

A meeting of the Cabinet and Corporate Services Scrutiny Committee held at Kensington Town Hall, Hornton Street, London W8 7NX at 6.30pm on 27 October 2014

PRESENT

Members of the Committee

Councillor Pat Mason (Chairman)
Councillor Barbara Campbell
Councillor Emma Dent Coad
Councillor David Lindsay
Councillor Andrew Lomas
Councillor Daniel Moylan
Councillor David Nicholls
Councillor Andrew Rinker

Others in attendance

Chief Superintendent Ellie O'Connor (Borough Police Commander)
Councillor Warwick Lightfoot (Cabinet Member for Finance and Strategy)
Councillor Judith Blakeman
Martyn Carver (Principal Governance Manager)
Michael Clark (Director for Corporate Property and Customer Services)
Jacqui Hird (Scrutiny Manager)
Nicholas Holgate (Town Clerk and Executive Director of Finance)
Stuart Priestley (Safer Kensington and Chelsea Manager)
Tony Redpath (Director of Strategy and Local Services)
Andy Sayers (KPMG)

A G E N D A

A1 APOLOGIES

Apologies for absence were received from Cllrs Berrill-Cox, Sir Merrick Cockell and Husband. Apologies were also received from Cabinet Members, Cllrs Feilding-Mellen and Gardner.

A2 DECLARATIONS OF INTEREST

The Chairman declared a personal interest in Cabinet report A9 as a Board member of the Westway Trust.

A3 MINUTES

The minutes of the meeting held on 15 September were confirmed as a correct record and were signed by the Chairman.

A4 MATTERS ARISING

In respect of 19-27 Young Street, it was noted that negotiations were ongoing.

The report was received and noted.

A5 BOROUGH POLICE COMMANDER

The new Borough Police Commander, Chief Superintendent Ellie O'Connor, attended the meeting to introduce herself to the Committee.

She drew attention to two current crime issues in the Borough: (i) incidents of serious violence in the north of the Borough. This was drug-related crime but was verging on gang behaviour. A team had been put together to tackle this; (ii) car theft involving keyless entry and theft of mopeds. Extra police patrols had been organised, especially in the early morning, when such crime seemed to be prevalent.

The Chairman asked about the situation in regard to Police Community Support Officers. The Borough Commander spoke about the transfer from PCSOs to Police Officers: 43 PCSOs would be going by the end of March 2015, leaving 36 PCSOs in total in the Borough. There would be 41 additional PCs in the Borough. She commented that abstractions – the diversion of officers to other duties outside of the Borough - would be kept to a minimum.

Cllr Dent Coad asked whether traffic enforcement had been cut back owing to pressure of work. The Borough Commander said this was not the case. Enforcement was still being carried out. Cllr Dent Coad also spoke of the demand for drugs and how the police should target users higher up the social ladder as well as suppliers.

Cllr Lindsay referred to an article in the Mail about radicalisation. The Borough Commander said this amounted to scaremongering and there was no link to pupils at Holland Park Academy.

The Borough Commander said that she would welcome an invitation to talk further in the New Year and asked that if members had specific questions for her, they be submitted in advance so that she could give a reply at the meeting.

A6 BUDGETING

Mr Andy Sayers, representing the Council's external auditor, KPMG, attended the meeting with Cllr Lightfoot to discuss budgeting.

Mr Sayers commented that he had read Cllr Moylan's letter and took it as a theme for discussion at the meeting. He said that the Council set a relatively prudent budget, although he considered that the contingency and its use could be made clearer. He had no concerns over the budgeting process.

Cllr Moylan drew attention to the position on 1 May 2014 when the forecast underspend was £15m. This had risen to £30m by the time the books closed one month later. He asked if the auditor found this discrepancy unusual. Mr Sayers said that it would have been helpful to have drawn attention to this in the reporting of figures in May. The likelihood of a larger underspend could have been highlighted earlier in the year. However, this did not undermine the budget process. Improved clarity of reporting was recommended. He did not consider the difference in the figures amounted to a 'discrepancy' as this implied that officers were unaware of the issues.

Cllr Rinker made the point that if the budget was significantly adrift from the final outcome it made it very difficult for members to scrutinise the budget and for officers to manage it. Mr Sayers did not see a difficulty for officers in managing the budget but agreed that it did make it harder for members to scrutinise. Further information in the reports would improve the position.

Cllr Moylan considered that budgeting was poor, with regular underspends suggesting a bias towards overbudgeting. He added that he did not object to the Council holding large reserves, but with revenue surpluses being turned into capital at the end of the year there was a need for members to discuss how best to spend them. Capital reserves were being generated with no discussion about spending priorities. Cllr Lightfoot said that officers were asked to seek efficiency savings in the way services were run during the year. Cllr Moylan welcomed this but considered that a budget should be set that took account of efficiency savings. Mr Sayers added that many organisations budget in the way described by Cllr Moylan but it was not wrong to do it differently.

