

London Borough of Hammersmith & Fulham

Finance, Commercial Revenue and Contracts Policy & Accountability Committee Minutes



Tuesday 2 July 2019

PRESENT

Committee members: Councillors PJ Murphy (Chair), Patricia Quigley, Fiona Smith, Guy Vincent and Donald Johnson

Co-opted members: Tony Boys (Community), Erik Hohenstein (Community), Chris Littmoden (Community) and Judith Worthy (Community)

Other Councillors: Councillor Stephen Cowan, Leader of the Council, Councillor Max Schmid, Cabinet Member for Finance and Commercial Services

Officers: Kim Smith (Chief Executive), Hitesh Jolapara (Strategic Director - Finance and Governance), Emily Hill (Assistant Director, Corporate Finance), Jo Rowland (Strategic Director – The Economy), Matt Patterson (Interim Head of Spatial Planning), David Burns (Assistant Director, Growth), Steve Miley (Director of Children’s Services), Tony Burton (Head of Finance – Children Services), Prakash Daryanani (Head of Finance - Social Care), Veronica Barella (Chief Information Officer), Eduardo Whaley (Programme Manager), Kayode Adewumi (Head of Governance & Scrutiny).

1. MINUTES

The minutes of the meetings held on 12 February and 27 March 2019 were approved and signed by the Chair.

2. APPOINTMENT OF CO-OPTED MEMBERS

The Committee agreed the appointment of Tony Boys, Erik Hohenstein, Chris Littmoden and Judith Worthy as co-optees for the 2019-20 municipal year.

3. APOLOGIES FOR ABSENCE

Apologies for absence were received from Chris Littmoden.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. 2018/19 RESERVES OUTTURN REPORT

Hitesh Jolapara reported that the Council's accounts for 2018/19 were closed and subject to an audit. The statutory deadline for closure was 31 May with external audit completed by 31 July. Audit, Pensions and Standards Committee later in the month will consider the outcome of the audit.

The movement in reserves and balances over recent years was noted. £32.7 million of General Fund earmarked reserves were spent in 2018/19. The use of earmarked reserves included provision for NNDR movement due to technical adjustments, spending on approved projects, funding of the in-year general fund overspend and provision for the Dedicated Schools Grant (DSG) reserve. The closing balance was now £62.3 million.

The general balance stood at £19 million which represents 3.3% (equivalent to 12 days spend) of the Council's gross budget of £560 million. The general balance should be maintained within the range of £14 million to £20 million over the next 3 years to allow for the identified financial risks and support effective medium-term planning. Officers are undertaking a review of all current reserve commitments. The reserves and general balances closing balance stood at £81.3 million.

Councillor Vincent inquired how much had been set aside from reserves for the West King Street renewal programme and how much of the £62.3 million balance was at risk. It was explained that additional work was required on use of reserves as officers were considering alternative funding options before use of reserves. The West King Street renewal programme would be funded at the point of expenditure.

Councillor Schmid added that West King Street programme would be funded through the most economical advantageous funding streams available. We have not shown a commitment to use reserves because this would be a last resort. The Town Hall project could be financed from CIL, S106 funding, profit from the JV, savings from not occupying the building such as utilities, business rates, capital etc and as a last resort use of reserves. A use of reserves forecast and strategy will be agreed to protect the level.

In response to a question about of £19.0 million represents 3.3% (equivalent to 12 days spend) of the Council's gross budget, Hitesh explained that £20 million was the average level maintained by other local authorities. The general balances would not be touched. Councillor Murphy asked why we are keeping money that we do not plan to spend. Councillor Schmid explained that £19 million was a guarantee to residents that the Council would be able to continue providing essential services to vulnerable residents in the case of catastrophe. The general balances act as a safety net for the organisation.

Action – Officers to submit an update report on reserves and future commitments.

Action by – Hitesh Jolapara

In response to Erik Hohenstein's question about DSG reserves provision, it was noted that the £13 million was an accumulated overspend. The Education and Skills funding Agency expects Councils to draft a 3-year recovery plan to recover their deficit. Councillor Schmid recalled that the DSG overspend was one of the 5 significant issues of concern raised at the Finance workshop. The recovery plan's objectives are to reduce the in-year deficit and the accumulated overspend. Unfortunately, all Councils are in a similar position. An issue which the Government must address. Hitesh noted that a letter had been sent by the Society of London, Municipal and County Treasurers to the Secretary of Education explaining the current position, their concerns about the level of funding and its impact on local authorities' finances. The Leader, Councillors Culhane and Schmid are also raising the issue directly with the Government.

Action - A letter from the Finance PAC chair to be sent to Government outlining the difficulties we are experiencing due to the underfunding of dedicated schools grant.

Action – Report on DSG shortfall to be discussed by both Children's and Finance PACs.

