

PERFORMANCE AND FINANCE SCRUTINY SUB-COMMITTEE MINUTES

13 JULY 2016

Chair: * Councillor Phillip O'Dell

Councillors: * Barry Macleod-Cullinane * Aneka Shah-Levy
* Primesh Patel * Bharat Thakker

In attendance: Adam Swersky Minute 70
(Councillors)

* Denotes Member present

65. Attendance by Reserve Members

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

66. Appointment of Vice-Chair

RESOLVED: To appoint Councillor Barry Macleod-Cullinane as Vice-Chair of the Sub-Committee for the 2016/2017 Municipal Year.

67. Declarations of Interest

RESOLVED: To note that the following interest was declared:

Agenda Item 8 – Revenue and Capital Monitoring 2015/2017

Councillor Bharat Thakker declared a non-pecuniary interest in that he owned a couple of investment properties in Harrow. He would remain in the room whilst the matter was considered and voted upon.

68. Minutes

RESOLVED: That the minutes of the meeting held on 21 March 2016, be taken as read and signed as a correct record.

69. Public Question, Petitions and References

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

RESOLVED ITEMS

70. Revenue and Capital Monitoring 2015/16

The Sub-Committee received a report of the Director of Finance on the revenue and capital outturn on 2015-16, which had been considered by Cabinet at its meeting on 16 June 2016.

Following an overview of the report by the Director of Finance, Members asked the following questions and received responses from the officer and Portfolio Holder :

- What does the carry forward column in table 1 relate to?
A - When a directorate has been unable to spend grant or project funding for specific work it can be carried forward.
- The report states that the worsening position on bed and breakfast accommodation means that there is a real risk of a significant overspend in 2016-17. What overspend was anticipated for the current year, will the overspend of £4m in the previous year remain or be adjusted for mitigation? How will the budget be profiled and will the overspend be contained within housing services or managed across the Council?
A - The impact of the ongoing welfare reform and rising rents in the Private Rental Sector in Harrow had resulted in an increase in the numbers presenting as homeless. The officers were investigating a range of measures to address this including demand management to avoid homelessness and the allocation of £30m for the purchase of properties by the Council. Although there was intense scrutiny and focus on directorate specific budgets, it was necessary to manage the budget on a Council-wide basis. The pressure from homelessness had been in the region of £2m the previous year, and was currently £3.8-4m. A refresh of the budget process would be undertaken to refine and consider new measures. The results of the refresh would be included in the budget report to Cabinet in December 2016.
- The risk register for homelessness, as submitted to Council, indicated that measures would 'at best slow down growth in demand' and would be unlikely to make a significant contribution until 2018. When is the

administration going to identify short term solutions? The pressures will be exacerbated by the decanting of properties at the Grange Farm Estate, some of which were being used as short term accommodation. How many homes had been purchased by the Council?

A - There were competing uses for available sites: regeneration which would raise revenue for the Council, affordable housing in the broadest sense, temporary accommodation, and other uses. Discussion was taking place on a site by site basis and the input of Members would be appreciated. However, these initiatives would not form an immediate solution. Excellent progress was being made on the Grange Farm Estate regeneration which would replace 229 homes with 540, 11 homes had been purchased, contracts exchanged on a block of 14 new apartments in Aylesbury due for completion in the next two months, and offers submitted for a further 25 properties. In addition, contracts had been let for approximately 6 properties to be built during the following year. The overriding priority was the provision of more homes at affordable rents. The aim was to provide in excess of 600 properties over the next 5-6 years. No further funding had been highlighted after the present infill programme. There were currently 300 families in bed and breakfast accommodation at an average cost of over £10,000 per family.

- It would be helpful to know what causes this homelessness in order to tackle causes and therefore prevent the requirement for accommodation for an additional 500 homeless families annually.

A - The officers were supporting people to enable them to remain in their current accommodation which included discretionary payments. People were moving out of private rented accommodation that they could no longer afford. Less than one in ten rental properties were affordable for those on housing benefit. Officers undertook to circulate a briefing on the causes of homelessness in Harrow.

- What is the target for creation of affordable homes and what realignment will take place due to the changes in rent policy of 1% on year?

