Harrow COUNCIL LONDON

# PERFORMANCE AND FINANCE SCRUTINY SUB-COMMITTEE

# MINUTES

# 3 JULY 2014

**Chairman:** * Councillor Phillip O'Dell

**Councillors:**
* * Richard Almond
* * Barry Macleod-Cullinane
* * Kiran Ramchandani
* * Adam Swersky

* Denotes Member present

**1. Attendance by Reserve Members**

**RESOLVED:** To note that there were no Reserve Members in attendance.

**2. Appointment of Vice-Chairman**

**RESOLVED:** That Councillor Barry Macleod-Cullinane be appointed Vice-Chair for the 2014/15 Municipal Year.

**3. Declarations of Interest**

**RESOLVED:** To note that the following interests were declared:

<u>Agenda Item 7 - Revenue & Capital Outturn 2013/14</u>
Councillor Barry Macleod-Cullinane declared a non-pecuniary interest in that he had been the relevant Portfolio Holder at the time the budget had been agreed. He would remain in the room whilst the matter was considered and voted upon.

**4. Minutes**

**RESOLVED:** That the minutes of the meeting held on 18 February 2014 be taken as read and signed as a correct record.

**5. Public Questions & Petitions**

**RESOLVED:** To note that no public questions or petitions were received at this meeting.

**6. References from Council and Other Committees/Panels**

None received.

## RESOLVED ITEMS

**7. Revenue & Capital Outturn 2013/14**

The Sub-Committee received a report of the Director of Finance and Assurance, which set out the Council's revenue and capital outturn position for 2013/2014. The report had been previously considered at Cabinet on 26 June 2014.

Following a brief overview of the report by the Director of Finance and Assurance, Members made the following comments and asked the following questions:

- the report contained specialist jargon and language that was not accessible to members of the public. In the interests of transparency could the report be written in simpler language in the future?

- why did the report not include an explanation of the reasons for delays in Capital Projects?

  The Director of Finance & Assurance advised that the Revenue & Capital Outturn report was aimed at Councillors and was designed to enable them to make informed decisions and was not aimed at the lay person. He added that he would be happy to receive additional feedback outside the meeting from the Councillor regarding how to make the report more accessible to members of the public.

  Capital projects were sometimes delayed for a number of different reasons, for example, there may be delays in the school expansion programme as a result of delays in receiving planning permission for building works to go ahead.

- there had been a history of Capital under spends in Directorates over a number of years. What targets had been set in this area? Did the level of capital spend add pressures on the Revenue account and impact on service delivery and why were Members not alerted of this sooner? He added that in his view, revenue impacts of delays and any pro-rata savings should be clarified when projects were initiated. For example, if a school building project were to be delayed, then was there a contingency fund available to cover the cost of urgent and un-anticipated requirements, such as mobile classrooms.

- under the 4-yearly budget, what percentage of a Directorate's Capital spend would he expect to be spent within the current financial year? Was this trend of carrying forward large amounts an indication of insufficient controls of the budget-setting process? What level of evidence would Directorates be required to present to demonstrate that projects had been well planned and that any carry forwards were justified. For example, would any of the 'Troubled Families Grant' be spent in the current financial year and had the Council lost any grants as a result of not spending them in the year they were awarded.

  The Director of Finance & Assurance advised that the reasons for the under spends were varied. The recent move to a 4-year capital programme budget setting process would enable greater financial control and flexibility. He would expect the level of capital spending to be 75% for Directorates. He added that there was a rigorous budget setting and monitoring process in place for all capital projects, which included monthly reporting on capital spend and forecasting, the use of risk registers, and oversight by the Project Management Board.

  The Primary School Expansion Project had its own board which submitted quarterly reports to Cabinet. He added that some projects, for example, laying tarmac, did not have any savings attached them. The Council would be make savings due to reduced borrowing costs.

  Officers took a pragmatic approach to approving carry forwards whereby each request was judged on its merits. These requests had on occasion been refused and the finance section was looking at re-defining what carry forwards would be permitted, and it may be that a definitive figure of less than £1m might be stipulated. The Director undertook to alert Members to any potential under spends earlier in financial year so that Members could liaise with relevant officers regarding these.

  The 'Troubled Families Grant' would be spent in year and the Council had not lost out on any grant monies by not spending the amounts the same year. He added that some projects had a number of different funding streams attached to them, for example, if there was TfL funding for a parking-related project, then the grant amount would be used before council's money.

- were any of the top 10 capital projects currently rated as Amber or Red?

  The Director advised that the School Expansion Project, which was £90m, was currently rated Amber and the IT project was rated Red.

