

Appendix 2

Executive Scrutiny Board

Recommendations from the meeting held on 12 June 2018

Council Cabinet Agenda – 13 June 2018

Item 8	Minute Extract from Regeneration and Housing Board – Inward Investment – Marketing Derby
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The Board considered a report of the Interim Strategic Director of Corporate Resources and a minute extract referred from the Regeneration and Housing Scrutiny Board to recommend that Marketing Derby was considered a formal consultee on planning applications, to champion regeneration and encourage inward investment.

The Board fully supported the necessity to have a strong voice from the business community in relation to planning matters.

It was noted that the matter had previously received significant discussion at the Regeneration and Housing Board and was raised by the Chair for consideration at Council. It was felt that members shared a broad consensus on the need to create an Economic Development Board, constituted on a similar basis to the Conservation Area Advisory Committee (CAAC).

The Board agreed that it was not necessary for officers to present a further options report to members and stated that an appropriate body be created as soon as practicable.

The Executive Scrutiny Board resolved to recommend to Council Cabinet that officers were mandated to establish an Economic Development Board, to act as a formal consultee on planning applications.

Item 9	A52 Wyvern Transport Improvements Scheme – Cost Increases
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Members considered a report of the Acting Chief Executive regarding unforeseen cost increases in the A52 Wyvern Transport Improvements Scheme. The report set out significant cost increases in relation to works carried out to date, resulting in at present unspecified delays to the delivery of the project.

The initial estimated cost of the scheme was £14.906m, which was contained within the Council's capital programme, in addition to £2.157m of complimentary works funded through the 2018/19 Highways and Transport Capital Programme.

Approval was being sought to increase the capital budget for the scheme by an initial £7.65m, to be funded from the Budget Risk Reserve. It was noted that this funding was intended to prevent further slippage in delivery of the scheme and to allow contractors to remain on site, until a revised forecast of the total cost of the project could be presented to Council Cabinet. Officers noted that initial estimates suggested that the final cost of the scheme could amount to £30m.

The Acting Chief Executive stated that a new project team had been appointed internally

to continue the project, which would be supported by external technical and contractual advice. The Interim Strategic Director of Corporate Resources confirmed that an investigation would be carried out by internal auditors; that scoping of the investigation had been agreed; and, that an interim report would likely presented to members by September 2018.

Members expressed their severe concern at the anticipated overspend and delays to completion of the project, but welcomed the report and emphasised the need to make robust recommendations to Council Cabinet.

The Board sought assurance that the funding requested would be sufficient to contain the overspend on the project. Officers suggested that the sum was the minimum required to cover the additional estimated costs of the construction works to date, however noted that the report represented an interim position, with further detail expected in a Cabinet Report to be presented in September.

Members noted reference to an additional £2.157m approved by Cabinet in March 2018, but did not recall the Board scrutinising the decision. Moreover, the Board expressed concern that the substantial overspend was not reported to members at this stage.

It was stated that the additional funding comprised of £1.8m complimentary works approved as part of the Highways and Transport Capital Programme, while the remainder was provided from the Local Growth Fund. It was further reported that as the additional funding was requested for additional work that fell outside of the existing contract, there were no concerns raised at that stage.

Members enquired as to the extent of culpability that fell with the Council and with the contractor; it was confirmed that this would be explored as part of the proposed investigation by internal audit. The Interim Strategic Director of Corporate Resources emphasised that the investigation would be an 'end-to-end' review that would establish whether decisions were taken with full knowledge of the risks involved.

The Board enquired as to the nature of the contractual arrangements that had been agreed. It was reported that contract with external partners was based on a target cost rather than a fixed price, which was typical for major infrastructure projects of this type.

Members noted that the report referred to 'managing down' future costs and queried how this would be achieved with the private contractor. It was stated that the contractor was required to deliver the project as effectively and efficiently as possible.

The Board felt that the unknown final cost presented a substantial and ongoing risk to both the project and the authority at large. Moreover, members stressed the need to provide reassurance to the general public as to when the project would be completed and when the resulting delays on the A52 would end.

The Board were concerned that the Cabinet Report did not provide sufficient detail to commit £7.65m and that more clarity was required on the breakdown of how the funding would be used. In addition, the Board suggested that the scope of the internal audit investigation should be referred to members. It was confirmed that the matter would be considered by the Audit and Accounts Committee on Tuesday 19 July.

