

# PERFORMANCE AND FINANCE SCRUTINY SUB-COMMITTEE MINUTES

## 12 SEPTEMBER 2012

**Chairman:** \* Councillor Sue Anderson

**Councillors:** \* Tony Ferrari \* Barry Macleod-Cullinane  
\* Zarina Khalid (3) \* Jerry Miles

**In attendance:** Brian Gate Minute 93, 95  
**(Councillors)** Paul Osborn Minute 92, 93

\* Denotes Member present  
(3) Denotes category of Reserve Member

### 85. Attendance by Reserve Members

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

Ordinary Member

Reserve Member

Councillor Ann Gate

Councillor Zarina Khalid

### 86. Declarations of Interest

**RESOLVED:** To note that the following interest was declared:

Agenda Items 8 – Chartered Institute of Public Finance and Accountancy (CIPFA)'s Review of Financial Management at Harrow

Councillor Barry Macleod-Cullinane declared a non-pecuniary interest in that he was employed by London Councils and was involved in the Capital

Ambition project at London Councils. He would remain in the room whilst the matter was considered.

**87. Minutes**

**RESOLVED:** That the minutes of the meeting held on 24 July 2012 be taken as read and signed as a correct record.

**88. Public Questions and Petitions**

**RESOLVED:** To note that no public questions were put, or petitions received.

**89. References from Council and Other Committees/Panels**

None received.

**RECOMMENDED ITEMS**

**90. Terms of Reference**

Following a discussion at the previous meeting of the Sub-Committee on 24 July 2012, the Sub-Committee considered and agreed an amended version of its Terms of Reference.

**Resolved to RECOMMEND:** (to the Overview and Scrutiny Committee)

That:

- (1) the Sub-Committee's Terms of Reference be revised as set out at appendix A to these Minutes; and
- (2) the Overview and Scrutiny Committee refer the revised Terms of Reference to the Constitution Review Working Group for consideration.

**RESOLVED ITEMS**

**91. Chair's Report**

**RESOLVED:** That this item be deferred until the next meeting of the Sub-Committee.

**92. Chartered Institute of Public Finance and Accountancy (CIPFA)'s Review of Financial Management at Harrow**

The Sub-Committee received a presentation from representatives of the Chartered Institute of Public Finance and Accountancy (CIPFA), which set out its Review of Financial Management at Harrow Council.

The Corporate Director of Resources stated that CIPFA was the only professional accountancy body to specialise in public services and the Council had commissioned it to undertake a financial management review in

February 2012. She added that the Council had decided to use the CIPFA Financial Management Model as a framework for the review and emphasised that this had not been an audit or an inspection, but a review of the wider financial management systems in place at Harrow with the objective of providing constructive challenge to assist our improvement journey.

A representative from CIPFA advised that it set standards for financial management in the public sector and the Financial Management Model used as part of the review of Harrow was aimed at helping organisations to carry out a self-assessment of their financial management systems. He added that the model had been in use for a number of years and had been used by numerous public sector organisations. It allowed CIPFA to benchmark financial management systems within an organisation and identify areas of strength, weaknesses and improvement. It also measured an organisation's attitude to Financial Management and the performance of the Finance Team. The conclusions of the review were based on a mix of evidence obtained through electronic surveys, interviews and document review.

The CIPFA representative stated that the overarching aim of the review carried out at Harrow had been to transform financial management at the Council so it could better meet the huge and difficult challenges required by an unfavourable financial environment. He added that their report had covered the following areas:

- challenges facing the public sector generally, such as the consequences of restricted government funding, possible increases in Council Tax and another spending review;
- 38 statements of best practice which covered leadership, people, processes and stakeholders;
- financial management competencies, accounting processes, areas of strength and development;
- finance function service standards and performance management;
- key findings and overall conclusions;
- lessons from other organisations.

A Member asked whether the issues with the SAP software related to inefficiencies within the system itself or to its implementation. The Member also queried whether there were other better systems available on the market which were more suited to the needs of local government.