Mr Holgate spoke of the pressures in local government funding in future years. Central Government funding was sure to decrease for several years. It was important to protect services. It would risk service quality if, for example, Adult Social Care, with its volatile and often demand-led budget, had to comply with a tight budget that took full account of past underspends. On the other hand, if departments could make savings in-year that would prove successful, it 'de-risked' performance in the next financial year.

Cllr Moylan asked that, even if Mr Holgate's view were appropriate, how were members to monitor the budget? Mr Holgate said that more could

be written about uncertainties in the quarterly Cabinet budget monitoring reports.

Cllr Lindsay asked about 'materiality' and whether the £15m added to the underspend in the last month was material. Mr Sayers said that this applied to sums around 2% of expenditure. For the Council this would be around £9m. However, movements of sums were not audited and the Council had robust savings plans. As the auditor, he took comfort in the underspends.

Cllr Dent Coad commented that it was important to make budget papers easy to read. She added that she had not seen any examples of savings being put back into services. Cllr Lightfoot cited the Planning Department as an example of a department which had retained its additional income generated. He asked the auditor if there were any issues which might develop into problems for budgeting. Mr Sayers said that he had regular discussions with Council officers and there was nothing he would wish to draw members' attention to.

Cllr Rinker referred to an article in the Daily Mail which said that the Council's budget required 20 years of experience in order to understand it. He asked how members were meant to carry out their scrutiny role if this were the case? Cllr Lightfoot agreed that the core finance papers could be challenging, which was why the Council produced its annual 'Budget Proposals'. Mr Holgate believed that the Mail might have been looking at the Report and Accounts, rather than the budget documents. The Media and Communications Office had tried to find out which document it was criticising but without success. Cllr Rinker reiterated his view that for members to be able to scrutinise effectively, budget papers needed to be clear. An executive summary would be helpful. Cllr Lightfoot said that improvements had been made over the years, although some papers had to be produced to a format.

In conclusion, Mr Holgate undertook to:

- Be more explicit in the quarterly monitoring reports about expected outturns, adding a section about possible underspends.
- Look to work up a better way of presenting budget information, adding an executive summary.

Action by: Mr Holgate

The Chairman asked if the Committee, and Cllr Moylan in particular, was satisfied with the explanations to their concerns given during the debate, or if they still wanted to set up a sub-group to look at the budgeting issues. Members decided that a sub-group was not required.

The Committee thanked Mr Sayers for attending.

A7 EMPLOYMENT, FUNDING AND SERVICES

Mr Holgate made corrections to two figures in Table 1:

- Year on year headcount change for 2010-14 should be -20.2% not -25.4%.
- Year on year FTE reduction for 2010-14 should be -21.3% not -27.1%.

The Chairman welcomed the report which had been written in response to his request to complement the A6 budgeting debate, specifically to inform members about areas of service changes and reductions across the Business Groups since 2010. He said that if the Council decided to have a better balance in future years between the levels of annual underspends and reserves, then we could choose to better protect some of the vital front line services that we contracted out, for example, to realise savings.

Cllr Dent Coad asked about the use of agency staff and their cost. Mr Holgate said it was difficult to generalise as the Council employed many types of agency staff. He added that, owing to delays in the introduction of the managed services contract, payroll had been run by interim staff for longer than anticipated. Cllr Lightfoot thanked the staff for staying on.

The Chairman asked the Committee members whether they would support the holding of budget scrutiny meetings outside the Town Hall – one in the south of the Borough and one in the north. Members were of the view that such meetings were better kept at the Town Hall with, perhaps, better advertising to attract the public. Members considered that scrutiny meetings on a specific theme, such as tackling crime, might be more appropriate to take outside the Town Hall.

The report was received and noted.

A8 TRI-BOROUGH UPDATE (STANDING ITEM)

Mr Holgate informed the Committee that the Critical Friends Board (CFB) report was now available on the Intranet. He spoke of the 'conditional pass' given by the CFB to the Tri-Borough initiative. However, several areas of improvement were suggested, including the appointment of a Head of the Paid Service specific to LBHF. Mr Holgate added that he would return full-time to the role of RBKC Town Clerk.

A9 CABINET MEETING – 30 OCTOBER

With reference to **Budget Monitoring (Report A5)**, Cllr Lomas drew attention to the underspend of £140k forecast for sexual health. Mr Holgate said that this was a complex area which had been inherited from the NHS. It had not provided good value for money and a pan-London initiative was underway to bring about improvements.

The other reports on the Cabinet agenda were noted.

A10 FORWARD PLAN - AS AT 17 OCTOBER

Noted.

A11 OTHER URGENT ITEMS

No other matters were discussed.

EXCLUSION OF PRESS AND PUBLIC FROM THE MEETING:

There were no matters requiring the exclusion of the press and public from the meeting.

The meeting ended at 8.30pm

Chairman