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Minutes of the meeting of the BUDGET AND RESOURCES SCRUTINY COMMITTEE held on WEDNESDAY 08 JULY 2020

Present: Councillors R Bradburn (Chair), Akter, Cannon, Gilbert, P Geary, Long, Rankine, Williams and C Wilson-Marklew

Officers: S Richardson (Director of Finance and Resources), N Hutchin (Head of Finance), A Rulton (Head of Finance), M Kelleher (Director of Housing and Regeneration), M Smith (Strategic Housing Finance Manager), E Richardson (Overview and Scrutiny Officer), J Zammit (Business Support Assistant)

Also Present: Councillor Baume (Cabinet Member: Economy and Culture), Councillor M Bradburn, Councillor Darlington (Cabinet Member: Public Realm and Housing), Councillor Exon, Councillor Ferrans, Councillor D Hopkins, Councillor Middleton (Cabinet Member: Resources) and Councillor Miles

Apologies: None

BR03 DECLARATIONS OF INTEREST

There were no Declarations of Interest.

BR04 MINUTES

RESOLVED -

That once the Minutes of the meeting of the Budget and Resources Scrutiny Committee held on 10 March 2020 are amended to show that Councillor Gilbert was not present at the meeting, they be signed by the Chair as a correct record, together with the Minutes of the meeting held on 20 May 2020.

BR05 QUESTIONS FROM THE PUBLIC

There were no questions from the public.

CHAIR'S INITIALS.....

OVERVIEW OF THE COUNCIL'S CURRENT FINANCIAL POSITION IN RELATION TO ITS RESPONSE TO THE COVID-19 PANDEMIC

The Committee received a presentation from the Director of Finance and Resources on the impact of Covid-19 on the Council's financial position and its financial management procedures.

The presentation set out 4 key talking points which were:

- i. Impact of the virus on the Council's Finances;
- ii. Government support for local authorities during the crisis;
- iii. Actions taken by the Council to mitigate the financial effects of the crisis so far; and
- iv. Future action by the Council.

During the presentation and ensuing discussion, the Committee noted that:

- a) the Financial Outlook Report presented to Cabinet in June had already been updated;
- b) work was being done by the Finance Team to model low, medium and high impact scenarios on the Council;
- c) the Council's financial position had changed significantly since the budget had been set in February;
- d) some of the assumptions made in the 2020/21 budget on the level of income likely to be received by the Council were now incorrect and needed to be re-assessed;
- e) the Council was administering the government support grants for local businesses amounting to £117m;
- f) there was also focussed efforts across the Council to support businesses with practical advice, restart schemes and relevant signage;
- g) the Council's immediate strategy was to deal with the current emergency whilst planning for a restart phase;
- h) the Council also needed to consider how to protect key services and stay financially stable;
- i) the draft 2021/22 budget would need to reflect the range of possible scenarios and there may need to be political discussions about priority services;
- j) the Council had received £1m of the £2m infection control fund promised by the Government;
- k) the first tranche of support funding, based on the number of beds, had been passed on to care homes in full. It was expected



that the second tranche of support funding would also be paid out in full.

The Committee then heard from Councillor Middleton, Cabinet Member for Resources, who started by thanking the Director of Finance and Resources and his staff for their hard work in keeping councillors update with the Council's financial position and the excellence of their reports.

He advised the Committee that in the current climate budget forecasting was going to be seriously difficult. There was strong evidence that the country was facing a recession like no other and that he appreciated the support from the Chancellor of the Exchequer for both the employment market and local authorities. He also commented that he hoped this support would be extended to arts and culture businesses in the next few weeks.

Councillor Middleton explained that the Council had been in a strong financial position going into the Covid-19 crisis and that it was a long way away from needing to request a s114 notice. However, the Council was having to bring forward budget cuts which had been planned for later in the medium-term plan, although some, such as the saving of £350k on middle management costs had already been achieved. He added that the Council was ready to use its earmarked reserves but that this needed to be done carefully and at the right time.