The representative from CIPFA stated that SAP was a high-end, powerful system, but its effectiveness depended on whether an organisation had adequate resources to make the most of its capabilities. He added that in his experience, few local authorities used SAP, and staff generally found its reporting structure complex. Inefficient use of SAP and insufficient knowledge of its processes gave rise to the risk of inaccuracies in data. Miscoding of

data meant that time was wasted cleansing data. The review had shown Harrow to be a low cost performer in the area of accounts payable and accounts receivable, which tended to be in the lower quartile. Some budget holders had different levels of ability and consequently differing levels of performance in relation to SAP. Budget holders should be using SAP to carry out forecasting and the skills gap of some budget holders with regard to SAP meant that the Finance directorate was struggling with this additional workload, and could not focus enough on value added work areas, namely, strategic management of the financial challenges currently facing the Council.

The representative added that the review made the following recommendations:

- improving service standards, and clearer demarcation of officer roles and responsibilities, which would enhance performance management and ensure there were no gaps or duplication in work areas;
- There was a need to reposition the Corporate Finance function in terms of higher level activities and there should be less reliance on interim managers.

A Member back benching asked whether it would be more effective if the future Section 151 officer in the Council's new structure were part of the senior management team or be line managed by the Chief Executive Officer (CEO). A representative from CIPFA agreed that it would be good practice to place the Chief Financial Officer (CFO) at the "top table", and this role should be at the heart of officer decision-making as organisations needed to think and act strategically. He added that CIPFA's view was that the CFO's role was twofold: firstly, to ensure good financial management in compliance with legislation, secondly, to contribute to strategic policy development. CIPFA's model for the CFO had been used in both North America and Australasia with success.

The Corporate Director of Resources stated that in helping to design the new structure, she had ensured that there was a direct reporting line between the S151 officer and the Chief Executive, which would allow for open and frank discussions between them.

A Member stated that he was sceptical about the effectiveness of this approach, and gave the example of a recent investigation into an £8m overspend on a capital programme at Harrow Council, where senior officers had misled both Members and Corporate Directors regarding this overspend for a number of years.

The representative stated that in CIPFA's view, the CFO should have a voice and influence at a senior management level. Strict reporting lines, increased financial literacy of both officers and Members and transformation of cultural norms should prevent a repeat of the above type of incident.

A Member stated that the CFO needed to be able to challenge both Corporate Directors and the CEO above them and a different incentive structure would protect an organisation from financial mismanagement. The Member

expressed concern that CIPFA's review recommended that the CFO be included in the senior management team and suggested that SAP was an excellent system.

A representative from CIPFA responded that organisations should appoint the best candidate for the post of CFO on the basis of previous experience and appropriate qualifications. Getting the right calibre of person was more important than the structure. He added that although SAP was a market leader, there was a need to close the skills gap amongst budget holders and make SAP more user friendly. He added that staff in the Finance directorate were carrying out an evaluation of SAP and the findings would need to be discussed. He added that Harrow had already invested substantial amounts of time and money into SAP and needed to optimise on this investment. There needed to be more staff training in the finance and non-finance aspects of SAP. This would release finance staff from the day-to-day tasks on SAP and allow them to develop their relationship with the directorates and become more involved with transformation projects, and deliver other value added activities.

A Member asked what would be the appropriate size for the finance department and whether the one at Harrow was adequately resourced to deliver. Another Member asked whether, in the short term, savings could be made in the finance department. The CIPFA representative stated that making savings in the short term was a risk-heavy venture, savings could be delivered in the longer term. In the short term, it would be necessary to resolve a number of system, governance, stewardship and compliance issues. He added that budget holders were over reliant on finance officers in carrying out their day-to-day budgetary responsibilities. However, finance officers were working to remedy these issues and remove non-value adding functions from the finance role, while supporting directorates to make them more autonomous and accountable.

