

PERFORMANCE AND FINANCE SCRUTINY SUB-COMMITTEE MINUTES

20 SEPTEMBER 2017

Chair: † Councillor Jerry Miles

Councillors: * Barry Macleod-Cullinane * Mrs Rekha Shah
(In the Chair) * Bharat Thakker
* Phillip O'Dell

* Denotes Member present

† Denotes apologies received

89. Attendance by Reserve Members

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

90. Appointment of Chair for the meeting

In the absence of the Chair and as a Vice-Chair had not been appointed, nominations were sought for a Chair for the meeting.

RESOLVED: That Councillor Barry Macleod-Cullinane be appointed as Chair for the meeting.

91. Appointment of Vice-Chair

RESOLVED: To appoint the Nominated Member as Vice-Chair of the Performance and Finance Sub-Committee for the 2017/2018 Municipal Year.

92. Declarations of Interest

RESOLVED: To note that the following interests were declared:

Agenda Item 9 – Update re Officers’ Response to Scrutiny’s Review of the Impacts of Welfare Reform in Harrow

Councillor Barry Macleod-Cullinane declared a non-pecuniary interest in that he was employed by the Citizens’ Advice Bureau at a national level. He would remain in the room whilst the matter was considered and voted upon.

93. Minutes

RESOLVED: That the minutes of the meeting held on 20 March 2017, be taken as read and signed as a correct record.

94. Public Questions, Petitions and References

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

RESOLVED ITEMS

95. INFORMATION REPORT- 2017/18 Revenue and Capital Monitoring for Quarter 1 as at 30 June 2017

The Sub-Committee received a report of the Director of Finance on the Council’s revenue and capital monitoring for quarter 1 as at 30 June 2017 which had been considered by Cabinet on 14 September 2017.

An officer introduced the report, drawing particular attention to the following:

- at quarter 1 a balanced budget was forecast. The overspend of £3.6m in Children’s Services had been mitigated by one off income, contributions from other departments, and corporate items;
- with regard to the capital programme there was slippage in the first quarter of £11m HRA and £75m general fund. This slippage would result in savings on capital financing.

Members expressed the view that future budget reports should include the consequences of capital slippage as it was important to understand the impact on the revenue budget at this stage. Slippage of capital works which were intended to improve the performance of services, for example IT, would impact on services. A Member stated that the slippage in the purchase of the 100 homes would have revenue implications due to payment for short term accommodation and bed and breakfast. The officer indicated that some slippage would be offset by saving on capital and undertook that the Quarter 2 budget report would include explanations of the revenue consequences in all budget lines. Meanwhile Members would be provided with the knock on effect of the 100 homes budget line. A Member suggested that to do nothing was a misuse of borrowing and that departments should investigate how slippage could be alternatively used, for example LED street lighting.

A Member expressed concern at the high level of overspend in the Children’s Services budget so early in the year and that it was expected to be 10% of the

projected budget despite mitigation and enquired whether the budget had been sound when agreed in February. The officer stated that funding had been put in as part of the budget build and it was hoped that the figure would reduce. The overspend had mainly been demand led plus some staffing pressures. In order to mitigate and monitor the spend on children's placements a schedule of panels had been drawn up to scrutinise and reduce costs. A Member suggested that areas where Children's Services was doing well should also be highlighted.

A Member stated that it would be helpful to receive an update of table 1 to enable Members to receive an assurance that moving in right direction as the next meeting of the Sub-Committee was not until December. The officer informed the Sub-Committee that the intention was to circulate the forecast for period 5 (figures as at 31 August) to Members by second week in October.

A Member enquired as to why the £200k interest payments to the Department for Communities and Local Government (DCLG) for retained Right to Buy receipts had not been spent on acquiring properties. Members were informed that there was a limited time to spend the receipts which could not be used for temporary accommodation as that was in the general fund. The Member also enquired how the £200k quoted in the monitoring report related to the figures quoted in the report on Use of Retained Right to Buy Receipts reported to Cabinet in September. The officer undertook to circulate the information.