Other areas of concern included the collection funds for business rates and Council Tax, which were likely to show a significant reduction during 2020/21. The Local Government Association was predicting a shortfall of £7.4bn in local authority finance for 2020/21. Councillor Middleton suggested that the Government should consider producing a multi-year financial plan past April 2021. He advised that work was already being done to update the Council's own Medium-Term Financial Strategy to take account of the current crisis and what might need to be done to deliver future, balanced budgets. There would need to be a re-prioritisation of resources to ensure the Council continued to deliver essential core services.

The Committee then noted that the Council's commitment to supporting businesses and the local community was set out in its Covid-19 Recovery Plan, which would be presented for Delegated Decision by the Leader of the Council on 21 July and that cross-party comment on the Recovery Plan would be appreciated.



RESOLVED –

1. That the Director of Finance and Resources be thanked for his attendance at the meeting, the quality of his written report, the clarity of his presentation and his explanations in response to questions from the Committee.
2. That Councillor Middleton, the Cabinet Member for Resources, be thanked for his contribution to the Committee's scrutiny of this item and his support for the work of the Council's Finance Team.
3. That the Director of Finance and Resources, the two Heads of Finance and the Council's wider Finance Team be thanked for their hard work, dedication and expertise in handling the Council's finances during the Covid-19 crisis and for keeping not just the Cabinet and senior officers, but all councillors, up to date with the Council's financial position.
4. That Council be advised that the Committee is satisfied that the safeguards created to manage the Council's finances are satisfactory at this point in time.
5. That the Council be advised that the Committee commends the s151 Officer and his team for the rigour and consistency with which the Council's finances are being managed.
6. That the Committee's Planning Group continues to monitor the situation so that the Committee can react quickly in order to scrutinise any changes in the Council's financial position.

BR07

REPORT ON THE WORK OF THE CORPORATE PORTFOLIO BOARD AND THE CAPITAL PROGRAMME BOARDS

The Committee then received a presentation from the Head of Finance (Capital Programme) on the work of the Corporate Portfolio Board and the Capital Programme Boards, during which it noted that:

- a) the Council's investment in assets varied year on year depending on the range of projects and schemes in progress at the time;
- b) £553m would be the total cost if all schemes were to be delivered in full during 2020/21;
- c) the total spend on capital projects for 2019/20 was £165m;
- d) schemes were individually costed, with a variety of funding sources being available, such as government grants, developer contributions, borrowing, third party funding, some of which was ring-fenced for particular uses;



- e) the Corporate Portfolio Board (CPB) had been examining the impact of Covid-19 on the Capital Programme and assessing the impact of delays causing a high level of slippage in projects during 2020/21 and any possible increased costs;
- f) the CPB had examined each project, line by line, with each project manager to reprofile projects as necessary. The resulting, revised Capital Programme would be presented for Delegated Decision by Councillor Middleton on 28 July 2020.

In response to questions and the ensuing discussion, the Committee also noted that:

- a) the Housing Revenue Account (HRA) underspend on planned maintenance works was because the Council's contractor, the Mears Group, took some time to get fully geared up to carry out the work. However, they were now catching up and the money would be spent this year;
- b) the slippage on new-build and regeneration projects had been due to the problems with the way YourMK had operated. With the disbanding of YourMK these issues were now being resolved and the programme was catching up. Details of how this would be managed in the future would be in the revised HRA Business Plan which would be presented to Cabinet in September;
- c) there appeared to be a history of poor budget forecasting and risk assessment of contractors at the procurement stage of capital projects;
- d) there also appeared to be a history of contractors underestimating costs and not allowing for extra fees;
- e) a lot of slippage was caused because the Council did not have sufficient resources to manage and deliver projects effectively;
- f) the CPB and departmental project boards were looking at how the Council's project management capabilities could be improved and strengthened;
- g) the amount the Council could spend on acquiring suitable properties to add to its housing stock on the open market was capped, based on the potential rental return for any particular property. Getting the right property at the right price could be difficult. However, if the pandemic caused a flattening in the housing market the Council may be able increase its acquisitions.