The Strategic Director of Corporate Resources provided an absolute assurance that the costs contained in the report had been carefully considered and were essential in order to progress the project; it was stated and included in the report that halting the project was not an option for the authority.

The Board requested information on how the remainder of the project would be overseen. The Acting Chief Executive confirmed that she personally intended to lead a strategic board that would include representation from the project team, finance and procurement.

Members queried whether the Council's internal auditors had sufficient resources to carry out an investigation and whether an independent investigation may be necessary to provide reassurance to elected members and residents.

The Interim Strategic Director of Corporate Resources acknowledged members' concerns, but stated that he had every confidence in the council's internal auditors and noted their track-record on similar investigations when working with partner organisations.

Members agreed that the difficulties encountered by the project encompassed a wide range of issues, including project management, contract management, governance and leadership. Some members of the Board felt that this warranted an independent, external investigation, while others considered that an investigation by internal auditors was both sufficient and more financially prudent.

A recommendation to launch an independent investigation was put to the vote by show of hands and lost. The Chair encouraged the Board to feed into the internal investigation and requested that members forward any questions for consideration by auditors to either himself or the Democratic Services Manager.

The Executive Scrutiny Board resolved:

- 1) That Council Cabinet be provided with a detailed breakdown of the £7.65m additional funding requested, prior to the deliberation of recommendations 2.5 and 2.6, to be considered in private session if necessary.**
- 2) To endorse the proposed internal investigation.**
- 3) That Council Cabinet give consideration to the potential for an independent investigation in future, subject to the findings of the Council's internal auditors.**

Item 10	Purchase of residential dwellings to provide affordable housing funded through the Housing Revenue Account
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The Board received a report from the Strategic Director of Communities and Place proposing the acquisition of 20 dwellings on the Hackwood Farm development in Mackworth.

It was reported that the site included 74 affordable homes in accordance with Section 106 requirements. The Council had triggered an option for the developer to allocate a further 20 homes for affordable housing, subject to the provision of grant funding at market

value. It was further noted that 18 of the additional properties would be wheelchair adapted dwellings and would therefore be exempt from Right to Buy.

The Board fully endorsed the report and welcomed the provision of additional affordable housing within the city. Members enquired as to whether a discount had been acquired for the purchase of multiple properties; it was confirmed that the valuations had been calculated on this basis.

The Executive Scrutiny Board resolved to note the report.

Item 11	Final accounts – 2017/18, Outturn report for General Fund, Capital, Treasury Management, Housing Revenue Account, Dedicated Schools Grant and Collection Fund
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The Board received a report from the Interim Strategic Director of Corporate Resources, presenting the budget outturn position for 2017/18. It was reported that the six sets of accounts had been finalised, published and lodged with the Council's external auditors on time.

The report described the main variances against the Revised Budget for 2017/18 and set out a range of issues that required decisions by Council Cabinet.

It was noted that the Revenue Budget was £2.485m underspent, resulting in a less than anticipated draw on reserves. However, it was suggested that significant cost and demand pressures remained in People Services.

It was reported that 88.4 per cent of the latest approved capital programme had been delivered, with areas of slippage detailed in the report. Moreover, the report provided information on the performance of the Treasury Management Strategy, as well as reporting on the performance of the Housing Revenue Account, Dedicated Schools Grant and Collection Fund.

Members raised queries relating to the under-achievement of budgeted income in council-run leisure centres; why rental income from the acquisition of new rental properties had not been achieved and why there had been an increase in the use of external legal advice.

Officers noted that the temporary closure of Queens had impacted income to the leisure service in particular. It was suggested that the acquisition of properties for rental income had been identified as a saving in the 2017/18 budget, but the strategy was subsequently considered too high risk. The increase in external legal advice was attributed to the need procure barrister advice to contest High Court cases, particular in matters relating to Children's Services.

The Board accepted that many services were demand led but noted year-on-year overspends in People Services. Members enquired as to whether there was a structural deficit contained within the budget.

It was reported that the vast majority of local authorities were in a similar position and that officers were awaiting further clarification from the Government on the future of the Better Care Fund. The Interim Strategic Director of Corporate Resources confirmed that

permanent pressures in both Adult's and Children's Services would be examined as part of a forthcoming review of the Medium Term Financial Plan (MTFP).