Action – Hitesh Jolapara and Steve Miley

Councillor Smith inquired whether reserves would be used to fund the restoration of the Hammersmith Bridge. The Leader stated that reserves would not be used for this purpose. The strengthening work is required by TFL to enable double decker buses to cross the bridge. Therefore, TFL would have to bear most of the costs. If negotiations fail, the fall-back option would be to install a toll on the bridge, but residents would be exempt from such payment.

Judith Worthy was pleased with the work done so far. She noted that the key was to get into a 5-year rolling forecast.

6. SECTION 106 AGREEMENTS - UPDATE REPORT

Emily Hill and Matt Patterson provided an update on section 106 (s106) agreements.

The meeting noted that since 2014 the Council had negotiated over £600 million worth of funding through developer contributions as part of new developments in the borough. This included financial and non-financial contributions received along with the Community Infrastructure Levy (CIL). The non-cash contributions covered provision of affordable housing, transport improvement and public realm schemes. Planning and finance officers monitor the programme through s106 Board where formal bids are assessed. Councillors Jones and Schmid sign off the final approvals.

The current available balance was £42m with a further £180.5m negotiated as potential future receipts. There are currently £45m of approved commitments and £9 million of earmarked commitments. The 4 largest schemes signed

over the last 12 months amounted to £16.9 million. Officers were confident of the current position and the monitoring that was in place.

The Committee welcomed the report and inquired if there was a strategy which underpinned the expenditure. Jo Rowland stated that the local plan and industrial strategy contained policies which drove the expenditure. Where necessary, officers can review old s106 agreements with a view to renegotiating whether they could be spent in line with current Council priorities.

Councillor Quigley asked for clarification on how affordable housing provision was calculated as non-financial benefits. Jo Rowland gave the example of Fulham Gas works which has a 35% affordable homes provision where the developer is required to build affordable housing as part of their scheme. Due to the need for affordable homes in the borough this has a benefit to the Council which can be quantified and considered as non-financial benefits.

Action – A copy of the industrial strategy to be sent to Members.

Action – Officers’ to provide a split between actual cash received and work which has a cash value.

Action by – Joanne Woodward

7. WEST KINGS STREET RENEWAL UPDATE

David Burns and Emily Hill presented the update report.

David reported that the overarching programme was green. There were risks rated amber due to the continuing risks around the decant programme though these are moving in a positive direction. The 1st move took place successfully during the 14th – 17th June weekend.

We are not expecting any issues with the Secretary of State’s approval for the sale of land. We have informally been told that the Secretary of State’s approval may not be required. The Deputy Mayor of London’s approval would be granted on 8th July. Full planning and listed building consent are now scheduled for the end of July 2019 which does not impact on the project’s critical path. Town Hall site demolition works would start in September and the construction works in February 2020. The programme is currently deliverable within the approved programme budgets.

In response to a question regarding project management approach, the Committee was informed that both the waterfall and agile approaches were used. By December 2019, the bottom line would be above the top line in the progress tracker. A2 dominion would employ a development manager and a clerk of works to ensure quality control. Currie & Brown would provide the quality assurance and cost control work for the Council.

Councillor Murphy inquired about the contingency provision for the decant costs. It was explained there is a contingency for the construction elements of the project. Members asked for clarification between the responsibilities for

the Town Hall refurbishment and new Town Hall extension construction work. David noted that the JV was responsible for new Town Hall extension construction work in while the Council was responsible for the refurbishment. There was likely to be 1 contractor with 2 separate contracts for 1 project. Both contracts would be managed by the JV acting as the development manager for the Council on the refurbishment element.

In response to Councillor Murphy's question regarding how the project would be funded, Emily noted that the £85 million project cost would be financed through multiple funding streams – CIL, S106 funding, profit from the JV, savings from the not occupying the building such as utilities, business rates, borrowing etc and as a last resort use of reserves. David noted that the Council was putting its contribution into the JV via the land sale. We have the authority to lend the JV up to £90 million to fund the development. Any funds loaned to the JV would be at market rate. They can seek funding from alternatives sources if they want to.

In response to Councillor Quigley question about what the £85 million expenditure cover, it was reported that it included the decant and refurbishment costs.

Councillor Schmid stated that members require a detailed knowledge of the scheme to scrutinise and track the progress. This might come from discussions outside a formal meeting setting. Judith Worthy asked officers to think about the structure of the report and take on board the comments made particularly outlining where the money was coming from.

Actions

- **Next update to include spend, sources of funding and funding risk.**
- **Clarification of where the responsibility of the JV starts and stops.**
- **Provide a diagram showing the JV and Council's financial responsibilities and core elements.**
- **Officers to split the contingency elements of the project.**
- **Committee to receive quarterly update reports to reassure the Committee that the programme is on track.**

Action by – David Burns

Councillor Schmid commended the officers for an excellent job done in managing the programme to date.

8. BUILDING HOMES AND COMMUNITIES STRATEGY

The Committee in February received a presentation on the Council's approach to using its estate more economically. David Burns reported that the new Homes and Community assets strategy element of the approach was approved by Cabinet on 1 July. Further aspects of the approach will be brought forward as they are developed.

