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**REPORT OF OVERVIEW AND SCRUTINY COMMITTEE (SPECIAL)**


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**MEETING HELD ON 2 MARCH 2004**


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Chair: \* Councillor Jean Lammiman

Councillors: \* Blann \* Mary John (3)  
 \* Mitzi Green \* Osborn  
 \* Ann Groves \* Pinkus  
 \* Ingram \* Seymour  
 \* Ismail (2) \* Thammaiah

\* Denotes Member present  
 (2) and (3) Denote category of Reserve Member

**PART I – RECOMMENDATIONS - NIL**
**PART II - MINUTES**
**147. Attendance by Reserve Members:**

**RESOLVED:** To note the attendance at this meeting of the following duly appointed Reserve Members:-

<u>Ordinary Member</u>	<u>Reserve Member</u>
Councillor Marie-Louise Nolan	Councillor Ismail
Councillor Versallion	Councillor Mary John

**148. Welcome:**

The Chair welcomed Nigel Johnson and Angus Fish of Deloitte, who were in attendance for agenda item 5, "Annual Audit and Relationship Manager Letters", to the meeting. It was also noted that the Finance and Human Resources and Performance Management Portfolio Holder, Councillor Dighé, would be in attendance at the meeting for agenda items 6 and 7. The Chair additionally welcomed two officers - Paul Najsarek, Director of Organisational Performance, and Myfanwy Barrett, Director of Business and Financial Strategy - both of whom were new to the Council.

**149. Declarations of Interest:**

Councillor Jean Lammiman declared a personal interest in agenda item 6, "Progress Report on the Draft HR Strategy", by virtue of having had an input into the draft strategy. She stood down from the chair for that item.

**RESOLVED:** To note the declaration of interest made by Councillor Jean Lammiman in respect of agenda item 6, and that the Member participated in the discussion and the decision on that item.

**150. Arrangement of Agenda:**

The Chair suggested that agenda item 8, "Medium Term Capital Budget Strategy and Capital Investment Plan", be taken immediately after agenda item 5.

**RESOLVED:** That (1) agenda item 8, "Medium Term Capital Budget Strategy and Capital Investment Plan", be considered immediately after agenda item 5;

(2) all items be taken with the press and public present.

**151. Minutes:**

**RESOLVED:** That the signing of the minutes of the meeting held on 3 February 2004 be deferred until the next ordinary meeting of the Committee.

**152. Annual Audit and Relationship Manager Letters:**

The Committee considered a joint report of the Executive Director (Business Connections) and the Executive Director (Organisational Development), which set out the annual letters from the Council's external auditors and the relationship manager appointed by the Audit Commission.

Angus Fish of Deloitte introduced the Annual Audit Letter, and summarised the main findings and conclusions from each area of the external auditors' work over the past year. The Executive Director (Business Connections) added that the Council had

accepted all of the auditors' recommendations, and drew Members' attention to the Action Plan at Appendix 1 to the Annual Audit Letter, which set out the way in which the Council was responding to those issues.

In response to Members' questions, further information was given on the timescale for drawing together conclusions and proposals arising from the research being undertaken by Internal Audit into anti-fraud arrangements in other Authorities, and clarification was provided of the work being done by both Internal Audit and Deloitte on the ICT strategy. With regard to the latter, and in response to a request from the Chair, Nigel Johnson undertook to ensure that meetings set up by Deloitte with officers were followed up. The meeting was also advised that the action plans drawn up in response to the external auditors' recommendations on the computer control environment would be submitted to the next meeting of the Committee.

Further to a query from a Member, Mr Johnson outlined the liaison and co-ordination that took place between Deloitte and the Relationship Manager, in order to ensure that the work carried out was necessary and timely, and complimented the Council's timetable for improvement. He also advised that Deloitte were involved in some pilot inspection activity: some work relating to the First Contact initiative and the New Harrow Project was being done by Deloitte rather than Audit Commission inspectors.

