

PERFORMANCE AND FINANCE SCRUTINY SUB-COMMITTEE MINUTES

29 JULY 2019

Chair:	* Councillor Kiran Ramchandani	
Councillors:	* Ghazanfar Ali	Honey Jamie
	* Nitesh Hirani	* Pritesh Patel
In attendance: (Councillors)	Richard Almond	Minute 32
	Adam Swersky	Minute 32

* Denotes Member present

26. Attendance by Reserve Members

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

27. Appointment of Vice-Chair

RESOLVED: To appoint Councillor Pritesh Patel as Vice-Chair of the Performance and Finance Scrutiny Sub-Committee for the 2019/2020 Municipal Year.

28. Declarations of Interest

RESOLVED: To note that there were no declarations of interest made by Members.

29. Minutes

A Member advised that he had yet to receive the information requested in relation to the Rayners Lane Triangle project (Minute 21 refers); the Director of Finance apologised for the omission and undertook forward the information.

RESOLVED: That the minutes of the meeting held on 27 March 2019 be taken as read and signed as a correct record.

30. Public Questions, Petitions, Deputations

RESOLVED: To note that there were no public questions, petitions and deputations received at this meeting.

31. References from Council and Other Committees/Panels

RESOLVED: To note that there were no references from Council and other committees/panels.

RESOLVED ITEMS

32. Information Report - Revenue and Capital Outturn, Savings Update and Budget Strategy

The Chair invited questions from members of the Sub-Committee on the three reports considered by Cabinet in June and July 2019 concerning the Revenue and Capital Outturn, Savings Update and Budget Strategy. The following points were raised and discussed:

- (a) *The 2018-19 underspend for the Finance Division included a £200,000 transfer into an Investment Property Reserve – was this additional to the other £200,000 of underspend for the division reported in the same paragraph, did it relate to a particular project/property and why had it not been considered as part of the overall business case for investment properties?*

The Director of Finance confirmed that the transfer was additional to the other £200,000 underspend reported. She advised that the transfer was not related to a specific project/property, but rather was designed to cover possible for future costs, acting as a type of “sinking fund” to respond to the need for repairs and maintenance, for example, when a property might need to be refurbished on a change of tenancies. The investment property business plan took account of many different factors which might affect net cost, including voids; in this case, it had been decided to allocate these surplus funds to provide further support to the programme in future.

- (b) *Which “corporate IT capital project” was involved in the £2.7m write-off to revenue?*

The Director of Finance advised that this related to the decision not to implement the Bartec project in the Community Directorate and to proceed instead with the Abavas system; as a result of this change, it had been necessary to write the capital project cost back to revenue. The Portfolio Holder for Finance and Resources added that the Bartec

system had been tried for street works and grounds maintenance, but this had not proved successful.

- (c) *There had been an overspend on staffing costs in the waste management service - who was responsible for deciding on the use of overtime and should there not be a strategic, policy-driven approach to the use of overtime in the organisation?*

The Director of Finance confirmed that entitlement to overtime payments was specified in relevant terms and conditions of employment of Council staff and was controlled through formal agreements with any external agency providing staff cover. The Portfolio Holder for Finance and Resources explained that this overspend was due to the particular circumstances in this case and, as a general rule, there was very limited use of overtime across the Council. The Director of Finance undertook to provide information on overtime costs and the approach to the use of overtime.

- (d) *There appeared to be a discrepancy between the figures for overall underspend reported as between the main report and Appendix 3 – why was this?*

The Portfolio Holder for Finance and Resources advised that this appeared to be related to the re-designation of certain funds as a result of consolidating resources for future use; for example, the use of the term “business risk” reserve instead of “commercialisation” reserve.

- (e) *With £53m in reserves as well as £10m in General Fund balances, why was the Administration pleading under-funding?*

The Portfolio Holder for Finance and Resources underlined that it was always important to consider the purpose of the reserves with many of them earmarked to cover various risks and specific requirements; as examples, he cited the CiL reserve allocation, the PIF sinking fund and the Business Risk reserve. He also referred to the inherent uncertainties in Government policy towards local government finance and argued that the Council had to maintain the flexibility to respond to unexpected changes, for example, on rules relating to Council Tax increases.