A back benching Member requested that data comparing finance functions between Harrow and other comparative London boroughs be provided to the Sub-Committee at a future date. He added that budget under spends and overspends in directorates not being reported promptly was a long standing issue. He asked what incentive structures would ensure these were reported promptly and asked how greater accountability for Corporate Directors and senior managers could be achieved. A representative from CIPFA stated that not reporting overspends and under spends promptly was an issue across many local authorities. Some authorities had dealt with this by introducing league tables for overspends/under spends and not reporting either promptly was a disciplinary matter. Additionally, some authorities had introduced a raft of measures, for example, the provision of a safety net for budget overspends and had incentivised budget holders to release budget under spends early, which were then pooled and redistributed in the organisation. Measures such as these provided a safety net for managers and enabled a culture change at these authorities. He added that in some organisations, the size of a department's budget was associated with the status of the budget holder and that this perception needed to change for the good functioning and success of the organisation as a whole. It was important for managers to see financial

management and operational function as equally important aspects of their responsibility.

A Member back benching stated that the format of the Revenue and Capital Monitoring report should be amended so that it flagged up any potential budget over/under spends, as well as the potential impacts of these. This would enable Councillors to ask appropriate questions and propose remedial action.

The Corporate Director of Resources stated that she agreed with the CIPFA findings regarding this and was disappointed and slightly surprised at their finding that some managers were not taking full responsibility for their budgets and she was exploring this issue further with the finance business partners. She added that recent data showed that the finance function at Harrow was actually under-resourced compared to other similar local authorities and reiterated CIPFA's earlier message about savings in the medium/long term.

The Corporate Director added that implementing the following measures would help strengthen the finance function at Harrow:

- repositioning the corporate finance function to be a high performing finance function, focussing more on added value activities;
- engendering a culture change at the council where finance was not just seen as an operational function;
- restructure of the finance department;
- Improving the use of SAP through staff training and minor system developments/enhancements;
- budget holders taking greater ownership of forecasting spend and tightening control and compliance, ie, less autonomy and more streamlined rules and processes.

She added that the Council had developed a more integrated approach to the finance function and concurred with the back benching Member's view about changing the format of the Revenue and Capital Monitoring reports. In her view, several aspects of SAP did not work efficiently or effectively in the current set-up. It would not be prudent to invest substantial sums in fixing SAP if it was found that it would be more cost effective to replace it with another system. This should also be considered as part of the consideration of shared services and outsourcing. Additionally, officers were looking at software solutions used by other local authorities. The Portfolio Holder for Finance would be taking the Member lead on the Finance Transformation project and a more detailed project plan would be provided to the Sub-Committee in the future.

The CIPFA representative concluded that in terms of lessons to be learnt from elsewhere, there was a need for strong leadership and correct behaviours on the part of senior management, which would engender a culture change

amongst middle managers and more junior staff. He added that the overall conclusions of the review showed that Harrow was on a journey of improvement, and much remained to be achieved, some of which was urgent.

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

### **93. Snow Clearance Update**

The Sub-Committee received a report of the Divisional Director, Environmental Services which set out the recommendations and actions arising from the Snow Clearance Challenge Panel Report.

A Member asked whether resources were at the right level to ensure that Harrow would be adequately prepared to deal with the next heavy snowfall. An officer responded that there were enough grit bins in the borough and the gritting team were skilled and experienced. However, resources for the service were under pressure and had been subsidised across a number of budgets.

A back benching Member asked about the higher cost of the new road clearance contract. The officer stated that the new contract had cost double the price of the previous contract and had been accommodated through budget changes. The previous contract had been unusually cheap. He added that the Council had been able to negotiate a minor reduction with the contractor.

A Member back benching asked if there was sufficient liaison with local partners such as schools and healthcare providers about a co-ordinated approach at times of heavy snowfall. The officer stated that his service had written to school head teachers, their governing bodies and the local Primary Care Trust to let them know that gritting routes had been changed to include key locations in the borough. The Member stated that during the last heavy snowfall, many schools had decided to close, however, the Council had gritted the area around these schools. He stated that there should be greater communication between the winter service and local stakeholders. The Portfolio Holder for Children, Schools and Families stated that head teachers had overview for health and safety at schools and may decide to close schools during heavy snowfall for reasons of health and safety within the school grounds.

A Member back benching stated that there should be better communication and dialogue between Public Realm services and Children's Services. He added that there may be cost implications for the local PCT if many local surgeries were to close during periods of heavy snowfall.

