

MINUTES OF THE PERFORMANCE AND FINANCE SELECT COMMITTEE
Wednesday, 22nd June 2005 at 7.15 pm

PRESENT: Councillor Rands (Vice-Chair, in the Chair) and Councillors Crane and H B Patel.

Also present was Councillor Coughlin (Lead Member for Corporate Resources).

An apology for absence was received from Councillor J Moher.

Peter Green and Simon Davis (PricewaterhouseCoopers) and Sue King and Neil Smith (Capita) were also present.

1. Declarations of Personal and Prejudicial Interests

Councillor Rands advised those present that he was appointed to the Brent Housing Partnership Board.

2. Deputations

There were none.

3. Minutes of the Previous Meeting – 11th January 2005

RESOLVED:-

that the minutes of the previous meeting held on 11th January 2005 be received and approved as an accurate record.

4. Matters Arising

Requests for Information - Brent Housing Partnership Report

Councillor Rands sought clarification as to whether the Brent Housing Partnership report would be finalised and presented earlier in future years.

5. 2003/2004 Joint Audit and Inspection Letter and Council's Action Plan

Duncan McLeod (Director of Finance) introduced a report before Members which presented the Joint Audit and Inspection Letter for 2003/04, which had been issued by the Audit Commission and PricewaterhouseCoopers (PwC). This documentation had been circulated to all Members of the Council in January 2005. The Director of Finance advised that most actions had been undertaken and where they had not, such as the Gershon agenda, detailed work would commence in the future and an update report presented to the Select

Committee in September 2005 for ongoing monitoring. At this point Simon Davis from PricewaterhouseCoopers outlined the Joint Audit Letter and advised that it was now six months' out of date. He referred to a number of growth areas for Brent with reserves continuing to grow and explained that the auditors were happy with the final accounts process, which had been successfully completed on time. Referring to the 'fair' to 'good' move for the Council's Comprehensive Performance Assessment (CPA), those present were advised that this was particularly positive for the Council.

In response to a question from the Chair, Duncan McLeod explained that it was anticipated that the accounts would be closed by the deadline of 30th June 2005 and thereafter presented to a meeting of the General Purposes Sub-Committee. He also confirmed that PricewaterhouseCoopers had attended some training sessions. Regarding the Council's financial systems, Duncan McLeod explained that a project on coding was in place and would be introduced by the end of the financial year. He explained that there was suitable funding within the Capital Programme to revise systems but that any proposed changes would have to be considered further. Simon Davis confirmed that a reconfiguration of financial systems by the Council would be supported by the external auditors. Referring to the issue of Best Value, those present were advised that there was still room for further improvements in comparison with other local authorities. He explained that about 80% of invoices were paid within three days, in line with prompt payment targets.

In response to a question regarding the civic centre proposals, Duncan McLeod confirmed that there were a number of issues to consider such as flexible working, IT provision and the effective use of space. He confirmed that an initiative to look at storage, retention and effective use of space was underway to try and identify possible savings in the future and would be addressed in subsequent civic centre project reports. In response to queries regarding recycling rates, Members were advised that the 14% recycling target had been achieved by the Council. Referring to recycling frames for estates, Members were advised that this had not been possible in all locations as a result of other considerations. At this point Councillor Rands suggested that this issue be monitored further by the Quality of Life Scrutiny Panel. Councillor H B Patel commented further on the low recycling rates and stressed that this was a key area for improvement in the future. Duncan McLeod confirmed that there had been a significant investment in a composting project in an effort to increase recycling and explained that whilst significant improvements had already been made, further investment was necessary both financially and, in the longer term as an education issue. Following a query regarding the high refuse collection costs, Councillor Coughlin explained that as a result of old contracts a substantial amount of funding was needed to resolve the problems. He explained that regular meetings took place quarterly with Onyx and that there was

now an open book policy to monitor performance. He confirmed that new Onyx Managers were in place and improvements were slowly being achieved. He advised Members that street cleaning had been improved with a higher quality output achieved.

In response to a query from Councillor Crane, Simon Davis confirmed that hundreds of man hours had been used to undertake the audit although no definitive man hour figure was available. Referring to home care for the elderly, Simon Davis explained that this issue had been considered as part of the joint audit inspection but that comments in the report had been made by the Audit Commission. Councillor Crane stressed the need to ensure that subsequent benchmarking on this issue be undertaken if necessary and queried how the Audit Commission undertook performance comparisons.

