
REPORT OF OVERVIEW AND SCRUTINY COMMITTEE

SPECIAL MEETING HELD ON 6 DECEMBER 2005

Chair: * Councillor Jean Lammiman

Councillors: * Blann * Lavingia (4)
 * Bluston * Myra Michael (1)
 * Gate * Pinkus
 * Mitzi Green * Seymour
 Mark Ingram * Versallion

* Denotes Member present
 (1) and (4) Denote category of Reserve Members

[Note: Councillor Mrs Bath also attended this meeting to hear the responses of the Leader and the Chief Executive in relation to Question 11 (see Minutes 363 and 366)].

PART I - RECOMMENDATIONS - NIL
PART II - MINUTES
362. 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 Osborn Councillor Thammaiah	Councillor Myra Michael Councillor Lavingia

363. Declarations of Interest:

RESOLVED: To note that the following interests were declared:

<u>Agenda Item</u>	<u>Member</u>	<u>Nature of Interest</u>
5. Budget - Question and Answer Session with the Leader and the Chief Executive	Councillor Mrs Bath (in attendance in the public gallery)	The Member indicated an interest in that she was the Ward Councillor for Stanmore Park in which the car park referred to under Question 11 was situated. She would remain in the room to listen to the responses of the Leader and the Chief Executive.
	Councillor Bluston Councillor Myra Michael	The Members indicated an interest in that they were Members of the Joint Health Overview and Scrutiny Committee on the redevelopment of Northwick Park Hospital. They would remain in the room to ask questions and listen to the responses of the Leader and the Chief Executive in relation to questions on the Hospital/Primary Care Trust.
	Councillor Gate	The Member indicated an interest in that his partner was employed by the Health Service. He would remain in the room to ask questions and listen to the responses of the Leader and the Chief Executive in relation to questions on the Hospital/ Primary Care Trust.

Councillor Lavingia

The Member indicated an interest in that he was a Hindu Religious Adviser at Northwick Park Hospital. He would remain in the room to ask questions and listen to the responses of the Leader and the Chief Executive in relation to questions on the Hospital/ Primary Care Trust.

364. **Arrangement of Agenda:**

RESOLVED: That all items be considered with the press and public present.

365. **Minutes:**

RESOLVED: That the minutes of the meeting held on 22 November 2005 be deferred to the next ordinary meeting of the Committee.

366. **Budget - Question and Answer Session with the Leader and the Chief Executive:**

The Chair welcomed the Leader of the Council and the Chief Executive to the meeting.

The Chair stated that the Overview and Scrutiny Committee was trialling the holding of separate meetings on the question and answer sessions with Members and the Chief Executive from the main Overview and Scrutiny Committee meetings.

The Chair invited Members to put their questions to the Leader and the Chief Executive. Members also asked supplemental questions which were duly answered.

Expected Budget Outturn 2005/06

Question 1: *What are the anticipated areas of overspend and what action is being taken to try to reduce this?*

The Chief Executive responded that the second quarter budget monitoring report had been submitted to the Cabinet meeting held on 10 November 2005. The report showed a forecast overspend this year of £2.9m and she advised that there were a number of reasons for this.

Firstly, the Council was spending more on demand led services, particularly children's services. The Council had a statutory duty to look after children.

Secondly, there were wider economic factors which were beyond the Council's control such as the state of the housing market (which meant the Council was losing income from land charges), interest rates (which affected the Council's investment income) and the rate of business growth (which affected how much of the business rates the Council could collect and retain under the new scheme).

Thirdly, whilst the majority of the new savings in this year's budget, which totalled more than £6m, were being achieved, there were a few areas where these had not been delivered. Officers were continuing to work on the various projects to ensure that the savings were delivered in due course.

In relation to procurement, the Council had achieved savings of £4.2m to date (against a cumulative target of £6.7m) and was seeking to deliver a further £1m by the end of the year. The Council had been using innovative techniques, such as e-auctions and collaborating with other councils on projects, wherever possible. The Council was also carrying out intensive pieces of work in the main service areas and reviewing all contracts. The new Business Transformation Project (BTP) would give more scope and capacity to find efficiencies in the future.

The Chief Executive explained that the procurement card was being re-launched as the take-up had been lower than anticipated. She added that the low take-up had had an adverse effect on the procurement savings.

