to how to improved Member's understanding of transformational funding.

Recommendation 4

It was noted by Councillor Mann that the third action under this recommendation was for an annual report on the use of transformation funding and the delivery of schemes to be presented to the Scrutiny and Overview Committee. As such it was requested that this report also be presented to GPAC.

Councillor Mann also questioned whether there could be an opportunity for GPAC to review the business cases mentioned in the second action point. It was advised that further consideration would be required on the mechanism for this to ensure that business cases were not unduly delayed.

Recommendation 5

It was noted that the Dedicated School Grant Recovery Plan was due to be included on the agenda for the next meeting of GPAC in January 2021.

Councillor Bernadette Khan commented that she was pleased to see the integration of SEN children into mainstream education. As a follow up to this comment, Councillor Prince questioned how academy schools could be encouraged to play a role in integration. In response it was advised that the Director of Education was currently working with schools to implement a strategy for this.

Councillor Audsley highlighted that it was essential to manage the Council's relationship with the Schools Forum to ensure that collective responsibility was taken in delivering improvements.

Recommendation 6

Councillors Mann and Hollands welcomed the change in emphasis in action 2 which was to negotiate with the Home Office and the Department for Education to secure financial support, as previous activity to highlight UASC funding issues had been limited to lobbying. However, it was questioned whether there was a contingency plan should negotiations not be successful. It was acknowledged that there was no guarantee that the Council would be able to negotiate the same level of financial support as other port of entry authorities, but conversations with the Department for Education had indicated there was a will to realise the costs.

There was support across the Committee for moving the conversation over UASC away from a purely cost perspective to one more focussed on the

number of children that could be safely supported within the borough. It was suggested by Councillor Audsley that work should be undertaken to understanding what provision was currently available for flagging safeguarding risks and the thresholds for the number of UASC that could be safely looked after by the Council. Once this had been established the Council should work with Ofsted on a system for other authorities to house UASC once the safe limit had been exceeded.

Recommendation 7

It was highlighted that the deadline for the actions listed under this recommendation was likely be extended given the significant amount of detailed work required to deliver them.

Recommendation 8

In reference to action 2, it was suggested that the relevant Cabinet Member should be included under the reference to the “accountable person”.

Recommendation 9

Although supportive of the actions contained within this recommendation, Councillor Prince highlighted concern that it would delay the implementation of the decision by Council relating to the Governance Review Panel further into the future. One element of which was the Cabinet Member Advisory Committees (CMAC) , one of who primary purposes was to increase the involvement of backbench members in decision making, allowing them to gain expertise in certain areas.

It was suggested that the Cabinet Member for Resources & Financial Governance, Councillor Callton Young, should be added as an accountable Cabinet Member, in addition to Councillor Stuart King.

Recommendation 10.

A request was made for the deadline, which was listed as “underway”, to be reviewed, in order to provide greater clarity over the delivery of this action.

Recommendation 11

In response to a question from Councillor Mann over whether the Growth Zone actions needed to incorporate any potential Westfield development, it was advised that this development would be included as a large part of the Growth Zone was predicated on it being delivered. In response to a request for an update on the status of the Westfield development, it was advised that it had been indicated by the developer the current consented scheme was unlikely to proceed and work was underway with the developer on a revised scheme that would require new planning consent.

Recommendation 12

It was confirmed that the use of the revolving investment fund had been paused pending the outcome of the review of Council investments.

Recommendation 13

It was confirmed that deadlines for reporting the findings of the review were being reassessed to ensure that there was also scope to respond to the rapid review being undertaken by the Ministry for Communities and Local Government (MHCLG).

Councillor Millson highlighted that although the idea of the investment in the Croydon Park Hotel merited consideration, it was clear in hindsight that the investment case did not stack up. As such the review of the purchase should be expanded to include who took the decision to proceed with the purchase and the basis for the decision, as well as the governance surround the decision. It was agreed that this suggestion would be fed back to the Cabinet as part of the Committee's report.

Councillor Mann suggested that the fourth action should be expanded to include the opportunity for consultation with both the Scrutiny & Overview Committee and GPAC prior to consideration of any report by the Cabinet in March.

Recommendation 14

There were no comments offered on this recommendation that have not been captured elsewhere.

Recommendation 15

It was agreed by the Committee that the provision of training for Members on treasury management would be very useful, with it questioned whether any such training should be mandatory. It was suggested that it could form part of a training programme for members of GPAC.

Recommendation 16

There were no comments offered on this recommendation, not captured elsewhere.

Recommendation 17

Councillor Tim Pollard highlighted his concern that Brick by Brick still had the potential to cause considerable damage to local communities while the Council waited for the outcome of the review on its future. As such it was questioned what could be done to prevent any further developments being progressed. In response, it was advised that the Cabinet had taken the decision to halt any new site transfers to Brick by Brick while work was underway to identify the best solution for the council tax payers of Croydon. However, any work already identified within the loan agreement with Brick by Brick would continue. As part of the decision by the Cabinet, two new

directors had been appointed to the Board, which was due to meet on 3 December.

The Chair of the Scrutiny & Overview Committee, Sean Fitzsimons, acknowledged that Brick by Brick continued to be a concern for residents. The Scrutiny & Overview Committee was due to look at the PwC Strategic Review of Council Companies at their meeting in December, but endorsed the approach of reviewing all the evidence to ensure that the best decision was made for council tax payers.