Referring to the high rate of refusal, Councillor H B Patel queried why they were so high. Bridget Duley (Policy and Regeneration Unit) advised those present that the figures had improved following a review by the Planning Service. The Planning Department was now developing protocols to help residents develop plans so that the number of refusals was reduced. Simon Davis then confirmed that the external auditors had been appointed by the Audit Commission to undertake the audit and provide good value, in line with the code of practice. Councillor Coughlin confirmed that the Council had received good value and had made a number of savings in Social Services.

RESOLVED:-

- (i) that the report be noted;
- (ii) that this issue of recycling frames for estates be monitored further by the Quality of Life Scrutiny Panel, subject to agreement by the Chair of the Panel and the Management Board; and
- (iii) that an update report on the 2003/04 Joint audit and Inspection Letter and the Council's Action Plan be presented to the next meeting of the Select Committee for ongoing monitoring.

6. 2005/2006 Audit and Inspection Plan and Internal Audit Plan

Simon Lane (Head of Audit and Investigations) introduced a report before Members advising the Select Committee about the proposed internal audit plan and the joint audit and inspection plan 2005/06.

Simon Lane confirmed that 300 days would be spent on auditing the Borough's schools, 130 days would be spent on auditing the Brent Housing Partnership Board and approximately 1,500 days of work in

total would be spent on internal audits. Members noted that the PricewaterhouseCoopers' Joint Audit Inspection Letter was attached for information. At this point Simon Davis (PricewaterhouseCoopers) referred to the 2005/2006 plan but stressed that this document highlighted 2004/2005 actions. Members were advised that the Audit Commission had introduced a new code of practice as of April 2005 and consequently the document contained a new two-part opinion by PricewaterhouseCoopers on the accounts including the use of resources. Members noted that a new set of criteria had been established under the code with a process of self-assessment and thereafter testing. Members were asked to be mindful of the business risks outlined in the plan.

Peter Green (PricewaterhouseCoopers) explained that the Council was developing the risk register itself. He then went on to comment on a number of key risks including: - systems issues; Wembley/Civic Centre project; Revenues and Benefits and the development of a verification framework; single status; risk Management and PFI. Simon Davis advised those present that an audit had been undertaken to review the Council's partnership arrangements to ensure that there were no major risks. He referred to South Kilburn and stressed that there would be ongoing monitoring of all activities.

In response to a question from the Chair regarding recruitment and retention issues, Simon Lane (Head, Audit and Investigation) advised those present that there had been ongoing problems, as experienced across London. Members were advised that despite a successful advertising campaign in August 2004 two people were scheduled to leave the department. Simon Lane confirmed that the department failed to achieve its accounts targets last year and therefore there were a number of financial implications for the department as well as the problem of having to face a constant struggle with regard to staff and retention issues. Members noted that all vacant posts would be covered by temporary staff and trained so that all audits could be undertaken within the timescales of the agreed plan, although outstanding vacancies had a notable impact on effectively completing the audit workload. Simon Lane confirmed that Deloitte & Touche could be given additional work to cover gaps. However, the focus was now on successfully recruiting. Members noted that they would receive a further update on recruitment and retention issues later in the year.

In response to a question from the Chair, Members were advised that the Audit Commission recognised that people wanted more accountability and as a result strategic regulation reflected this requirement. As a result pillar performance indicators and the review of important areas on a longer term basis through regular inspections had been introduced. Following a question from the Chair regarding the proposed civic centre project, Members were advised that PricewaterhouseCoopers was unable to provide financial advice to the Council on this matter due to consideration of governance

arrangements arising from the proposals and its role as an independent auditor. Councillor Coughlin interjected that an update report on the civic centre project would be presented to the July meeting of the Executive.

In response to a question concerning school capacity, PricewaterhouseCoopers advised that there was a shortage of schools within Brent and that whilst no action was proposed in the immediate future, Members should be mindful of any future financial transactions. Duncan McLeod explained that money was linked to the Section 106 agreements and that there were no specific provisions within the capital programme for increasing schools at the current time. It was confirmed that monitoring of performance and governance issues would continue.