The Leader reiterated some of the points made by the Chief Executive and stated that, whilst budgets for some of the services provided by the Council were outside its control, it was essential that the overspends that were within the Council's control, were known and controlled. He added that the Council was not being complacent about the situation and that detailed budget reviews were underway in all areas to identify further action to reduce the overspend and that the relevant Portfolio Holders would keep a

close watch over this exercise. It was noted that the Council had also introduced a number of cost controlling measures including controls over the use of agency staff.

2006/07 Budget

Question 2: *The rumour is we are going to get a poor settlement this year. Can you comment?*

The Leader responded that it had been anticipated that the increase in the general grant would be in the region of 1.5% but that Harrow was likely to receive an increase of 2%. He drew attention to table 5 of a paper tabled at the meeting which set out the changes in formula grant by type of authority and region. The Leader explained that, in comparison to the figure of 2.6% for the Outer London boroughs, Harrow's grant of 2%, whilst better than the anticipated increase of 1.5%, was low. He added that London as a whole had lost out when compared with the rest of the country.

The Chief Executive stated that a full analysis of the settlement would be undertaken and tabled at the Cabinet meeting on 15 December 2005. In response to an additional question, the Chief Executive stated that 1.5% equated to £250,000 only and that this was not a huge sum of money when compared to the overall budget.

Question 3: *What are the priorities and budget changes over the next 3 years?*

Question 4: *How have these been decided?*

[Note: Questions 3 and 4 were taken together].

The Leader stated that the outcome of the local election in May 2006 would have a major impact on the priorities. He added that whilst the priorities might alter, his administration was looking at the strategic issues of performance management and the Corporate Plan. It had been agreed that the corporate priorities set previously would be retained for next year as they were still appropriate.

The Council had developed its high level service plans for next year which included service options under three budget scenarios. High level service plans had been tested with residents at the Open Budget process on 23 October 2005. The next step was to develop more detailed plans and budgets. It was too early to give any detail about budget changes for the next 3 years. However, the key themes continue to be waste management and recycling, managing the ever increasing demand for social care services, and responding to residents' concerns in relation to crime and the public realm. There were several pieces of legislation and Bills in the pipeline in relation to Children and Young People and the Council's relationship with the Primary Care Trust (PCT) was another key driver. This too would have an impact on the Council's priorities.

The Chief Executive referred to the National Framework which, together with a new Comprehensive Performance Assessment (CPA) regime and the Local Area Agreement (LAA), would be key to shaping or altering the priorities for the Council. In addition, new legislation on the empowerment of neighbourhoods and residents had recently been enacted and that too could impact on the Council's provision. All of these together formed a basis for the Council to assess its priorities for coming years.

Question 5: *Once all statutory obligations have been budgeted in, what pressures will there be on the total budget for 2006/07 and in what areas?*

The Chief Executive responded that most of the pressures that the Council might face during 2006/07 had been set out in some of the answers provided above. She stated that inflation was increasing, interest rates were falling, the property market was flat and the income from land charges continued to fall. There were considerable service pressures, particularly in social care. Many of the severely handicapped children would be reaching adulthood and their care costs would fall on the Council.

She stated that there was likely to be a fairly significant increase in the Greater London Authority (GLA) precept due to policing costs and the Olympics. In addition, the Metropolitan Police was facing a crisis in its funding. She added that the Metropolitan Police had submitted a paper to the Mayor for London which might result in large increases in the precept.

In response to additional questions, the Chief Executive and the Leader of the Council stated that:

- discretionary budget formed a small part of the Council's total budget

- most of the budget spent in the social care area was statutory and that an element of the non-statutory budget spent was embedded in the Performance Indicators
- the income from Land Charges had fallen by 25% as the growth in the housing market had slowed down
- the target set in the budget in relation to income from Land Charges had been based on trends and historical data
- a clear picture would emerge in January 2006.

Question 6: *What action will be taken to prevent overspend?*

The Chief Executive stated that all budgets were monitored on a monthly basis and that quarterly reports were submitted to the Cabinet. She stressed that the overspend of £2.9m reported recently to the Cabinet was considered to be a small amount when compared with the Council's total budget.

She explained that those budgets within the Council's control and those that were outside its control because they were statutory were differentiated and separated out. In addition, officers would be asked to present a business case before committing to any expenditure.