It having been noted that Deloitte intended to issue a 5 month audit plan, there was some concern about this. Mr Johnson advised that this was a result of the transition to new arrangements imposed by the Audit Commission, and agreed that it was not ideal. However, the audit plan for the 2003/04 accounts was currently being discussed and would be finalised shortly, and the audit plan for 2004/05, which would include the schedule of inspection work and the audit plan for the 2004/05 accounts, would be available around May. In future years the audit plan would ordinarily be available in March, and the annual audit and relationship manager letters would continue to be issued in December; the Committee could therefore draw up future work programmes on that basis. The need for the process for the audit of the accounts to be rearranged in line with the acceleration of the statutory timetable was also highlighted.

The proposed arrangements for dealing with the external auditors' report on the statement of accounts this year were queried. The Executive Director (Business Connections) advised that a report on this would be submitted to full Council in due course, but his personal view was that this function should be delegated to the Overview and Scrutiny Committee, as had been successfully done in other Authorities.

There was concern at this suggestion, as Members felt they did not have the resources, in terms of time and appropriate training, to carry out the role as fully they would like. It was also suggested that the body to which this function was delegated should have executive powers; the Overview and Scrutiny Committee would not have the power to implement changes in response to the external auditors' recommendations. Officers undertook to provide a report on this to the Committee at its next meeting in April, and it was requested that this be forwarded to the Chair and Vice Chair as early as possible.

A Member suggested that a Committee of Council, comprising Members of the Overview and Scrutiny Committee with financial expertise, the Finance Portfolio Holder and an opposition Member of the Executive, should be established to deal with all the reports of the external auditors; he felt that such a Committee would have the authority to act on the external auditors' recommendations. The Chair expressed concern, however, that such a Committee would be too financially-orientated; she highlighted that there were other matters such as risk management which were also important.

Mr Johnson thanked the Committee for the opportunity to attend the meeting.

**RESOLVED:** That (1) officers provide a report to the next meeting on the proposed arrangements for dealing with the external auditors' report on the statement of accounts; and

(2) the Annual Audit and Relationship Manager's letters be noted.

153.

**Medium Term Capital Budget Strategy and Capital Investment Plan:**

The Committee received a joint report of the Executive Director (Urban Living) and the Executive Director (Business Connections), which set out changes to the management of the capital programme, and the 'Prudential Borrowing' indicators.

Members noted that the estimated capital expenditure for 2003/04 was approximately £32m against a budget of £44m; in light of this there was concern as to whether the Medium Term Capital Budget Strategy (MTCBS) would be achieved. The Executive Director (Business Connections) advised that were a number of reasons for not

achieving the programme for 2003/04, including late notification of monies and borrowing from the Government, some feasibility studies for projects not being ready on time, and some contracts not being ready to be awarded on time. He believed, however, that there would be much less slippage in 2004/05 due to the changes being made to the management of the programme, which included the establishment of a fund to enable feasibility studies to be developed earlier. It was also pointed out that the capital programme had previously been dictated by the amount of funding available, but was now needs based rather than finance driven, and focused around corporate objectives.

The establishment of an Invest to Save fund and the delegation of authority to the Executive Director to approve small projects were welcomed. With regard to the early preparation of business cases and feasibility studies for projects, however, it was noted that there was a risk that the Council would pay for feasibility studies for projects which were never undertaken.

Officers confirmed that this was the case but stated that such preliminary work needed to be done in advance in order to ensure the delivery of the programme. It was anticipated that most of the projects for which feasibility studies were undertaken would be carried out eventually, if not in the year in which they were originally programmed, and that only a small number of projects would not be undertaken. The cost of the feasibility studies in comparison to the whole programme was very small, so the risk to the programme was quite low. A Member welcomed the establishment of the fund for the early development of feasibility studies, and requested that if these were being done early, any necessary consultation be undertaken early too.