In response to a question from Councillor Crane, Simon Davis explained that whilst the Council had the power to enter into trading agreements none had, as yet, been undertaken. PricewaterhouseCoopers would monitor the matter to ensure that there were no risks should the situation change. The Chair then thanked representatives from PricewaterhouseCoopers and the Audit Department for their attendance at the meeting.

RESOLVED:-

that the report be noted.

7. Revenue and Benefits Performance Update

The report before Members provided an update on performance in relation to Council tax, Business Rates and Housing Benefits, as at 31st March 2005 and 31st May 2005 where the latter figures were available at the time of writing of the report.

Margaret Read (Head of Local Taxation and Benefits) provided Members with a brief summary of the report and confirmed that in 2004/2005 an in-year Council Tax collection of 93.4% had been collected against the target of 93%. Referring further to Council tax collection, Margaret Read advised those present that 93.5% collection against 2003/04 arrears had been achieved against a 95% target. Consequently the Council was talking to Capita to discuss how this issue could be addressed in the future. Referring to pre-contract arrears, £1.19 million had been collected in 2004/2005 and an overall figure of £4¼ million had been collected since the start of Capita's contract with the Council. Members noted that Council tax collection was far more stable with processing under control, the database stable and up-to-date and therefore more accurate. Referring to the figures for April to May 2005, Members noted that a good start had been made to in year collection and a monthly profile had been agreed by the Council and Capita to see how targets could be achieved. At the

present time it looked as if Capita was on track for exceeding these proposed targets.

Referring to the prompt payment scheme, Margaret Read explained that there had been a significant increase in direct debit payments. With regards to Council Tax arrears, Members noted that these were slow to come in and since arrears collection for the past two years had not been particularly positive, the Council was talking to Capita to try and address the issue. Referring to business rate collection, Margaret Read confirmed that 97.8% had been collected last year and that it was looking good for the 2005/2006 year as Capita were exceeding its profiles. Referring to IT issues, Members were advised that things were far more stable although in April 2005 two days' work was lost as a result of system problems which had a big impact on the service. Members noted that discussions were underway to resolve the issue and to review Unix box capacity. Commenting on the comprehensive performance assessment (CPA), Members were advised that a new performance framework had been introduced and a self-assessment would be submitted shortly to DWP for CPA purposes. It was hoped that the Benefits service would retain its three rating.

Margaret Read referred to the issue of complaints and explained that performance had significantly improved and would be maintained in the future. Referring to overpayments, Members were advised that over £3 million had been recovered in 2004/05, with extra resources allocated to achieve this rate. Members noted that further improvements were expected in 2005/2006. Commenting on verification framework module pilots, those present were advised that interventions carried out to date had resulted in a high number of overpayments. At this point Councillor Coughlin (Lead Member for Corporate Resources) commented on the improvements that had been made by Capita and the Department.

In response to a question from the Chair regarding the prompt payment system, Margaret Read explained that despite cancelling the scheme improvements to collection had been made over the past two years and that it was important to note that we were now focussing on getting people on to the direct debit payments scheme. Duncan McLeod (Director of Finance) confirmed that there had been no detrimental financial impact on the Council as a result of terminating the scheme. In response to a question from the Chair, Sue King (Capita) explained that the separate report before Members highlighted the key activities that had been undertaken regarding collection of arrears such as bailiff action and attachment of earnings.

Members noted that Capita was considering ways in which to increase the number of people that had been threatened with bankruptcy. In response to a question regarding Capita's incentive to keep improving above targets, Margaret Read explained that a bonus scheme was in operation so that it was well worth and fit for Capita to improve on the

set targets. Members noted that this was indeed a very serious incentive. In response to a question regarding the new Document Imaging/work flow style system, Margaret Read confirmed that testing was due to start in the next couple of weeks and that despite some initial delays due to early problems with the provider good progress had been made and the intention was to go live in August/September 2005. Members noted that testing had identified a number of minor problems but that Capita and the provider were working hard to address these issues.

In response to a question from the Chair, Margaret Read explained that change in circumstances targets had not achieved but that the new performance framework had required prioritisation of new applications. Further changes to regulations had also increased volumes of work classified as change in circumstances. In response to a question regarding call counter waiting times, Margaret Read confirmed that figures for waiting times were down in April 2005. Members were then advised that the revenue and benefits counter would shortly be integrated into the One Stop Shop in Brent House following an eight-week refurbishment and a temporary decant. The Chair queried the back up for operations that had been identified in terms of potential risk and was advised that the main priority was to resolve problems with the Unix box. Consequently the Council was talking to the suppliers in order. Paula Buckley (Taxation and Benefits) confirmed that discussions were already underway with the suppliers to find suitable options in an effort to try and mitigate risks and to assess the potential costs.