A Member noted that there some residential areas had not been prioritised for gritting during the heavy snowfalls over the last few years. He suggested that more information and advice for residents should be provided in the Harrow People magazine and on the Council's website during extreme weather conditions.

A Member stated that the grit bins policy set out in the report seemed to cover the gritting of roads only. In his view, grit bins should essentially be a tool for ensuring pavements were clear, which was separate from a road clearing service. He added that during the last heavy snowfall, roads and paths in the town centre and other busy areas been cleared, but the roads and pavements leading to these areas had not been cleared. The officer responded that grit bins had been placed in roads of known difficulty and residents often helped themselves to grit from these bins. Both the Greater London Association and Transport for London were encouraging councils to develop a common London-wide policy for gritting footpaths and Harrow's policy was being developed in line with this. He added that 120 grit bins had been provided throughout Harrow at substantial cost. Members requested an update on the pavement gritting policy when it was established.

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

#### **94. Revenue and Capital Monitoring for Quarter 1 as at 30 June 2012**

The Sub-Committee received a report of the Corporate Director of Resources, which was due to be considered by Cabinet the following day, which set out the Revenue and Capital financial monitoring position for Quarter 1. The Corporate Director advised that:

- some early risks had been identified and there was an overall forecast overspend of £426k;
- the overspend mostly arose in the Resources Directorate and in the Community, Health and Wellbeing Directorate;
- there were increased risks related to increased homelessness, but this situation was being closely monitored and any year end flexibility in this service area was being assessed;
- there had been no additional spend in the Transformation projects;
- there was better control of expenditure and additional growth in demography, which had been factored into the budget;
- income and cost trends had been included in the report, but she was looking to change the format of future Revenue and Capital Monitoring reports to reflect both forecast and actual budget information, as well as spend to date and phased budget spend to date.

A Member questioned the £426K forecast overspend figure in comparison to the £186m revised total budget requirement listed in the report. He stated that the report should provide comparisons against original budget figures listed in the report. The Corporate Director advised that the figures in question did not constitute an overspend but were legitimate adjustments to the budget and she hoped to further clarify this at the next Chair's Briefing session. She added that she understood the changes to budgets was



complex data which used to be included in previous reports and had been omitted from reports in recent years at the request of Members.

The Member responded that the report lacked transparency in its current format. He added that demography had been an issue in previous years and asked what was being done to reduce demand. The Corporate Director advised that demand-management measures and financial modelling and forecasting were being implemented.

A Member questioned the forecast overspend in the Environment Directorate, which was largely due to forecast under recovery of parking enforcement income. The Corporate Director stated that this was reported to be partly due to increasing compliance by motorists but she was concerned as to whether the service had budgeted for this appropriately. She had requested a detailed report from the service. She felt that Parking enforcement could be carried out using new technology rather than just relying entirely on staff in the future.

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

#### **95. Children and Families Services complaints annual report 2011/12**

The Sub-Committee received a report of the Corporate Director, Children and Families, which set out the statutory Children and Families Services complaints annual report for 2011/12. An officer highlighted the main areas of the report as follows:

- there had been no new Ombudsman investigations this year;
- there had been only 2 children and families complaint local settlements in the last 8 years;
- the Children and Families directorate had introduced a number of learning points from complaint improvements over the last 18 months;
- there had been no adverse Ombudsman findings against Safeguarding in the last 7 years;
- none of the escalated complaints about Special Needs had been upheld;
- the Children and Families directorate had achieved 75% stage 1 response timescale compliance;
- safeguarding remained an area for improvement.

The officer added that the above figures were encouraging because they demonstrated that the service encouraged and was open to feedback.

A Member questioned whether the key message from the Local Government Ombudsman and the Head of Complaints at the Commission for Social Care Inspection in the table comparing complaints in 2011/12 to previous years

could be considered current. The officer responded that these messages were still valid as they came from two separate independent bodies which had great expertise and knowledge about complaints. The officer emphasised that receiving a healthy level of stage 1 complaints demonstrated that the Council welcomed feedback and used it to improve its performance rather than engaging in blaming.

A Member asked how many stage 1 Safeguarding complaints had been received in 2011/12. The officer stated that these had reduced since 2011/12, which was not necessarily a positive sign. The improvement board reports stated that the Service did not want to engender a defensive culture.