Councillor Mann highlighted that Brick by Brick should be a high risk on the Council's risk register and under normal circumstances the Committee would receive a report on the Council's risks. Given the level of uncertainty over Brick by Brick it was suggested that the risk register needed to be reviewed in light of the growing uncertainty over the future of the company.

Councillor Stuart Millson suggested that given the financial involvement of the Council, as the sole shareholder in Brick by Brick, the Committee may want to invite the Board Members to a future meeting to give a presentation on managing the financial risks involved.

It was noted that the Councillor Hamida Ali should be listed as the accountable Cabinet Member for this recommendation 17, rather than Councillor Stuart King as listed in the report.

Recommendation 18

There were no comments offered on this recommendation, not captured elsewhere.

Recommendation 19

In response to a question from Councillor Mann about what level of loan covenant would be reviewed, it was confirmed that the review would start with the biggest loans and work down through all of them. It was agreed that it would be helpful for the Committee to have the opportunity to discuss the new loan covenant arrangements once the work had been completed. Councillor Bernadette Khan suggested that it would be helpful for any report to include information on the global position to help provide local context.

Councillor Steve Hollands requested that parent agreements be included within the actions for this recommendation, which was accepted.

Recommendation 20

Councillor Mann suggested that one action that would improve scrutiny of the Council's companies would be to invite Members to attend the annual general meetings for these companies.

The Committee also discussed how best to improve transparency over board membership, with either an advert in a local newspaper or having a page on

the Council website suggested. It was agreed that it would be taken away to investigate the most cost effective means for publicising board membership.

Recommendation LBC 1

In response to a question about which Members would receive the risk management training outlined in the fourth action, it was advised that further work was needed to identify the specific audience for the training outlined in the action plan unless already specified.

Recommendation LBC 2

Councillor Prince highlighted that the recent Governance Review had covered a lot of the ground set out in the actions for this recommendation and it would be important to ensure that the findings of this review were not lost. It was suggested that the fourth action should be expanded beyond Scrutiny to include the ability for all Members to access the information to help instil an open and transparent culture across the Council and to assist Members in their Ward roles. Councillor Audsley echoed the comments regarding access to information, but accepted that there would be certain circumstances when information could not be provided. In such circumstances there needed to be clear communication to confirm why the information could not be provided.

Councillor Millson questioned why there was a reference to the Nolan Principles in the third action, as it could be interpreted that they had not previously been followed. It was clarified that there was no underlying motive for the inclusion of the Nolan Principles and it was good practice that they be included.

Recommendation LBC3

Councillor Mann suggested that the first action needed to include work to identify what training was mandatory or non-mandatory for Members. It was also suggested that there needed to be an assessment of Members training requirements as there was a range of knowledge and expertise.

Following on from the comments about Member training, Councillor Millson requested that the scheduling of training be arranged at times that were convenient for the majority of Members.

Recommendation LBC4

Given the reference to risk management, which fell within the remit of the Committee, Councillor Mann requested that GPAC be included to the third action as well as the Scrutiny & Overview Committee.

In response to a question from Councillor Mann about the delivery of the second action and how the Council will engage with residents, it was confirmed that the first stage of implementing this action would be to identify the appropriate mechanism for its delivery.

Councillor Mann also questioned whether former councillors would be interviewed, so that their experience could be used to inform the future of the Council. It was advised that given the scope of the work to be undertaken it may negatively impact on the capacity for delivery if it was expanded further.

Councillor Tim Pollard noted that many people may be shocked to hear about the working environment within the Council, including many Members who would not have any understanding of what it was like to work for Croydon Council. In order for the Council to learn from the mistakes of the past and deliver a significant change to management culture, it would be important to capture and learn from the experience of staff leaving the organisation. Consideration also needed to be given to how to ensure that any changes to the management culture filtered down through the organisation.

Councillor Milson highlighted that there had been a number of change programmes in the past at the Council and questioned whether these would be reviewed to ensure any mistakes were not repeated. In response it was advised that in light of work that needs to be delivered, there was not capacity to review past change programmes. However, best practice guidance, which would inform the current programme, had shown it was essential to anchor change and to ensure that the reward system clearly set out what was required, was transparent and had base lines to check back against.

At the conclusion of the item the Chair thanked the officers who had attended for their participation and their openness in answering the questions of the Committee.

45/20 **Audit Plan**

The Committee was presented with an update on the Audit Plan which had changed since it was first presented to the Committee in early March 2020. The changes reflected two new significant audit risks, the first of which was the impact of covid on the work of audit and had been added to the audit plan for each local authority that Grant Thornton worked as an auditor. The other risk identified was associated with the challenges in the revenue budget, with an additional focus required to demonstrate that it was being appropriately managed. This included a focus on the reporting of expenditure, the accounting on emergency accommodation and work to adjust the risks down on materiality in the budget.

It was confirmed that the audit performance report was unlikely to be presented to the GPAC meeting on 14 January, with it likely that a short update will be presented to confirm the findings to date.

Councillor Millson noted that the reference to further work on fraudulent transactions may raise concern, but it was confirmed that this related to additional audit work to gain reassurance that there had not been any fraudulent activity rather than any indication that the auditors were aware of such issues.

.....

It was confirmed that the external auditors would be happy to attend a meeting of the Council to provide a report on the outcome of the audit plan, but the timing of this would need to be confirmed.

At the conclusion of this item the Chair thanked all attendees for their participation in the meeting.

46/20 **Exclusion of Public and Press**

This motion was not required.

The meeting ended at Time Not Specified 22:45

Signed:

Date:

.....