The Chair referred to a poster campaign and was advised by Paula Buckley that the Council had approached Nat West to undertake a poster campaign, at no cost. Members noted that a summer campaign was planned regarding direct debit payments with advertisements in the Brent Magazine and on posters throughout the Borough. The Chair referred to the single person discount and was advised by Sue King (Capita) that a number of different systems such as the electoral roll would enable Capita to review who was single and therefore entitled to a discount. Following a query from Councillor H B Patel regarding call answering, Paula Buckley advised those present that the percentage figure showing calls answered within 15 seconds was calls answered by a person and did not include those who were held in the automated queue for longer than 15 seconds before speaking to a person. Councillor H B Patel queried why the average call durations were different in April to May 2005 and was advised by Margaret Read that extra staff had been positioned in the call centre in April 2005 to deal with customer demand and other work issues. Consequently the May figures reflected the fact that staffing levels had been reduced to the normal base level again. Members were advised that a number of initiatives were underway to improve call handling performance and that the Department was aware that there was room for improvement, although some progress had been made to date. In

response to a query from Councillor Coughlin, Margaret Read explained that call times in May 2005 were longer and that whilst she could not think of any major reasons for an increase in call duration, she would need to check.

Margaret Read explained that whilst performance had been good the Department was looking to build on the success of last year and to move up the league tables. It was hoped that Capita would keep exceeding its targets. At this point Margaret Read praised both her staff and Capita for their efforts. This was repeated by the Chair who then stressed the need to ensure on-going monitoring particularly of the key risk areas.

RESOLVED:-

- (i) that the Performance and Finance Select Committee note Capita's Council tax collection performance against contractual targets for 2005/2006 and note that the draft Council tax improvement plan attached as appendix A provides sufficient reassurance that all contractual target for 2005/2006 will be achieved;
- (ii) that the Performance and Finance Select Committee note the improvements achieved in Business Rates and Council tax collection in 2004/2005;
- (iii) that the Performance and Finance Select Committee note the plans in place to maintain a 3 score for CPA (Benefits) and the need to prioritise new applications and appeals;
- (iv) that the Performance and Finance Select Committee note the early outcomes of the implementations of the verification framework, which is resulting in a higher level of overpayment creation;
- (v) that further information regarding the Verification Framework be presented to the next meeting of the Performance and Finance Select Committee.

8. Statement of Internal Control

The report before Members presented the draft Statement on Internal Control (SIC). Simon Lane (Head of Audit and investigations) advised those present that this was the second year of producing the report which showed how the Council met best practice, law, accountability and management of risk issues. Members were advised that there was a major emphasis from PricewaterhouseCoopers on this issue in order to affect the CPA scoring. Members noted that this matter should have been considered at the scheduled meeting of the Select Committee in April 2005 but that as the meeting had been cancelled it

was not possible for Members to review the process for putting together the report. It was noted however that this kind of action would be undertaken in the future.

Simon Lane outlined the process for compiling the report and explained that the Director of each service area would henceforth sign off a certificate of assurance for each service area. He confirmed that there were different approaches to getting statements but that a number of key control items and key questions had been compiled by the Strategic Finance Group. These statements were then used to undertake a peer review to check if the content was appropriate and following some amendments, if necessary, these statements had now all been signed off. Members were asked to endorse the statement and identify any problems to which the Audit and Investigations Team would follow up before a report was finally presented to the General Purposes Committee in July 2005. The report would then be presented to the Leader of the Council and the Chief Executive to sign off.

Simon Lane referred to the weak areas identified in each of the service areas and confirmed that these issues had been lifted off the statements provided by the service areas and used to identify key risks and proposed actions in the future. In response to a query from the Chair, Simon Lane confirmed that staffing levels affected the department's ability to undertake and effectively complete the audit workload within the set timescales, as defined in the plan. He confirmed that the Department was only achieving 70% of the audit plan but that a lot of work had been done in the previous year and had resulted in positive outcomes. In response to a query regarding difficulties associated with the procurement procedure, Simon Lane confirmed that these were generally linked to large scale contracts. He stressed the need to ensure that procedures were followed properly so that the legal and financial implications were not potentially sidelined. The Chair expressed concerns about the wording in the report as it suggested that the potential for challenge against the Council was a far more significant risk. Duncan McLeod explained that whilst this was an important issue the document could be re-worded to reflect the issues more accurately.