A Member stated that he would have preferred the report to set out the number of complaints received within the context of the Council's interaction with the public and would have preferred more qualitative analysis of whether the Council was doing enough in this area. The officer gave the example of the School Admission Service, which had extensive dealings and contact with the public but generally only received about 5 complaints each year. The Member stated that this data should be used as a guide when evaluating other, more critical service areas to ensure resources were correctly targeted.

The Portfolio Holder for Children, Schools and Families emphasised the importance of investigations revealing why complaints had been received, then identifying areas of improving services and staff training. He added that some complaints relating to schools may relate a child not being offered a place at a preferred school, which was essentially a policy issue and could only be resolved through the school expansion programme.

A Member stated that in his view complaints performed two functions: they were a learning tool for an organisation and a diagnostic tool for the good functioning of an organisation. He stated that the latter had not been sufficiently covered in the report and would like to see such information included in the future.

The Portfolio Holder for Children, Schools and Families stated that recent evaluation of complaints had triggered a further evaluation of the underlying causes of complaints, the procedures and processes related and action required to rectify the situation. This would ensure openness and transparency.

The officer concluded by stating that the report highlighted that the performance of the Children and Families directorate was good, however, safeguarding was a target area for improvement. However, it was important to emphasise that most of the complaints related to customer service type issues such as delays in service provision or lack of adequate communication rather than more serious risks related to Safeguarding decisions for example.

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

## 96. Adults Services Complaints Annual Report (Social Care only) 2011/12

The Sub-Committee received a report of the Corporate Director, Children and Families, which set out the statutory Adults Services complaints annual report for social care, 2011/12.

An officer made the following points:

- whereas previous evaluation of learning disability (LD) complaints had been critical of LD practice, there were very few complaints in this area in 2011/12;
- the Reablement and Personalisation Service had a healthy level of stage 1 complaints with few escalations;
- there had been a noticeable increase in policy/financial complaints, although, there were no adverse Ombudsman findings in relation to this;
- all 5 of the Safeguarding, Mental Health & Residential Services stage 2 and 3 complaints, which were upheld, indicated that errors had not been correctly identified at stage 1. Further analysis of these complaints had revealed that the Safeguarding decisions had been sound but difficulties arose from how they had been handled;
- the Adults Service was well managed but needing to make difficult decisions given the current economic climate;
- eligibility for residential places and adaptations was now strictly managed;
- Commissioning, which was a key area, had only received 3 escalated complaints in the past 3 years;
- many other local authorities did not audit their complaints or engage in meaningful learning from this process. The Council performed well in this area in comparison to other London Boroughs.

A Member asked whether the Councillor/MP complaints received were from a variety of Members or from the same Councillors/MPs. The officer advised that these were cross-party and submitted by a number of different Councillors/MPs.

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

## 97. Termination of Meeting

In accordance with the provisions of Committee Procedure Rule 14.2 (Part 4B) of the Constitution.

**RESOLVED:** At 9.59 pm to continue until 10.05 pm.

(Note: The meeting, having commenced at 7.30 pm, closed at 10.05 pm).

(Signed) COUNCILLOR SUE ANDERSON  
Chairman

## APPENDIX A

### PROPOSED REVISED TERMS OF REFERENCE

#### PERFORMANCE & FINANCE SUB-COMMITTEE

The Performance and Finance Sub-Committee has the following powers and duties:

1. To be the key driver of the scrutiny function's work programme and the body responsible for monitoring the performance of the council and partners in relation to their stated priorities;

2. To consider/monitor, on an exception basis, the financial and service performance of the organisation;

3. To consider/monitor the performance of the council's partners;

**Deleted:** the Local Area Agreement

4. To undertake specific investigation of identified 'hot spots' through Q&A, reports or challenge panels – subject to endorsement by the Overview and Scrutiny Committee;

5. To refer 'hot spots' to the Overview and Scrutiny Committee for more detailed investigation where necessary;

**Deleted:** &

6. To consider such urgent items as are appropriate – ad hoc, Councillor Calls for Action, area scrutiny.