A - The target is 40% affordable with perhaps 20% being genuinely affordable or targeted for those coming into temporary accommodation. Increases in build costs during the last couple of years had impacted on viability and, whilst officers aimed to maximise supply, it had to be determined via a viability assessment whether a particular development could support 40% affordable homes. The affect of Brexit was unknown.

With regard to rent policy changes, the February budget presented a holding position with restricted inflation and linked cost to the level of stock. The reduction had been taken out of the housing revenue account and a service review was being undertaken regarding balancing the account. Customer satisfaction remained good and

tenants had been consulted on options including the reduction of expenditure on repairs, commercialisation, and increased income.

- What are the numbers of homeless families in bed and breakfast in Harrow and those allocated accommodation outside Harrow?

A - Just over 300 families were in bed and breakfast, of which two thirds were in shared accommodation. Approximately 600 had moved into longer term accommodation, some of which was outside Harrow, the latter resulted in no cost to Harrow. The determination of how much temporary accommodation was required was influenced by government decisions on housing benefit.

- A report was submitted to the Overview and Scrutiny Committee on mitigation. Were sufficient revenue resources available?

A - This had been the subject of a challenge panel which had evaluated that the Council had been successful at prevention. A business case was being prepared for the appointment of additional staff dealing with prevention.

- What was the impact of brexit and why had it not been included on the previous risk register?

A - A wide ranging dialogue with regard to the implications of brexit had taken place including, from a financial perspective, with treasury managers and pension fund managers and it would be included on the risk register in quarter 2. It had been disappointing that the government had not made any plans in the event of a brexit result.

No impact had been evidenced for the Public Works Loan Board (PWLB). The pension fund was subject to its three year valuation. There had been a reduction in gilts which would be factored into the pension fund valuation. Monitoring of global equities had not identified any significant movement. Brexit was being monitored centrally.

- What were the revenue implications of slippage in extra cost to the revenue fund? What does the slippage in budget mean in lost savings or revenue? With regard to the directorate performance on capital, the resources directorate had spent £7.8m against a capital budget of £22m. What level of capital slippage could be achieved regarding capital slippage?

A - Capital spend had improved from 40% to 60%. A re-profiling exercise aimed to increase certainty on what was available for commitments. The officers had undertaken to start to address revenue implications in the first quarter of 2016/17, based on the top 10 schemes for inclusion in the report to September Cabinet. However, not all slippage had an impact on revenue.

A more rigorous approach in the current year which could include the reduction in or replacement of schemes could result in achieving 65% of capital expenditure.

- What is the financial impact on social services of the living wage provision?

A – Some mapping of the national minimum wage provision undertaken during the budget had indicated that there would be an impact, the major effect being on contract costs with providers. With regard to the ACS precept, this was allocated in the budget as follows: £1.5m to demographic pressures and £525k for national minimum wage pressures within Adult Services.

- What financial planning had taken place to mitigate the revised arrangements for distribution of business rates. A better understanding of timetable and lobbying would assist.

A - The first round of consultation on NNDR had been released, with a response required by 26 September. The current three year budget included forecasts for NDDR and forecasts were looking slightly better than forecast.

- What additional resources had been required to help resolve the issues with Keepmote and what was the additional cost?

A - SEP 2 slippage had not affected the delivery of school places although some were in temporary accommodation. Children's Services were challenging claims from the contractor to ensure reasonable and that represented value for money. Members raised that they understood additional resource had been brought in by the Children's Directorate to help with the challenge process and would be interested as to how this was funded. Officers agreed to send this information to Members of the Sub-Committee.

- What action was being taken in connection with climate change fuel poverty?

A - The scheme had been aimed at those in most fuel poverty but they had been unable to follow the initiatives. The officer undertook to circulate additional information.

- In relation to Treasury Management 2015/16, what is the cost of borrowing and interest earned on investments?

A - The Council had not borrowed for three to four years as cash balances were being used although it could be necessary to borrow at some point in the current financial year. The officers undertook to circulate further detail.

- In building large scale assets the Council was increasing its risk should investments go down. Were assets matched with borrowing, and what was the duration?

A – The investment was for the long term and fluctuations within the schemes would need to be managed.

The Chair thanked the officers for their attendance.

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