Referring to report writing and the issue of appropriate clearance on reports, the Chair queried whether the Borough Solicitor should be the responsible officer for this item and whether there was in fact a conflict of interest. Duncan McLeod acknowledged the Chair's comments and explained that a joint letter from both himself and the Borough Solicitor would be issued outlining the procedures on report writing.

In response to a query from Councillor Crane, Duncan McLeod confirmed that the Statement of Internal Control was a public document and was accessible on the website. He explained that the issues raised in the document arose from individual service development

plans and would be managed and reviewed on an ongoing basis by the relevant service area management teams. At this point Councillor Crane requested that the document be brought back to a future meeting and circulated to all scrutiny panels to highlight the Council-wide risk register. Following a suggestion from Councillor Crane, Simon Lane confirmed that a traffic light system would be incorporated in future reports to show what actions had or would be taken in response to highlighted risks.

Councillor Rands requested that the Select Committee look at the business continuity plans and analysis of tests to determine the Council-wide approach to disaster planning. He asked whether the December 2005 target would be achieved and asked that this issue be picked up in a future meeting of the Select Committee. Simon Lane confirmed that extra resources had been made available to integrate continuity plans. At this point the Chair requested that the plans be submitted to the Select Committee for consideration, once complete. In response to a query from the Chair regarding the list of risks, Simon Lane confirmed that a summary of each risk within the service areas would be incorporated in a report, which would be presented to the September meeting of the Select Committee.

At this point the Chair thanked Simon Lane and Aina Uduehi (Audit Manager, Audit and Investigations) for their attendance at the meeting.

RESOLVED:-

- (i) that the Performance and Finance Select Committee approve the content of the Statement of Internal Control, which will be issued with the accounts;
- (ii) that the Performance and Finance Select Committee endorse the process used to compile the SIC and review of internal controls, for application in future years.

9. Annual Work Programme 2005-06

Bridget Duley (Policy and Regeneration Unit) introduced the Select Committee's annual work programme and outlined some of the key issues that would need to be considered by Members over the course of the year. Members were advised that since an assessment would be undertaken in January 2006, the Comprehensive Performance Assessment (CPA) would remain a priority. Members noted that annual service assessments would also be undertaken in 2006 and that the Audit Commission had now produced final guidance on these assessments. Members were advised that a number of inspections had recently been completed including HR and the Youth Service and that action plans would be brought back to the Select Committee for future monitoring at subsequent meetings.

Bridget Duley confirmed that a local area agreement pilot scheme would include Brent and that the Council would participate in a single pot assessment which would require close working with partners in order to achieve set targets. Referring to the Vital Signs, Bridget Duley confirmed that a new list was currently being compiled to more accurately reflect the key issues affecting the Council. Members noted that the current and previous quarters Vital Signs documents would be presented to the next meeting of the Select Committee.

At this point it was agreed that the Chair and Vice-Chair should agree, through consultation with officers, the Select Committee's 2005/2006 annual work programme. This would then be circulated to all Members of the Select Committee. Members suggested that the proposed annual budget scrutiny meeting (Overview and Scrutiny Joint Budget meeting) be included on the work programme for clarity.

RESOLVED:-

- (i) that the Chair and Vice-Chair agree through consultation with officers the 2005/2006 annual work programme for the Performance and Finance Select Committee;
- (ii) that the 2005/2006 annual work programme for the Performance and Finance Select Committee be circulated to all Members of the Select Committee following agreement by the Chair and Vice-Chair.

10. Items Requested onto the Scrutiny Agenda

There were none.

11. Recommendations from the Executive for items to be considered by the Performance and Finance Select Committee

There were none.

12. Date of Next Meeting

RESOLVED:-

that the next meeting of the Performance and Finance Select Committee take place on Tuesday, 6th September 2005.

13. Any Other Urgent Business

There was none.

The meeting ended at 9.40 pm

N RANDS
Vice Chair in the Chair

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