A Member asked how the HRA would be looking to reduce the call on HRA reserves to fund the budget and the officer responded that potential HRA savings were under consideration as part of the HRA budget report to Council.

A Member requested clarification on the cost of the compulsory upgrade of HRA IT systems. The officer undertook to provide the information.

In response to questions regarding specific items of expenditure, Members were advised as follows:

- £475k repair of the Harrow Arts Centre roof would enable the continuation of the current use and safeguard income;
- with regard to the budget pressure of £251k in Legal Services, discussions were taking place to identify any areas where work could be undertaken within departments without recourse to solicitors;
- loss of parking income had arisen from development in connection with the regeneration programme. The officer undertook to circulate further information;
- the £3039k use of capital receipts related to the capital receipts flexibility strategy whereby £3m of legitimate revenue expenditure could be charged to capital. Legitimate expenditure would include transformational costs resulting in savings to the Council;

- the statement of use of capital receipts for the last year required by the Department for Communities and Local Government (DCLG) had been submitted to Cabinet as part of the outturn. A copy would be circulated to the Sub-Committee;
- the period 4 position for Children's Services remained similar to that in the report. The spending freeze included Children's Services and was used to reduce budget pressures. The figures were based on the period 2 forecast and allocations were examined by departments to assist in the process;
- A Member requested a breakdown of the items which made up the Corporate Items underspend. The officer undertook to provide the information.

Having agreed that the next report would include information on the revenue consequences of slippage in all areas and information be circulated on:

The knock on effect of capital slippage on the 100 homes budget line, detail of the loss of parking income, the statement of use of capital receipts required by DCG for previous financial year, it was

RESOLVED: That the report be noted.

96. Update Re Officers' Response to Scrutiny's Review of the Impacts of Welfare Reform in Harrow

The Sub-Committee received a further progress update regarding actions implemented following its review recommendations into the impacts of welfare reform on Harrow residents. The Head of Service – Collections and Housing Benefits, gave an overview of the report.

A Member enquired whether delays of up to six weeks in the payment of Universal Benefits as reported nationally, particularly with regard to rent payable to private landlords, were being experienced by Harrow residents and, if so, to what extent. The officer advised that the Universal Benefits system was fundamentally different to the current arrangements and could have an impact on tenants' ability to pay. A few hundred tenants were currently affected but it was not known when Universal Benefit would be fully implemented in Harrow. Rent arrears were a national issue and plans included the introduction of kiosk payments to enable payments to be made little and often and initiatives to engage with residents earlier and support with budgeting. The Council was not currently experiencing a reduction in Council Tax collection.

The Portfolio Holder for Planning, Business and Enterprise undertook to draw to the attention of the Leader the recommendation from the Scrutiny Panel that the Department for Works and Pensions be lobbied to reduce the time taken to communicate changes in benefit entitlement to the Council in order to reduce the debt owed.

A Member expressed concern that the use of the Emergency Relief Scheme had reduced dramatically, with a current spend of £8k from a budget of £80k, and requested that the advertising of the service and number of referrals be investigated and the Citizens' Advice Bureau be reminded of the service.

A Member expressed satisfaction at the reduction in waiting time for new claimants and that liaison with the Department of Work and Pensions was having results. The officer advised on work to eradicate pinch points in the process and to immediately target new claims. Text messaging would be used such as to advise on the documentation required for an appointment for a speedier processing of claims.

In response to questions, the Sub-Committee was informed that:

- the best practice protocol produced jointly by the Local Government Association and Citizens' Advice Bureau on the collection of Council Tax arrears would be incorporated into Council procedures;
- the translation service was used only in the absence of an appropriate member of staff who could speak the customer's language. The officer undertook to ascertain how use of translation services were advertised and monitored;
- there had been a reduction in the time taken to process complaints with the numbers being static at about 70 each quarter. The complaints data was analysed quarterly with particular reference to upheld complaints and learning points arising;
- an update on the progress in ensuring that suppliers pay the LLW (London Living Wage) was noted and welcomed.