Members noted that the use of reserves to achieve the General Fund revenue outturn position was £2.485m less than anticipated and recommended that this amount was utilised for a specific purpose. It was suggested that the sum was transferred to the Welfare Reform Reserve, to support residents transitioning to Universal Credit from July 2018.

The Executive Scrutiny Board resolved to recommend to Council Cabinet that £2.485m was transferred to the Welfare Reform Reserve to provide support to residents transferring to Universal Credit from July 2018.

Item 12	Delivering enhanced activities to support the Streetpride services
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The Board received a report from the Strategic Director of Communities and Place requesting approval for additional resources to be allocated from the Budget Risk Reserve to support enhanced activities to support Streetpride services.

It was reported that an additional £185k would be utilised to support enhanced grass cutting, emptying dustbins, addressing fly-tipping and city centre street cleansing. It was noted permanent resources would be identified as part of the next budget round.

Members expressed their support for the proposals and queried whether the additional resources would be deployed city-wide; it was confirmed that the funding would compliment existing city-wide resources.

The trial of larger bins in Markeaton Park was discussed; it was asked whether the trial would now be extended to other parks in the city. It was reported that funding for this project was not contained within the same budget, however member comments would be fed back to the appropriate officers.

The Board enquired whether the additional funding would be sufficient to raise standards across the city. It was stated that the proposals represented a measured approach and that the funding was the minimum level required in order to achieve a discernible improvement.

The Executive Scrutiny Board resolved to note the report.

Item 13	Performance Monitoring 2017/18 – Council Delivery Plan Quarter Four / Year End Results
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The Board received a report from the Acting Chief Executive detailing progress made against the Council Delivery Plan and including highlights from key performance measures in the Council Scorecard.

It was noted that the report had been brought forward in order to be considered alongside the published accounts and would inform the Annual Report. It was reported that 54 per cent of priority measures in the Council Scorecard were either on track or completed; moreover, only 13 per cent were showing signs of major slippage, which represented a

considerable improvement on previous years.

It was noted that the status of a performance measure in relation to improvements to the A52 was green; it was confirmed that this represented the position as reported on 31 March 2018 and did not account for recently reported delays.

The Executive Scrutiny Board resolved to note the report.

Item 14	Compliance with Contract and Financial Procedure Rules
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The Board considered a report of the Interim Strategic Director of Corporate Resources outlining a number of items that required reporting and approval by Council Cabinet under Contract and Financial Procedure rules.

It was reported that approvals were being sought for the following items:

- To approve the transfer to reserves of the Council Tax increase for 2018/19
- To approve the use of the Budget Risk Reserve to fund additional resources in the Policy and Performance team in relation to risk management.
- To approve the use of the budget risk reserve to fund the one-off purchase of a scanner for incoming mail into the Council House
- To agree transfer the former Beaufort Business Centre from the General Fund to the Housing Revenue Account
- To approve the use of the Budget Risk Reserve to reinstate a cost assessments programme for non-residential properties in order to comply with insurance cover
- To procure a pre-paid card scheme to reduce cash payments for a number of services, including appointeeships, direct payments and care leavers.

The Board noted that the additional 1 per cent Council Tax increase introduced for 2018/19 was specifically intended for use on a new Performance Venue. Members felt that if the sum was not used for that purpose, clarity was needed for the general public as to how that revenue would now be utilised.

Members also queried why the cost assessments programme for non-residential properties was being funded from reserves; it was confirmed that permanent funding would likely be identified as part of the next round of budget discussions.

The Board raised concerns about the level of consultation that had taken place with service users in relation to the introduction of a pre-paid card scheme. The Strategic Director of People Services noted that anecdotal evidence from care leavers in particular suggested that the proposal would be welcomed. Moreover, a pre-paid scheme would avoid handing large cash payments directly to vulnerable individuals.

The Executive Scrutiny Board resolved:

- 1) **To recommend that Council Cabinet provide further details on the intended use of the additional one per cent Council Tax increase for 2018/19, originally intended to support a new Performance Venue.**
- 2) **To recommend that funding for a cost assessments programme for non-residential properties was incorporated into the base budget at the earliest**

opportunity.

- 3) To recommend that Council Cabinet do not approve the procurement of a pre-paid card scheme to replace cash payments until such point as service users have been formally consulted.**