

London Borough of Hammersmith & Fulham

# Finance, Commercial Revenue and Contracts Policy & Accountability Committee Minutes



Thursday 23 July 2020

## **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 Max Schmid – Cabinet Member for Finance and Commercial Services  
Councillor Andrew Jones - Cabinet Member for the Economy

## **Officers:**

### **1. MINUTES**

The minutes of the meeting held on 29 January 2020 were approved and signed by the Chair.

The Chair requested that the responses to the outstanding actions be resent to Members.

The Committee noted that Hitesh Jolapara, Strategic Director of Finance and Governance had recently left the Council. The Chair requested that his thanks and the Committee's appreciation be put on record for all his hard work over the years. The Committee noted that they had developed a good relationship with him, and he'll be missed. Members welcomed Emily Hill, Director of Finance to her new role.

### **2. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

### **3. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

### **4. FINANCIAL IMPACT OF COVID-19 ON THE COUNCIL**

The Chair noted that the Council had moved a motion at the last Full Council meeting calling on the Government to honour its promise and reimburse councils across the country the full financial cost of the COVID-19 crisis.

Emily Hill, Director of Finance, noted that rigorous and precise forecasting regarding the impact of Covid-19 was not possible as new issues and challenges were arising at pace with several key variables unknown. She updated the Council's high-level modelling summarised in Table 2.

Table 2 – Financial impact of Covid-19 on Hammersmith and Fulham (June MCHLG Return)

	£m
Expenditure	14.430
Income loss (fees and charges and commercial)	16.218
Income loss (council tax and business rates)	7.900
<b>Total expenditure and income loss</b>	<b>38.548</b>
Un-ringfenced emergency Covid-19 grant	(13.507)
Additional un-ringfenced grant and partial compensation for income loss (July 2 MCHLG announcement)	8.687
<b>Grant shortfall</b>	<b>16.354</b>
Housing Revenue Account element of shortfall	2.369

She observed that our expenditure and income loss based on the current understanding was far from being fully funded. There is a £16million shortfall. In terms of fees and charges, the Government is expected to compensate for 75% income loss (above a 5% threshold). This excluded council tax and business rates which estimated a £7.9m loss. The actual cash loss will be significantly higher but part of this will be met by the Greater London Authority and Government. The Government had announced that this loss can be spread over 3 years from 2021/22 onwards.

A one-year local government finance settlement will be issued for 2021/22. There is no commitment by the Government as to what funding will be made available and no clarity over timescales. There is ambiguity over the Government's funding plans in both the short and long-term as other expected local government funding reforms have also been delayed, including business rates reform and social care funding.

The Committee noted that the Government grant allocations are split between: -

1. general grant allocations to help deal with the immediate impacts of Covid-19. The funding is un-ringfenced and available to help meet any financial pressures experienced by the Council (including income loss).

The Council has received 2 tranches of this funding (emergency Covid-19 grant) that total £11.535m. A further additional tranche of £1.972m was recently confirmed.

2. grants that are ringfenced or intended for specific purposes such as test and trace grant.
3. funding that is shared with other partners. For example, £1.5 billion nationally has been allocated to the NHS for additional spending on enhanced hospital discharge arrangements. The Council has made 3 claims to date but no response has been received yet. Any funding received will help reduce the deficit.

It was noted that COVID-19 and any economic downturn will have an impact on our services, increasing the demand in the medium and long term. It is looking at expenditure where we can apply specific grants.

Tony Boys noted there was a £12 million shortfall in parking income. Judith Worthy asked had the Council reviewed its spend on transport particularly the discretionary spend in line with the reduced income. It was noted that local authorities had to incur some staffing expenditure as Council's were discouraged from furloughing staff. Regarding whether our contractors' staff had been placed on furlough, it was noted that our contractors must have used all other funding support options including furlough before the Council would provide financial support.

In a response to a question from Councillor Vincent on the use of reserves to balance last year's budget deficit, it was reported that the reserves forecast will be refreshed following the provisional closure of the 2019/20 Accounts and expected contributions to reserves in the 2020/21 budget. This will include an update of the reserves strategy and action plan. Councillor Vincent was of the view that officers must put measures in place to balance the books now in light of the current shortfall. It was noted that officers are looking at interim measures and mitigating factors to balance the books, but the Council was still in a response mode. The forecast deficit doesn't take account of any 2<sup>nd</sup> wave expenditure.