Having agreed that information be circulated on the advertising of the Emergency Relief Scheme and number of referrals; how translation services were advertised and its use monitored, it was

RESOLVED: That the report be noted.

97. Report of the Scrutiny Review into Social and Community Infrastructure

The Sub-Committee received the report by the Divisional Director Planning Enterprise and Regeneration which updated on officer feedback in response to the recommendations of the Scrutiny Review report.

In the absence of the Responsible Officer, the Portfolio Holder for Business, Planning and Regeneration provided an overview of the current position on the five recommendations from the Review Group. He drew particular attention to the following:

- capital slippage in the masterplans for Poet's Corner, Bryon Quarter and new Civic Centre had arisen from the delay in the submission of planning applications until Autumn 2017. This was to ensure that all

consultation and technical assessments had been fully considered and designs modified appropriately;

- the ethos of ensuring broader aspects than housing on regeneration schemes to include employment, education, health, leisure and, where appropriate, retail. These aspirations reduced the commercial viability of schemes so there was a limit to what could be provided;
- a Design Review Panel was looking at all schemes to provide feedback on how schemes could be improved;
- the Council was seeking joint ventures or tie up with construction schemes but with the aim of keeping the reins.

The Chair referred to a number of visits undertaken by the Scrutiny Review Group in connection with joint ventures which had informed the Administration.

A Member asked how community benefits were monitored, for example were apprenticeships sought from within the postal code area of the regeneration scheme. In response the Sub-Committee was advised that social value was a component in all contracts. A financial penalty was now built in, for example if the local workforce was not used. Whilst priority was given to people resident in the direct area, it was based on needs rather than proximately and residents of Harrow and nearby.

In response to questions, the Sub-Committee was informed that:

- a DoC secondee from the GLA worked full time with the planning department on Designing Out Crime;
- the Portfolio Holder undertook to arrange for a list of names and professions of volunteers on the Design Review Panel to be circulated to Members;
- project plans and development timetables had been distributed at residents panel meetings and one would be circulated to Members;
- the regeneration budget, which was detailed and high level with explanations, had been submitted to Cabinet. A commitment had been made from the beginning that all homes would be offered to Harrow residents. The Harrow View East developer had indicated that properties would be offered to local people prior to wider availability. The Hyde Housing College Road developers had reported a similar arrangement.

RESOLVED: That the report be noted.

98. Commercialisation Strategy

The Sub-Committee received a report of the Corporate Director, Resources and Commercial which provided an update on the Commercialisation Strategy that had been approved by Cabinet in June 2015.

The Corporate Director, Resources and Commercial provided an overview of the report and drew particular attention to:

- in addition to updating the progress of commercial initiatives, the report reviewed whether the expected financial returns were being realised and detailed new projects that had commenced since 2015. The major projects were being reviewed as part of the budget refresh. Overall major projects had made a bottom line contribution to the budget;
- Harrow had tapped into commercial initiatives that had been shown to be successful income generating opportunities for other councils and had joined networks. The importance of improved selling and marketing was recognised. It was acknowledged that there were risks in relation to some areas;
- Project Infinity was a major part of the Commercialisation Strategy due to its uniqueness and scale.

A Member expressed concern at the deferment of the projected savings from Project Infinity to the next financial year without compensatory budgetary adjustments or secondments or backfill of posts, thereby possibly resulting in budget reductions elsewhere in Adult Services. The Member expressed the view that the longer it took to market Project Infinity the greater the possibility of other companies entering the market. The officer advised that the officer input subsequent to the signed deal had been significant and reflected the contribution IBM required from the Council. Although the actual development of the project had been slower than envisaged, the business opportunity for the minimal MCEP viable project had been marketed at a conference. He undertook to inform Members of the anticipated delivery dates for MCEP, OCEP and TCeP.

