
Report of the Head of Scrutiny and Member Development

Scrutiny Board (Central & Corporate Functions)

Date: 1st December 2008

Subject: Report of Scrutiny Board Working Group – ALMO - Finance

Electoral Wards Affected:

Specific Implications For:

Equality and Diversity ☐

Community Cohesion ☐

Narrowing the Gap ☐

1.0 INTRODUCTION

- 1.1 At its July 2008 meeting the Board received the Council's financial performance for the year ending 31st March 2008. Of particular interest to the Board was the reported position of the ALMOs. (Extract below)

The 'new' ALMOs are reporting an overall surplus for the year of £7.9m. The balance on the 'old' ALMO reserves brought forward from 2006/07 was £14.9m and it is proposed that these reserves are transferred to the new ALMOs giving a reserve position as at 31st March 2008 of £22.8m.

In addition to the operating position reported above, the ALMOs FRS17 liability brought forward from 2006/07 of £0.9m has increased to £9.6m mainly through a fall in the value of pension fund assets due to the poor performance of the stock market over the last year.

The figures reported above are subject to audit and approval of the ALMO boards

- 1.2 Board Members were interested in understanding further the reasons for this financial position and to gain a better understanding of the legal relationship between the City Council and the ALMOs which might in turn influence the management of capital reserves.
- 1.3 Members interests in this matter were further stimulated by the recent Call In of an Executive Board decision to make adjustments to capital programme expenditure and resources.

- 1.4 A working group was therefore established to undertake preliminary research. The purpose of this report is to report back to the full Committee the deliberations of the working group.

Membership

- 1.5 The working group consisted of Councillors Dobson, Bale, Bentley, Chastney, Dowson, Ewens, Kendall and Selby. It met on 17th November 2008. The working group was assisted by John Statham – Strategic Landlord Manager, and Richard Ellis, Head of Finance, Environment and Neighbourhoods. The report of the working group is attached as Appendix 1

2.0 RECOMMENDATIONS

- 2.1 Members are asked to note and endorse the report of the working group.

Background papers

Report to Executive Board 11th June 2008 – Financial Performance – Outturn report 2007/08

Report of the Scrutiny Board Working Group – ALMO Finance

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2.0 DISCUSSION

- 1.1 The working group discussed the following issues;
- The reasoning behind why the Council chose ALMOs to be the service delivery vehicle for local authority housing.
 - The financial opportunities available through ALMOs
 - The legal framework in which ALMOs exist
 - The level of autonomy enjoyed by ALMOs
 - The role of ALMOs in delivering the Councils Strategic Plan
 - The role of the Council in ensuring ALMOs operate within sound governance arrangements
 - The accounting requirements placed on ALMOs in terms of FRS 17
 - The role of ALMOs in commissioning and specifying contracts
 - The current position vis a vis capital

3.0 INITIAL OBSERVATIONS AND COMMENTS

3.1 The working group is not in a position to offer any firm conclusions and or recommendations. It has agreed to meet again to continue its discussions but with the assistance of legal and procurement officers. This is to enable the working group to better understand some key areas. These are;

- Why ALMOs need to account for FRS 17
- The complicated issue of giving ALMOs independence of resources but directing their strategic policies from LCC, with the inevitable implications for resources
- The seemingly conflicting position of ALMOs specifying and commissioning contracts but LCC being the responsible body
- The distinction between 'capital' contracts and 'revenue/service' contracts and the extent to which the Council can regulate the process
- Who 'owns' the capital budgets of ALMOs
- The extent of ALMOs financial independence
- What LCC guarantees