The Chief Executive stated that demand-led budgets were the main cause of the overspend. She added that a new financial Management Information System would be installed next year. She added that this was a sophisticated system which would help track budgets more effectively. This would be assisted by the profiling of budgets, expected to be completed shortly.

Finally, the Chief Executive stated that monitoring of the budgets was a key factor in preventing overspends and that the officers would continue to monitor the forecast overspend closely.

Value for Money (VFM)

Question 7: *How is the council investigating whether or not our services represent VFM?*

Question 8: *What was the outcome of use of resources assessment by Audit Commission?*

[Note: Questions 7 and 8 were taken together].

The Chief Executive stated that the Council received an annual judgement from the Audit Commission of 'Use of Resources' which measured unit costs, volumes and other indicators against comparable outer London Boroughs. She added that the Council used this statement to assess its performance and identify areas where improvement was required. In addition, the Council undertook some benchmarking work in individual service areas to assess comparative performance. This year the Council had also started to develop its own value for money methodology to assess whether performance was improving in key areas where resources were being invested. Finally, this year, the Council's high level service planning process would be looking to draw a direct link between performance commitments and budget requirements so that growth requirements across the Council were being compared in the light of the level of performance that they could deliver.

The Council's overall score on Use of Resources was 2 and it had come close to getting a score of 3 in a couple of areas. Additionally, the Council had received some helpful feedback from the External Auditor on the process, and officers were developing an action plan to move the score up to 3 next time.

In addition, the new IT systems would assist the Council in ensuring VFM.

External Pressures

Question 9: *It would be fair to say there is no consensus on the best way to fund local authorities. If you could change one thing about our funding structures or sources what would it be?*

In response, the Leader stated that, at the national level, changes in income tax were necessary in order to make the system more equitable. He added that at the local level, he would call for a review of the council tax system which would provide benefits

to those on low income and the elderly. In addition, local authorities should be able to set their own priorities based on local needs and for these to be funded adequately.

The Chief Executive referred to the business rate and indicated that changes were needed. In response to additional questions on this issue, the Chief Executive stated that:

- a strong retail business base was essential
- Harrow's independent retail businesses were struggling to remain competitive with the large retail chains. It was therefore essential that Harrow Town Centre was developed which would help attract big retail businesses, thereby revitalising the Town Centre and the Borough as a whole
- big retail businesses would help contribute 'in-kind' which would further help revitalise the Borough
- collaboration with local residents' groups could be extended under existing structures
- the owner of the St Ann's Centre had minimal interest in attaining a high return on its investment which did not help the Harrow Town Centre.

[Note: The Chair of the Overview and Scrutiny Committee stated that the Committee ought to scrutinise this final point].

The Leader stated that:

- existing strategic partnerships needed to be developed further
- there was a need to engage with businesses regarding the empty sites in the Borough.

Question 10: *This Committee has been advised that the Council will not reach some of the LPSA targets and may thus forfeit some of the £5m reward grant. What in your view is still achievable and what can we learn from this experience?*

The Chief Executive outlined the current position which was that the Council would fully meet five targets, partially meet two targets and not meet the remaining five. Overall, this meant that the Council would receive half of the expected reward grant. She added that unrealistic expectations had been set and that this position was unsatisfactory.

The Chief Executive added that the Council had taken a different approach when setting targets for the LAA which had superseded the LPSA. She reported that targets were being tested first, that the Council was liaising closely with its partners when setting the targets and that the targets had been linked to the priorities of the Council.

Question 11: *This Committee was advised of the requirement to repay S106 monies in respect of the agreement between the Council and Sainsbury's re the Stanmore car park. The Director of Urban Living has advised that the subsequent proposal to rebuild a surface level car park will cost the council in the region of £400k. Where will the funds for this development come from and what will be the impact on other programmes that will be denied the opportunity of these funds? How did you feel about returning the £300k and when were you first aware that this might happen?*

The Leader acknowledged that a number of errors had been made in the agreement which had resulted in a disappointing outcome. He added that lessons would be learnt and that further reports would be submitted to appropriate bodies of the Council in due course.

He informed Members that the new surface level car park (to include the demolition of the existing multi-storey structure) would cost £420,000. £302,000 would be funded from the Stanmore commuted car parking fund and £118,000 from Capital money.