In response to a question with regard to the private trading companies, the officer clarified that there was a clear separation between directors of the Council who represented its shareholder interest and the directors of the trading companies in order to avoid any conflict of interest. The companies were expected to identify any potential conflict of interest in order to ensure that there was no impact on their role as paid employees of the Council. The appointments to Sancroft Community Care would not include any senior officers from Adult Services in order to avoid any conflict of interest.

A Member enquired as to the probability of a delay in the Sancroft Community Care project. The Corporate Director reported that the savings built into the current budget were behind schedule and would be considered in conjunction with other savings budgets. The creation of a subsidiary company was at a

very early stage and the project, which was a sizable opportunity, had been slower to get off the ground than expected.

A Member asked whether there was any point at which the Council would consider 'pulling the plug' on any of these companies. The officer advised that Sancroft Community Care was being registered so was not yet trading. All commercial activities were Council delivered services except for two Council trading companies in line with the intention to only set up trading companies where it was legally required or there was a strong business case. In accordance with the agreement of business plans and monitoring, Concilium Business Services Limited was monitored quarterly and was within the financials of the annual plan.

A Member expressed the opinion that it would have been beneficial to include financial targets or monitoring for each service rather than an overall target. For example, Project Phoenix comprised a number of different strands. He asked how individual budget lines that were costing money would be identified without their having an income target, for example MOTs. He sought a detailed report on individual lines to enable confirmation that new commercialisation activities were not adversely affecting previous council services, for example commercial services ground maintenance and housing ground maintenance. It was possible that not having a separate trading company could be a disbenefit for an underperforming area. With regard to the handyman scheme, it was not possible to ascertain the budget input, savings or income.

In response, the officer advised that normal budget monitoring processes took place for those services which would continue alongside commercialisation projects. Although the report to the Sub-Committee contained an overall figure, departments had more detail which was regularly reviewed and any income went into the departmental budget. The Corporate Director reported that a financial target had not been identified for the handyman service and when discussed this was not considered to be a significant concern as the numbers were small. With regard to MOTs the appropriate Directorate would review the number of MOTs in an individual cost centre. The Director of Finance undertook to provide more detailed information on the breakdown of Project Phoenix.

A Member expressed the view that investing in commercial property was a very high risk investment and requested detail on the governance arrangements including committee membership and their qualifications. He also asked about the credit analysis and cash flow. In response Members were advised of an agreement whereby Luton Borough Council identified potential property and that Council employed a former property fund manager who was also contracted by Luton. A report to Cabinet in November 2015 laid out a set of delegations regarding due diligence to the existing corporate property team, officers and Portfolio Holders. An initial screening of potential property took place and survey work was sourced in the same way as in other commercial property. Although Harrow Council had always owned commercial property, the properties under consideration here were outside the borough. The criteria for purchase took into account distance from Harrow, the expected return on the investment, the quality of the building and

tenant, and the length of the unexpired lease. The Corporate Director undertook to circulate the qualifications of those sourcing properties on behalf of the Council. It was noted that Harrow Council set the remuneration of and advertisement for the trading companies which, whilst working in the interest of the company, were accountable to the Council as shareholder. Whilst the property purchase initiative was new to Harrow Council, there was a large body of knowledge and expertise elsewhere, for example the LGA peer advice on property. Slippage had arisen due to properties being inspected and discounted as unsuitable.

With regard to Harrow Deals it had proved not to be a major money spinner. There had been positive feedback from local businesses and the scheme was not costly.

RESOLVED: That the report be noted.

99. Termination of Meeting

In accordance with the provisions of Committee Procedure Rule 14 (Part 4B of the Constitution) it was

RESOLVED: At 9.55 pm to continue until 10.15 pm.

(Note: The meeting, having commenced at 7.30 pm, closed at 10.10 pm).

(Signed) COUNCILLOR BARRY MACLEOD-CULLINANE
In the Chair