A Member felt that the presentation of the MTCBS needed to be improved. He felt that it did not make clear what the Council was spending, the source of that expenditure, or the impact of it on the revenue budget, and suggested that it would be helpful for Members to separate out these elements. Officers advised that the report to Cabinet in March on the MTCBS would be clearer and break down schemes more. In addition, it was proposed next year to submit the MTCBS to Cabinet in November at same time as the Medium Term Revenue Budget Strategy; this would ensure that the impact of the capital programme on the revenue programme was clear.

A Member highlighted that PFI schemes would be coming on balance sheet in 2005 and suggested that this was a risk. The Executive Director (Business Connections) acknowledged that this was potentially a problem, but believed that it would only be a problem in year 1, because then the Council would get credit approval from the government; in year 2 these schemes would again go off balance sheet. This was a national issue on which the major accountancy firms had differing views; the situation would continue to be monitored.

Members felt that there was a need for Member training on prudential borrowing. It was confirmed that training on this and more general finance issues would feature in the Member development programme for next year, which was currently being drafted. The Chair suggested that such training should be mandatory for Members. Another Member felt, however, that this was an issue for the Member Development Panel.

The changes in the approach to managing the capital programme having been welcomed, it was

**RESOLVED:** That the report be noted.

154. **Progress Report on the Draft HR Strategy:**

(Note: Having declared a personal interest in this item, Councillor Jean Lammiman stood down from the chair; the Vice Chair, Councillor Mitzi Green, took the chair).

Members considered a report of the Executive Director (Organisational Development) which set out the draft strategy for managing and developing people. The Finance and Human Resources and Performance Management Portfolio Holder, who was in attendance, introduced the strategy and invited the Committee's comments on it.

Members made a number of detailed comments on the draft strategy. In the section entitled "the strategy for people framework", it was suggested that two of the items in the list of actions which were the role of the Council should be amended: "encourage innovation, learning and managed risk taking" should include a reference to commitment to training and development; and "work with staff and managers to define clear standards and common values" should also make reference to working with the trade unions. Officers agreed to incorporate these amendments.

The information about the workforce set out in the section entitled "Working for Harrow Council in 2004", was noted, and it was suggested that the strategy should also set out whether it was the Council's intention to increase, decrease or maintain the size of the workforce. The Portfolio Holder stated that it would not be appropriate to include this as the strategy was a framework for the way in which the council treated its employees; a decision on the size of the workforce was a policy matter. Another Member felt, however, that there was a need to look at overall numbers of employees, and that the strategy should include a reference to this in terms of effectiveness.

A Member was also concerned to note that 75% of workforce were women but at senior levels, only 35% of staff were women. It was advised that this was partly to do with the structure of the workforce: over 45% of staff were part time.

It was suggested that the reference to on-going changes to national and European employment legislation in the section entitled "Building the strategy" should include examples, such as the forthcoming Disability Discrimination Act and European anti-ageism legislation; officers undertook to include this. In the same section, in the subsection "Listening to people", it was requested that the second sentence be amended to read "Key issues needing attention were to". With regard to the first key issue listed, there was concern about the reference to re-shaping the workforce. It was advised that the Council was currently engaged in discussions with Unison on single-status on negotiations of terms and conditions, and this was felt to be the most appropriate term to reflect that.

With regard to action 1b, to develop and implement a flexible benefits package, there was concern that this would require a big increase in the number of personnel staff, and would also go against national agreements for example with Unison. The Executive Director (Organisational Development) reported, however, that Unison were in support of this, as it gave the employee more control, and that the administration for this would not be too onerous. The Portfolio Holder added that this worked well in the private sector and there were systems which could handle the administration of it.

In response to a query from a Member, clarification was provided in relation to the measures of success for action 1g. It was advised that one of the issues for the organisation was how to retain high performers and develop senior managers from within the organisation; this was particularly an issue for black and ethnic minority staff. The Portfolio Holder added that this was desirable because it helped both the individual and the organisation: it helped staff to develop but also created flexibility within the organisation. In response to another query, the operation of the staff appraisal system, referred to under action 1j, was explained. It was not a 360° appraisal system as managers were not reviewed by employees. Officers were, however, seeking to review the system and develop it further.