- with regard to the General Fund Balances, would the reduction in spending over the next three years be reflected in reduced balances?

  The Director advised that the Audit Commission recommended 5 %, which was equivalent to £10m, which was in his view, an appropriate amount for an authority of Harrow's size. Reducing the spend on the General Fund would mean increased risk and an increase in the contingency fund. It may be possible to use under spends to finance Capital projects.

- what was the reduction in the Budget that was planned over the 2 years. The £350k sum in the Council Tax Support Scheme had not been spent. Had this fund and the eligibility criteria been sufficiently publicised to residents?

  The Director advised that the figure was in the high teens. He added that the £13m amount in the Welfare reform Contingency fund was no longer available and savings in the Medium Term Financial Strategy amounted to about £12m. The two figures cancelled each other out. In cases where the under spends related to one-off projects, then a more robust budget setting process would be required. The figures set out at table 1 of the report detailed under spends on core Council services. For example, if more of Harrow's schools were to opt for Academy status, then this would impact the schools' budget.

  The Budget was set in February, and the Revenue & Capital Outturn report was presented to Cabinet in June. He added that the Council Tax support scheme came into force in April, however, he could not account for the low rate of take-up.

  In view of the fact that there was a substantial variance in the level of under spends between Quarter 3 and Quarter 4, were the council's internal processes sufficiently robust and was there sufficient oversight of the process by Members.

  The Director advised that officers were providing better forecasting advice to Members, which would enable them to make better decisions. Forecasting was done at the end of the year and in Quarter 3 and officers had flagged up the under spend on Capital financing and grants.

  He added that Cabinet received monthly budget updates and reporting times to Cabinet and P&F had been improved. The Capital budget was submitted to two Cabinet meetings and full Council the there was no possibility of amending this once approved by full Council. The Monitoring report was considered at four Cabinet meetings and four Performance & Finance Scrutiny Sub-Committee meetings. The report was detailed enough to enable Members to make informed decisions. Additionally, Cabinet received monthly Capital forecasts, which could also be shared with Members at another forum. However, this process could be tightened up and officers were looking at using a scoring matrix to help prioritise capital bids.

The Capital Forum, which was an officer only board, consisted of accountants and project managers and acted as a check and balance. Additional oversight of this board by the relevant Portfolio Holder may be possible.

The Chair requested that there should be greater monitoring of this area by the Scrutiny Leadership Group (SLG) and that the Capital under spend should be reviewed by SLG. He also encouraged Members to propose future agenda items for consideration by the Sub-Committee. Members agreed that relevant Portfolio Holders should be invited to future meetings of the Sub-Committee in order to respond to Members questions.

- with regard to the re-tendering of the IT contract, what efforts were being made to ensure that the same mistakes were not repeated with the terms and conditions of the new contract, what lessons had been learnt from the management and oversight of the current contract and what contingencies were in place to mitigate against future risk?

  The Director advised that both the Capita IT contract and the School Expansion programme would be considered in detail at a forthcoming meeting of the Overview & Scrutiny Committee, however, he would confirm this in due course.

- with regard to the under spend in Children's Services, the Troubled Families Grant, how confident that the School Expansion programme was on target for completion. Asked about the overspend in the Environment & Enterprise Directorate, and parking income and waste disposal.

  The Director advised that the Children and Families overspend was not asignificant amount and the relevant finance business partner would flag up any concerns to Members. There was a high proportion of interim staff at a senior level in the Directorate. Any late savings identified would have been included in the budget refresh in January 2014. He added that the dry recyclables market depended on fluctuations in the global economy and some savings were anticipated from the new waste contract.

- what savings efficiencies as opposed to actual cuts. Whether the Council had identified any long-term income generation strategies.

  The Director advised that he anticipated a 50% reduction in the Council's budget over the next four years. Parking income as a result of penalties and parking charges would be one method of generating additional income and there was an Increasing trend in local authorities for shared services, for example, the joint legal practice which had been established between Harrow & Barnet in 2012.

There had been performance related issues with regard to the Council's previous highways contractor, where works had not been completed in a timely way.  The new contract was with Keepmoat Apollo.

He added that, for example, the West London Alliance had developed a care procurement software which it was selling to other local authorities. The Council's debts were considered to be at an acceptable level and Members had the discretion to decide to offset some of this debt with money from the Housing Revenue Account.

**RESOLVED:**  That the report be noted.

(Note:  The meeting, having commenced at 7.30 pm, closed at 9.05 pm).

(Signed) COUNCILLOR PHILLIP O'DELL
Chair