He stated that the return of this substantial resource was of significant concern to him and that he was confident that operational processes would be amended to avoid a recurrence in the future. He referred to an e-mail that had been received and undertook to provide further information to Members of the Overview and Scrutiny Committee.

Question 12: *Are the Leader and the Chief Executive perturbed at the communication between Northwick Park Hospital, Harrow PCT and our Social Services personnel in*

People First? Were they aware, before the press were, that wards may be closed in the hospital when we were assured that the Council would hear about any changes first? We were assured by the PCT that their £12m deficit would break even by the end of the financial year without substantial cuts in services to the Council's users however, reports to the contrary are rife? What if any might the implications of this deficit be for Council funds?

In response, the Leader stated that the NHS had its own duties and responsibilities to achieve financial balance. He added that the Council had been aware that the PCT had a financial deficit of £12.7 million pounds and had recognised that the PCT would need to take steps to reduce this deficit in line with the Secretary of State's requirements placed upon all NHS Chief Executives. It had been noted that this situation would impact upon the Council and its constituents.

The Leader informed the Committee that the partnership had not functioned well and that, as a result of the recent news and the issues facing the PCT, a private meeting had been arranged with all the partners, the Chief Executive and the Chair of Harrow Primary Care Trust.

The Leader explained the measures that the Council was considering in order to safeguard both its financial commitments and legal position with the PCT. He stated that the Council was also liaising with the local MPs.

The Chief Executive stated that local authorities across the country would be in similar positions to Harrow, however the situation in London was acute. She identified examples where the situation had already impacted on patients who were terminally ill. She reported on the actions that could be taken and the implications.

The Chief Executive stated that the Council had not received formal notification of the closures and reiterated that a private meeting had been arranged. She added that the Council was working with its auditors and investigating all options. She was of the view that decisions were being taken without any accountability to partners.

Question 13: *Harrow is looking forward to full participation to the Olympics 2012 - what steps are being taken to have a full complement of staff in Urban Living to enable Harrow to be a prime sporting borough when several key staff have resigned recently, when the relationship between the schools, Leisure Connections and Harrow Sports Council is possibly at an all time low?*

The Leader sought justification of the statement that morale was low. He stated that the Council's Sports & Leisure Unit had been moved across to the People First Directorate, sitting within its Community and Culture team. This structural change would enable the unit to work alongside a range of Cultural Services, helping to deliver the Council's Cultural Strategy. The Community and Culture team was being restructured, which would enable a strengthening of capacity across its range of services, including Sports and Leisure. A Working Group had been set up to steer the project.

The Chief Executive stated that the whole Council would be involved in the work leading up to the Olympics and that, besides the West London Alliance, work with schools, partners and Harrow's diverse communities would be essential. The Council was committed to supporting Olympics 2012 and was working with other West London boroughs to develop a strategy.

It was noted that the Overview and Scrutiny Committee would be scrutinising the Council's participation in the build up to the Olympics, as part of its work programme.

The Chief Executive informed the Committee that regular reports would be submitted to the Cabinet on this matter.

Business Transformation Project

Question 14: *Capita has not got a good reputation amongst the general public for the delivery of public sector projects. Can you explain to us the main risks and rewards that you see coming from the BTP? How are you managing these risks?*

The Leader acknowledged the statement made in the question but stated that Capita was a large organisation and that a thorough assessment had been made before the contract had been awarded. He added that the success and the risks would be actively managed. He identified a number of risks, which are set out below:

- Employee relations and the need to ensure the partner is fully involved
- Commitment needed by the organisation to deliver the projects

- Dissatisfaction with our chosen partner
- Loss of key staff
- Inadequate Governance arrangements

The Leader stated that all contractual matters would be overseen by the Business Transformation Partnership Project Board.

The Chief Executive stated that the contract agreed was ground breaking and outlined the benefits of the agreement. She stated that all individual projects would have to be delivered by Capita year on year before undertakings on remaining projects were given. In addition, a risk matrix has been produced and the risks listed above were those which had been identified as requiring active management. An action plan had also been produced to actively manage the risks and this was reviewed on a regular basis. The Council was managing the risks jointly with Capita to ensure that both parties could contribute to the mitigation.

The Chief Executive identified relationships between officers and Capita as an area of concern and informed Members that an independent person might be appointed to oversee these aspects of the project. Finally, she stated that the project would also provide benefits to Harrow.