It was noted that action 5b was to develop effective partnerships with the trade unions and this was welcomed. With regard to action 5c, it was noted that one of the objectives of this was for staff to achieve minimum levels of competence; a Member felt that the use of the word 'minimum' was demotivating and that the objective should instead be for staff to achieve optimum levels of competence. The Portfolio Holder provided further information on the purpose of this action but agreed that it could be revisited.

Members welcomed the draft strategy. There was concern, however, that there was only one mention of elected Members in the strategy and that it related to leadership. It was suggested that more attention should be paid to equipping all Members with necessary skills and competencies, not just leadership skills; there was a desire for Members to be an integral part of strategy. The Portfolio Holder felt that the reference to leadership skills applied to all Members, because Members were the leaders of the Council, whether or not they had an Executive role. Officers undertook, however, to revisit the strategy in terms of Member development.

A Member suggested that the key issues set out in the annual report of the HR Portfolio Holder (agenda item 7) should be reflected in the strategy. Another Member commented that he had found some of the headings for the key priorities confusing, and that there was a lot of overlap between them. This was acknowledged, and it was advised that any suggestions to improve the headings would be welcomed.

Concern was expressed at the lack of use of key performance indicators (KPIs) to measure success. It was noted that there were specific KPIs for issues such as the number of black and ethnic minority employees, but it was queried why Council service outcomes were never used as performance indicators. The Executive Director (Organisational Development) stated that this had not previously been considered, but it

would be difficult to find a KPI which was directly attributable to the input of staff. The Director of Organisational Performance added that performance on issues such as people, money and projects were currently all reported separately, but that one of the things he would be seeking to work on with Members would be linking all this together so that performance could be seen in the round. Members welcomed this, and requested that the Overview and Scrutiny Committee be part of that process.

There was some discussion of the arrangements for the review of the strategy, which had changed since the publication of the draft strategy on the agenda. Members were concerned that the strategy be reviewed regularly, and suggested that it should be subject to formal review every two years. It was also suggested that the Overview and Scrutiny Committee should look at the strategy annually.

**RESOLVED:** That (1) the progress made be noted; and

(2) the Committee's comments on the strategy, as set out above, be noted.

(Note: following the conclusion of this item, Councillor Lammiman resumed the chair).

(See also Minute 149).

155. **Annual Report of HR Portfolio Holder for 2002/2003:**

The Committee received a report of the Finance and Human Resources and Performance Management Portfolio Holder, which set out the HR work of the Council over 2002/03, the key objectives for the personnel service and progress made against those objectives. The Portfolio Holder invited Members' questions on the report.

Noting that one of the performance indicators for the service was to achieve a balanced workforce which reflected the gender profile of the borough, a Member expressed concern that only 24% of Council staff were men against a target of 49%, and queried the actions being taken to address this. The Portfolio Holder stated, however, that this performance indicator did not provide the whole picture; at senior levels only 35% of staff were women. He therefore believed that there were other issues which needed to be addressed more urgently.

There was concern that a potentially disproportionate number of black and ethnic minority employees were subject to the probationary and disciplinary procedures. It was advised, however, that this was due to the fact that the number of employees subject to these procedures was very small: for example, only 4 employees had been subject to probationary procedures this year of which 2 were black or ethnic minority staff. Officers were nevertheless very conscious of these issues and kept these figures under regular review.

Concern was also expressed with regard to the proportion of black and ethnic minority employees at senior level. The Portfolio Holder acknowledged that this was a problem, and added that there was a disproportionately high drop-off rate for Asian candidates at the interview stage. He outlined a number of actions which were being taken to address this; these included the consideration of the issue by a review group, work being done with black and ethnic minority members of interview panels, and the use of a wider range of media to advertise vacancies. There was also a need to increase the representation of disabled people in the workforce; the Council was therefore taking steps to ensure its recruitment processes were fair.