Members noted that the programme sought to deliver approximately 1,800 homes over a period of up to ten years and generate long-term income to support the Council's financial challenge. The strategy will commit the Council to utilising its land and property assets to meet key administration priorities to deliver affordable housing and support the Council's financial challenge.

In welcoming the report, Councillor Vincent asked what the implications of the Government's removal of the HRA borrowing cap and how much can we borrow under the new regime. Officers responded that borrowing would be in line with the Council's HRA Business plan and Asset management plan. We cannot calculate a maximum borrowing amount allowed at this time. Officers told Councillor Murphy that we can fund the purchase of houses and building new ones with borrowing. However, this programme only covers new housing. No existing units are involved.

The Committee welcomed the report.

9. TECH-TONIC PROGRAMME DELIVERY UPDATE - DESKTOP STRATEGY & SOLUTION

Veronica Barella introduced the report noting that the programme covered the provision of a mobile device and smartphone for each officer and deliver a telephony strategy which supports flexible working. This would involve the migration of applications, a new remote working solution, new network and telephony solutions, and the migration of all users to the new solution. The total approved value of the programme is £6,214,304. The programme will deliver up to £1,400,000 savings annually on the IT Services budget by 2020/21. The design and build of the Windows 10 image on computing devices was completed in November 2018. 1724 laptops and 641 smartphones have been rolled out to Council officers to date. She noted that several stakeholder user groups have been set up to assist with the rollout and upskilling programme.

Councillor Quigley stated that she had been using one of the Toshiba laptops for a while and it has been a fantastic experience. She can work from home with ease. She was delighted with the Council's approach.

Councillor Murphy asked how would officers keep the momentum going? Veronica replied that the team leaders will be encouraged to share best practice across the Council. Regarding the choice of equipment, extensive testing was undertaken on a wide range of devices. The Toshiba devices met all our requirements and it comes with a 3-year warranty supported through a maintenance contract with BT.

The Committee commented that this was a major cultural change programme which would affect how we work, how we manage staff who are working from home or in client's house and monitor productivity. Services will need to redesign how they work to ensure that the 6:10 desk ratio is maintained.

The Committee thanked the officers for their hard work.

10. TASK GROUPS

Councillor PJ Murphy asked for comments on setting up Task and Finish Groups to strengthen the delivery of the PAC's functions and ensure the experience of PAC Members are best used. He noted that the Committee undertook a lot of scrutiny, but it needs some time to support officers to generate new ideas, think and work differently. The Groups would be forward looking chaired by a cooptee with officers and Councillors assigned to support them. He had spoken to Kim and Hitesh to look at 3 main areas particularly the governance to support this work: -

- Multi Year Financial Strategy
- Efficiency & Productivity
- Contracts & Commercial

In welcoming the idea of setting up Task Groups, the following comments and issues were raised: -

Erik Hohenstein welcomed the idea which would generate creative thinking but was concerned that the role would overlap with their scrutiny function. He requested for transparency in the work of the Groups. Tony Boys was of the view that there were some areas the cooptees could help such as contracts management. Judith Worthy noted that a collaborative structure was required. We need to be clear about its status, so it does not undermine the scrutiny role. She was uncomfortable with co-optees being the Chair.

Councillor Vincent asked officers to consider the cost/benefit of more reports and meetings. Any new Groups should not be paper heavy conversations. The Group could act as a critical friend to officers. Councillor Quigley noted that it was a good idea for groups to be established. She expressed concerns about conflict of interest and stressed that cooptees should not scrutinise their own work in the future.

Regarding the scrutiny of zero-based budgeting (ZBB), Kim clarified that the scrutiny of ZBB fell within the remit of PSR PAC while the Finance PAC would look at efficiencies and savings. The Groups would have access to more detailed background information to enable Members build a better understanding of the subject matter and generate creative ideas. Creating a space for more conversations and obtaining more from cooptees' learning was important. We are trying to get the governance right, so we would not undermine the formal scrutiny function. Getting the balance right was key. It would not be a formal meeting. She identified contracts & commercial, multi-year financial strategy and efficiency & productivity as areas where groups could help.

Hitesh noted that Rhian Davies (Monitoring Officer) was working on the governance particularly safeguarding the scrutiny/executive functions and to ensure that the right people would be part of the conversations.

RESOLVED: -

To establish a Task and Finish Group on Dedicated Support Grant with a membership of all cooptee Members supported by officers.

The meeting was extended by 5 minutes before the guillotine fell at 10.00pm.

11. COMMITTEE WORK PROGRAMME

The Committee noted its work programme.

12. DATES OF FUTURE MEETINGS

The following dates for the new municipal year were noted:-

- Wednesday 18 September 2019
- Wednesday 20 November 2019
- Wednesday 29 January 2020
- Wednesday 1 April 2020

Meeting started: 7.00 pm
Meeting ended: 10.01 pm

Chairman

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