The Committee was particularly concerned to note that there was an overspend of £175k on disabled adaptations which needed to be reviewed. The Committee was of the view that the increased



demand for disabled adaptations needed be budgeted for as it was anticipated that the Covid-19 crisis might lead to a further increase in demand for adaptations as older people sought to stay in their own homes for longer, rather than moving into care homes which were seen as Covid-19 hot spots. The Committee expressed its concern that disabled people were being negatively affected by Covid-19 and this needed to be kept under review. The Committee was advised that the Housing and Social Care services were discussing this together as the demand for care home places had gone down, whilst the demand for adaptations had gone up. The Housing Team were trying to build an anticipated increase in demand for adaptations into the revised HRA Business Plan so that it could be managed properly.

The Committee then discussed various aspects of the report and suggested that in order to manage capital projects properly, departments needed an effective client function to deal with contractors, together with more cross-departmental working to pool resources and avoid duplication.

The Director of Housing and Regeneration advised the Committee that work to address this was already being done within the Housing Service. When YourMK was disbanded and staff brought back in-house, there had been only one member of staff working on the client function. The Director had now expanded the team to 8 members of staff, including a Head of Service, although there was still one vacancy outstanding. He was working with the Cabinet Member for Public Realm and Housing to see if the team could be further expanded. He had also strengthened Housing's Asset Management and Housing Delivery Teams, each with new Heads of Service to ensure accountability. More staff were also being brought back in-house from the Mears Group, which again improved accountability.

The Committee noted the lack of detail against some entries in the Capital Programme report spreadsheet which it felt made scrutiny of those particular projects difficult. There were also 29 instances of underspends or residual money outstanding on projects with no explanation of where the money would be going; again this made proper scrutiny difficult.

The Head of Finance explained that the information in the report was extracted from the Council's finance management system; the Capital Programme section was updated monthly by project managers. She would remind the individual Project Boards that they



needed to sense check the details relating to their projects to ensure that they were correct before submitting them for publication.

RESOLVED –

1. That the Head of Finance (Capital Programme) be thanked for her written report and presentation on the current status of the Council's Capital Programme.
2. That Councillor Darlington, Cabinet Member for Public Realm and Housing, and officer colleagues be thanked for their contribution to the Committee's scrutiny of the Capital Programme.
3. That the Corporate Portfolio Board remains vigilant in its overseeing of the Capital Programme and that it supports all council departments involved in delivering capital projects to improve their standard of project management in order to prevent a high level of slippage in projects.
4. That where appropriate, cross-council working on capital projects be encouraged to maximise the use of relevant expertise by departments and again prevent slippage within projects.
5. That the explanations provided in the "Reasons for Variation from Period X Forecast" column on the Capital Programme spreadsheet be vetted and sense-checked for clarity and understanding before publication.
6. That the resumption of the Council's policy of buying houses on the open market to add to its housing stock be treated as a priority.
7. That in the light of the changed priorities caused by the Covid-19 pandemic, the Capital Programme needs to be reviewed accordingly, particularly as there may be a surge in requests for disabled adaptations.

BR08

2020/21 WORK PROGRAMME

The Committee received the 2020/21 Work Programme and noted the need for scrutiny work programmes to remain flexible as to content during the current Covid-19 pandemic.

Following the discussions above with the Director of Finance and Resources about the Council's current financial position in relation to its response to the covid-19 pandemic it was agreed that an item on revisions to the Council's Medium Term Financial Strategy be the priority item for the next meeting.

08 JULY 2020

CHAIR'S INITIALS.....



RESOLVED –

- 1. That the Committee receives and notes the 2020/21 Work Programme whilst being aware of the need for all scrutiny work programmes to remain flexible during the current Covid-19 pandemic.**
- 2. That the item on revisions to the Council's Medium Term Financial Strategy necessitated by the Covid-19 pandemic be the priority item for the meeting scheduled for 15 September 2020.**

THE CHAIR CLOSED THE MEETING AT 9.37 PM

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