If the country experiences a 2<sup>nd</sup> wave the Government has not indicated how it intends to fund additional COVID-19 expenditure. The MCHLG and the Treasury has indicated to Section 151 Officers that if they get to the point of going bust, they would need to contact the MHCLG to negotiate whether a rescue package from the Government could be available.

**Action – A paper on the use of reserves to be submitted to the next meeting.**

Judith Worthy asked what Councils were expected to do if they experienced a localised outbreak. Councillor Schmid noted that it would be a disaster for the local economy as people could be laid off if there was no furlough or support scheme in place.

The Committee thanked officers for all their hard work particularly to those who had supported our local business during the COVID-19 pandemic.

## **5. CIVIC CAMPUS UPDATE**

Dave Burns, Assistant Director (Growth) gave an update on the Civic Campus. He noted that the programme was developing as planned. The revenue element of the budget was currently forecasting an underspend and status remains as per previous report. Controlled demolition of the Town Hall extension commenced in June 2020 and will take 4-5 months to complete (end of October 2020). This is a later start than the original programme due to delays from Covid-19 and a reduced labour force as a result of required social distancing. However, this will not impact the main works programme as the demolition contractor has been able to re-programme elements of the work, and the proposed main contractor Ardmore has also integrated the demolition programme into their overall programme without the need for a delay. The CCTV equipment on the ground must be moved out soon.

The Joint Venture (JV) was incorporated on the 4th March 2020. The Limited Liability Partnership (LLP) Agreement and the Conditional Agreement for Lease (CAL) were both signed on the 31st March 2020.

In terms of governance and programme management, the progress of the project is monitored and scrutinised by several formal boards which include the Executive Board chaired by the Chief Executive. This board meets monthly to review progress and budget control. The Programme Delivery Group which provides management oversight is chaired by David Burns in his capacity as Civic Campus Project Director. There is also a Member Oversight Board made up of the Deputy Leader, Cabinet Member for the Economy, and the Cabinet Member for Finance and Commercial Services. In addition to this, the Council had employed its own Contract Administrator (Currie & Brown).

The Chair noted that it was good to see the governance in place and requested for the full membership of the Executive Board to be circulated. The officers must ensure transparency and full disclosure of information to Members. He asked what caused the 4 months delay in signing the contract from November 2019 to March 2020. In response, it was noted that the delay was due to the additional Cabinet and Full Council approval process. Officers had been ambitious with milestones but had identified a better way to structure the joint venture which required additional approvals. The process required additional time to ensure due diligence to protect the Council and A2Dominion interests. There was no risk to the deadline. The contracts were not on the critical path at that point, in terms of delivery progress.

**Action - The full membership of the Executive Board to be circulated.**

Chris Littmoden asked for clarifications about Currie Brown's role. It was reported that they have the responsibility to monitor progress, the administration of the Council's contract with particular focus on the town hall refurbishment, validate and challenge cost, and expenditure across the programme. They will advise on risk and the critical path.

Councillor Johnson asked what the scope for potential changes and cost review in light of COVID-19 cost implications were. Officers stated that in terms of the town hall and extension design, it was designed with flexible uses of space. COVID-19 had shown that we can work from home therefore fewer people will be working in buildings with the prospects of either increasing lettable space or community use, or reducing the Council's estate elsewhere. The building is being COVID-19 tested.

Chris Littmoden noted that RBS had told 50,000 of its staff to stay at home. He was of the view that this was a one in a lifetime opportunity to be radical in using the space. Judith Worthy noted that consideration of the impact of working from home on young people who do not have the space or have children and the impact on staff's mental health and wellbeing must be made.

Councillor Jones noted that there had been a great deal of learning from the COVID-19 challenge. There will be a different way of looking at our estate as a result of this. It has uncovered a significant opportunity to look at the way we work and use our estate. Councillor Murphy asked officers to learn from organisations that had staff working from home pre COVID-19.

