



## **Capital Budget Deep Dive**

**AUDIT COMMITTEE MEETING  
DATE 2020/21**

**14 September 2020**

**CLASSIFICATION:**

**Open**

**WARD(S) AFFECTED**

**All Wards**

**Ian Williams, Group Director Finance and Corporate Resources**

### **1. GROUP DIRECTOR'S INTRODUCTION**

- 1.1. This report provides an update on the progress in respect of the "deep-dive" to be carried out by the Audit Committee, focusing on the development of the capital budget, its monitoring and the profiling across financial years.
- 1.2. It follows on from the agreement of the Terms of Reference for the "deep-dive" at the last Audit Committee meeting in July 2020.

### **2. RECOMMENDATION(S)**

- 2.1 **The Audit Committee is recommended to:**

**Note the update and agree the next steps as set out within this report**

### **3. REASONS FOR DECISION**

- 3.1 The Audit Committee are “those charged with governance” in respect of the Council’s annual statement of accounts and other financial matters. The Committee have carried out a number of deep dives into specific areas in order to consider specific issues in detail.
- 3.2 The Committee has expressed concern at the significant reprofiling that occurs within the capital programme each year and wish to better understand the processes and methods used by services to forecast expenditure.

### **4. BACKGROUND**

#### **4.1 Policy Context**

The Terms of Reference for the capital programme “deep-dive” set out proposed specific work to be carried out by officers and Committee members and an outline timetable. This report provides an update on progress.

#### **4.2 Equality Impact Assessment**

This report does not require an equality impact assessment.

#### **4.3. Sustainability**

Not Applicable.

#### **4.4 Consultations**

Not applicable.

#### **4.5 Risk Assessment**

The risks associated with the delivery of the capital programme are set out in various reports to the Committee throughout the financial year.

#### **4.6 Capital Budget Deep Dive**

- 4.6.1 Unfortunately, it has not proven possible to date to arrange the workshops that were set out in the terms of reference to take place during August and September ahead of an outcomes report to October Audit Committee. This is due to a combination of reasons, but specifically due to other work that has been necessary in respect of the closure of the 2019/20 accounts and continued returns / monitoring of the impact of Covid on the Council's financial position.
- 4.6.2 It is now intended that these workshops will take place during the latter part of September into October and possibly November leading to a report to the first Audit Committee in the new year, 2021.
- 4.6.3 The Terms of Reference for the deep dive review set out the main areas that are to be reviewed and the main participants in the workshops from where relevant evidence will be gathered. This has not changed despite the delay in getting started with the deep-dive review. The terms of reference as agreed at the last Audit Committee are attached for reference at Appendix 1.
- 4.6.4 It is now intended at the first workshop to look in detail at how different services build their original budgets and the profiling within those budgets. Alongside this we will provide information relating to how overall outturn for projects in different areas of the programme actually compare to total budget, regardless of the profiling. We believe that in most areas, whilst profiling across years might be an issue, the actual costs are in line with total budgets originally requested and approved.
- 4.6.5 At a subsequent workshop, we will seek evidence from other local authorities in respect of their experience of budget build and profiling with a view to applying best practice to our own processes, where these are relevant.
- 4.6.6 Alongside this it seems appropriate to look at the governance of the capital programme and to consider how proposed changes to the governance structure will impact on the current process and the improvements that are to be achieved.

## **5. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES**

- 5.1 The contents of this report have no direct financial consequence, although it is obviously important that the profiling of the capital programme going forward is as close to actual delivery as possible in order that decisions regarding the schemes to be included can be optimised.
- 5.2 Inaccurate forecasting and profiling could result in suboptimal decisions being taken in respect of the financing of the programme, particularly regarding when and if any external borrowing is required.

## **6. COMMENTS OF THE DIRECTOR, LEGAL**

- 6.1 The contents of this report have no significant direct legal consequences, and as advised by the Group Director Finance, the profiling of the capital programme going

forward is as close to actual delivery as possible in order that decisions regarding the schemes to be included can be optimised.

- 6.2 The terms of reference of the Audit Committee allow for, as part of its key role in the London Borough of Hackney’s corporate governance, an independent high level focus on audit, and assurance in reporting on good governance and financial standards. The capital deep dive will serve to examine the delivery of the capital programme, as detailed in the previously agreed terms of reference and report its finding accordingly, as advised by the Group Director Finance and Corporate Resources.

## APPENDICES

The approved Terms of Reference for the Capital Programme Deep-dive Review

## BACKGROUND PAPERS

None

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