- (f) *Of £31m reserves in the previous year, only £7m had been drawn down – why had so many reserves not been used?*

The Portfolio Holder for Finance and Resources explained that there was no intention to use reserves in any one particular year. He considered that the word ‘reserve’ often masked the various purposes these funds were set against; in many ways, it was much more fruitful to discuss these purposes rather than the absolute figures involved. Harrow’s General Fund reserve of £10m, the element of the reserves designed for genuine emergencies, was at a low level compared with

many other councils. The Portfolio Holder reminded the sub-committee of the sinkholes linked to historic mineworks discovered a few years before at Pinner Wood School and the substantial funds which the Council had to find promptly in order to secure the school's future. He referred to a number of cases where councils were faced with emergency budget cuts as they had made insufficient provision for unexpected financial pressures.

- (g) *The variances, slippage and underspends in the capital programme involved very significant sums – what processes were in place to introduce better management of the programme?*

The Portfolio Holder for Finance and Resources advised that underspending in the capital programme was a long-standing issue. There were various tests and criteria which defined the priorities for capital spend, including health and safety items and capital investment to generate revenue savings, but it was in the nature of capital projects that external factors could affect the timing of and actual implementation of a scheme. For example, the Council had decided not to proceed with various regeneration schemes at this stage and had therefore deliberately deferred capital spend. The Council was keen to improve performance on the capital programme and was currently building up its project management capacity to be able to deliver significant capital schemes more effectively. In response to a specific question on Poet's Corner, the Portfolio Holder for Finance and Resources confirmed that there had been a specific decision not to proceed with the scheme at this stage and, given its scale, there had had a significant effect on capital underspend.

- (h) *The savings tracker demonstrated a failure to achieve a significant saving in relation to the depot redevelopment – why was this?*

The Portfolio Holder for Finance and Resources explained that the project had been redesigned, adding an extra floor to the proposed building and improving the scheme. As a result, the project had been deferred.

- (i) *Why were there now more red and amber flags in the list of risk items compared to the previous years?*

The Portfolio Holder for Finance and Resources advised that, at this relatively early stage of the financial year, the Council was cautious in moving items to green status since, even though improvements were being implemented, it was important to see them through completely; he expected that 80% of items would be classed as either green or amber by the end of the year. He acknowledged that the Council had perhaps been too optimistic about commercial targets in the past as a way of challenging staff to deliver, and the RAG rating performance in this area was to some extent a legacy of this. With respect to the depot redevelopment savings target, the Director of Finance confirmed

that this revenue saving could only be achieved following completion of the building.

- (j) *What were the accountability arrangements between the Council and Concilium Assets LLP?*

The Director of Finance advised that there was a shareholder's agreement between the Council and the company, and its directors comprised senior Council officers and an independent person not employed by the authority; details of directors were publicly available on the Companies House website. In response to a further question, the Director of Finance confirmed that the total loan to the company was £425,000.

- (k) *How did the external auditors' report deal with issue of the Council's continuing revenue budget gap?*

The Portfolio Holder for Finance and Resources reported that the external auditors had commended the Council for its financial management and had raised no significant concerns. In his view, this confirmed that the Council was taking care to balance various aspects of the budget management including the level and use of reserves.

- (l) *Why was the anticipated rate of return on the additional £100,000 capital allocation as low as 1.75% which could be compared to high street returns on cash deposits?*

The Director of Finance reported that the 1.75% figure had been inherited from the previous budget strategy, but in practice, more recent returns had been closer to 2.5%. She compared this to the short-term interest rates offered to local authorities on large cash deposits which averaged less than 0.6%, with banks now offering no more than 0.2% and some other councils up to 0.7%. She underlined that this property-related capital investment option to support revenue was being used sparingly as part of the overall strategy.

- (m) *Was the Portfolio Holder for Finance and Resources comfortable with the level of risk in such approaches to the revenue budget?*

The Portfolio Holder for Finance and Resources said he was always conscious of the element of risk in the Council's budget management strategy, which was developed in the light of advice from both officers and external experts. He was uncomfortable with any complex, unorthodox options and was only prepared to support the more straightforward approaches with manageable risks. He confirmed that the Council was sceptical about high return options as these were likely to be associated with unacceptably high risk. The Director of Finance advised that the commercial property investment programme had to date involved only four or five properties. In response to a question from a Member, it was reported that the property in Cwmbran, Wales involved only a small proportion of the £100,000 capital allocation.

RESOLVED: That the report be noted.

33. Any Other Business

The Chair informed Members that they would receive an update on the proposed report on Customer Services following her further discussions with officers.

(Note: The meeting, having commenced at 7.30 pm, closed at 8.28 pm).

(Signed) COUNCILLOR KIRAN RAMCHANDANI
Chair