Councillor Quigley requested officers to ensure that all services were accessible. She expressed her happiness that the new Town Hall design was accessible.

Councillor Vincent asked for clarification on the various sources of funds. Emily Hill, Director of Finance, noted that £16 million would be funded from cash balance, £45 million from borrowing, £47 million from CIL receipts, £25 million and £64 million, the cost of buying the commercial units also from borrowing. It was noted that the £67 million loan to the JV has a 5 years payback period as it sells their houses. The £64 million will be borrowed for 50 years. The lease on the commercial property will pay back the interest and capital.

Emily Hill (Director of Finance) explained that the Council is expecting the majority of the town hall refurbishment and fit out £46 million to be funded from CIL over the next 2 years. The receipt profile was good. The Council was in a good position to borrow from the Public Works Loan Board. There are also other bodies such as the Municipal Bonds Agency and other organisations which could lend the Council money such as via a private placement. The Public Works Loans Board has a consultation paper out on commercial investment as it is unhappy with some local authorities speculating on commercial property investments outside their local area. Investment in commercial property should be to regenerate local areas. The Council's proposal is not to borrow for commercial investment outside our local area. The Council must be within its borrowing limits and it is expected that will satisfy the Public Works Loan Board.

Councillor Guy Vincent noted a further risk to the JV in the current climate with no tenants, the office space empty or the cinema operator walking away. Officers noted that there was no indication of the commercial operator walking

away. The Town Hall scheme has flexible high-quality space on offer. There are good deals currently being made in Hammersmith.

In response to a question from Councillor Quigley, Emily Hill explained that the Council can only borrow for capital purposes within its set borrowing limits. The Council must be able to afford to pay the interest. All Councils must adhere to the Prudential code.

Councillor Schmid noted that there are checks and balance in place to ensure that the Council operates within its limits. The Council at the beginning of the year sets the treasury policy. The external auditors sign off the audited accounts. The Auditor could raise concerns and may refuse to sign off the accounts if they think that the Council is not adhering to the appropriate policies. The Audit Committee also scrutinises the Council's accounts.

Judith Worthy said the budget summary did not give clarity on the sources of funds. The full knowledge of the costs is required. David Burns noted that cost certainty will be fixed by 31 July 2020 and will form the basis of a proposed fixed price contract with the Contractor.

**Action – The sources and applications of funds and the full project budget be circulated to the Members.**

Councillor Jones noted that the Council was borrowing to invest in a land development project. The output of this project would be to generate revenue. Any borrowing will be secured against the assets which will improve the Council's finance.

Judith Worthy asked how recently the control measures in the risk register had been updated. Officers noted that an update was written just after the despatch. The updated version including more specific control measures will be circulated.

**Action – To circulate the updated risk register.**

Eric Hohenstein asked who is certifying the business case in light of COVID-19 and what is the current valuation. Officers noted that Currie Brown is advising the Council on the valuation which is being validated. He asked officers to refer to the valuation of the assets in future updates to the committee.

**Action – Officers to refer to the valuation of the assets in future updates.**

Officers noted that the closed actions were not included in the register. The risks raised by Deloitte had been included in the register. The risk process is robust. In future, the closed risks will be included in the register.

**Action – To include closed risks in the register.**

Tony Boys asked if the risks have been financially quantified. David noted that viability, specificity and financial quantified testing had been done on some.

**Action – To circulate the risk testing outcomes in the risk register.**

Councillor Johnson asked for the impact of people working from home be taken into consideration on the viability of the Town Hall project and the local economy. Councillor Jones noted that bringing people into the West King Street and the Town Hall was a point that must be addressed to ensure the regeneration of the area. Finally, Officers agreed to highlight any milestone that slip in future reports.

**Action – To highlight slipped milestones in future reports.**

The Chair thanked officers for all their hard work.

## **6. COMMITTEE WORK PROGRAMME**

The following reports for the next meeting were requested:-

- Reserves paper
- Provisions
- Gibbs Green estate

## **7. DATE OF NEXT MEETING**

Monday 21<sup>st</sup> September 2020

Meeting started: 6.30 pm  
Meeting ended: 8.35 pm

Chairman .....

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