Question 15: *How will the 'one stop shop' affect Councillors and in particular Councillor casework? Would you envisage Councillor casework being channelled through a section of the one stop shop process?*

The Leader stated that an additional workshop had been arranged for Members on this issue. He added that both the One Stop Shop and the Contact Centre would improve the service given to Councillors in respect of their casework. The introduction of 'Customer Relationship Management' (CRM) software would ensure that all enquiries were logged and tracked through to their completion. This would make it easy to provide Councillors with a complete history of contacts made and to ensure that their own enquiry was dealt with speedily. It would also aid and speed up the resolution of enquiries that involved more than one service, as was often the case with Councillors' casework.

The Vice-Chair of the Overview and Scrutiny Committee commented that officers ought to address enquiries from the public and that the culture where constituents had to refer an enquiry to a Member should not happen.

Members suggested the need for private rooms where they could hold surgeries to be included in the works being carried out.

Question 16: *There appear to be a number of 'hidden costs' in relation to the preparation for the First Contact project, for example staff participating in a number of forums are doing so in addition to undertaking their normal duties. Were these costs factored in to the overall costs of the project?*

The Chief Executive stated that the decision had been taken not to cost ad hoc attendance at forums as it would not be practical to back fill the participation of forums where staff might only attend for one-off workshops. The Council had also taken the decision to only cost the full-time and part-time posts required from Harrow to deliver the projects. She did not consider the costs to be 'hidden costs'.

Question 17: *Whilst increasing accessibility through longer opening hours is a key priority for the First Contact project, has any analysis been undertaken as to the format of this additional opening time and why is extending opening hours a priority over improving other services?*

The Leader stated that this was seen as a pilot and would provide the Council with an opportunity to provide a better service. He was of the view that by extending opening hours, the Council would provide a better service and that the two issues referred to in the question were not mutually exclusive.

The Chief Executive reported the results of the market research that had been carried out. She stated that the contract provided flexibility and that the matter would be kept under review.

Open Budget Process

Question 18: *The highest scoring budget priority for those at the Open Budget Assembly was Adult Social Care, the lowest priority was congestion. How do you propose to respond to these priorities?*

The Leader stated that the Council would be receiving a detailed report on the Assembly and the Open Budget Panel, set up following the Assembly. It was not possible therefore to give a commitment at this early stage.

The Chief Executive informed Members that the Open Budget Panel had only met twice and that the report from the Power Inquiry was awaited.

Question 19: *How could the Council integrate the principles of the Open Budget process with the Council's existing engagement and consultation processes?*

The Chief Executive stated that the Cabinet would be considering a Community Engagement Strategy in January 2006. She added that the Strategy would be proposing that the Council build on the principles of the Open Budget process in future engagement activity. She added that this process had demonstrated that it was possible to engage the community with the Council, even on a Sunday. She was of the view that the technique had, so far, worked well but that it was one technique amongst many others that the Council could use. In response to additional questions about whether the technique provide 'Value for Money' (VFM), the Chief Executive stated that democracy had both a hidden and direct cost attached to it.

The Chair of the Overview and Scrutiny Committee stated that she was pleased that there was a commitment to setting up a Community Engagement Unit.

MMR

Question 20: *What is the cost to the Council of the Middle Management Review and in next year's budget will there be any additional cost and any associated costs to the Local Government Pension Scheme?*

The Chief Executive stated that the medium term budget for 2004-05, 2005-06 and 2006-07 included savings of £370k a year or £1.1m in total, from restructuring and reviews. The savings for this year had been achieved. The MMR had, to date, had no significant impact on the pension fund.

The Chief Executive added that, to date, there were ten officers whose jobs were at risk. She reported that money had been included in the budget to mitigate any strain on the pension fund.

Summary

The Chair of the Overview and Scrutiny Committee thanked the Leader and the Chief Executive for their responses. She reported that the Portfolio Holder for Business Connections and Performance would be invited to the next ordinary meeting of the Committee. In conclusion, she stated that the Committee would include procurement in its work programme, and thanked the Leader for the additional information he had undertaken to provide in relation to Stanmore Car Park.

(Note: The meeting, having commenced at 7.30 pm, closed at 9.48 pm).

(Signed) COUNCILLOR JEAN LAMMIMAN
Chair