In response to Members' queries, the Executive Director (Organisational Development) stated that the level of sickness absence was too high, and that there were actions which the Council could take to reduce it, for example by providing better support to staff on long term sickness to enable them to return to work more quickly. On learning that approximately 70% of sickness absence was long term sickness, Members requested that the figures for long-term sickness be provided in the next annual report, as this suggested that casual sickness was not as high as might be imagined. Members also requested a breakdown of the figures for long-term sickness for school staff and non-school staff.

At the request of the Chair, the Executive Director (Organisational Development) gave an update on the implementation of single status. In response to a question from another Member, the Executive Director outlined some of the steps being taken to encourage disabled people to apply for posts at the Council. These included operating the 2 ticks scheme; interviewing any disabled applicant who met the minimum person specification for a post; work with the Harrow Association of Disabled People on the recruitment process; and offering work experience to people with mental health

problems. The Member felt that it was not widely known that such a lot of positive proactive work was going on, and suggested that this issue should be referred to the Publications Advisory Panel to consider; this was agreed.

A Member felt that the report should set out costs in comparison with other Authorities. He was also concerned that there was no link between the Key Performance Indicators (KPIs) and the key service objectives set out in the report. It was advised, however, that the KPIs were corporate health indicators set by the Audit Commission, while the key service objectives measured the effectiveness of the personnel service. The Member also felt it would be helpful to have targets associated with issues such as training.

The Chair thanked the Portfolio Holder and the Executive Director (Organisational Development) for an excellent report.

**RESOLVED:** That (1) the Publications Advisory Panel be requested to consider publicising the steps being taken by the Council to encourage job applications from disabled people;

(2) the report be noted.

156. **Extensions of the Meeting:**

At 9.59 pm, during discussion of the above item, and at 10.09 pm, following the conclusion of the above item, the Chair drew the attention of the meeting to the time.

**RESOLVED:** That, under the provisions of Overview and Scrutiny Procedure Rule 6.7(ii)(b), the meeting be extended to 10.10 pm and 10.15 pm respectively.

157. **Improvement Progress Report and Best Value Performance Indicators - Quarterly Monitoring Report:**

The Committee considered a report of the Executive Director (Organisational Development) which provided an update on the progress of the implementation of the Council's Improvement Plan in response to the Improvement and Development Agency's (IDeA) and Comprehensive Performance Assessment reviews, and also presented the quarterly monitoring report of the Best Value Performance Indicators (BVPIs) for 2003-4.

The Executive Director highlighted that the progress report proforma attached to the report at Appendix A now had an additional column showing whether progress against target dates had been achieved. She also highlighted that the 3 areas for concern flagged up in the last BVPI monitoring report, namely housing benefits, planning and special educational needs, all had an upwards arrow in the trend column indicating improvement in performance over the previous quarter.

In response to a question from the Chair, it was advised that the draft report of the IDeA re-inspection was anticipated in a couple of weeks. It was also noted that the BVPI monitoring report would be submitted to the Scrutiny Sub-Committees for consideration as part of their deliberations on the scrutiny work programme.

There was concern that BVPI 157 on e-enablement had not been achieved. It was advised, however, that there was a lot of work currently on-going in relation to that BVPI. One of the issues had been the methodology for the collection of data, which had now been improved. In addition, the Government was rethinking this BVPI.

**RESOLVED:** That (1) the Committee note the progress report proforma attached to the report at Appendix A;

(2) a further report be made to the July Committee detailing progress over the year together with an amended Improvement Plan for the coming year;

(3) the BVPI monitoring report be noted.

(Note: The meeting, having commenced at 7.34 pm, closed at 10.14 pm).

(Signed) COUNCILLOR JEAN LAMMIMAN  
Chair