

REPORT FOR: **CABINET**

Date of Meeting:	23 April 2015
Subject:	Response to Scrutiny Challenge panel report 'The Funding Challenge. Saving £75m from the Council's Budget'
Key Decision:	No
Responsible Officer:	Simon George, Director of Finance and Assurance
Portfolio Holder:	Councillor Sachin Shah, Portfolio Holder for Finance and Major Contracts
Exempt:	No
Decision subject to Call-in:	No, as the recommendation is for noting only
Wards affected:	All
Enclosures:	None

Section 1 – Summary and Recommendations

This report sets provides members with officer feedback in response to the Scrutiny Challenge panel report 'The Funding Challenge. Saving £75m from the Council's Budget'.

Recommendations:

Cabinet is requested to Note the response to recommendations of the Scrutiny Challenge Panel.

Section 2 – Report

Background

1.0 The Budget Challenge Panel, which took place on the 14th January 2015, drew upon the evidence and experience of other boroughs that have adopted outcomes-based budgeting.

2.0 The challenge panel “supports the ideas of reform in the budget-setting process, particularly moving to an Outcome Based Budgeting approach, with zero-based budgeting elements. This allocates funds according to a set of pre-defined outcomes and priorities, focussing on what impact the wide variety of services run by a Council has on outcomes.”

Response to Scrutiny Panel’s Report

Summary of Recommendations

- 1. Harrow Council to set a budget covering at least three years from 2016/17, to provide a greater degree of certainty and ensure that all budget decisions are aligned to a medium-to-long term strategic vision. Changes will need to be made on an annual basis, but these should be amendments to a complete three year plan, rather than a significant development upon loosely defined or partial plans.**

Response

Agreed. This will be the basis of the budget process that culminates in Council Tax setting in February 2016.

- 2. Harrow Council to establish clear criteria or principles for budget decision-making for future budget-setting processes and communicate these clearly and widely within the Council and to the public.**

Response

Agreed. The budget is intended to deliver the Council's Corporate plan within the resources available. A set of principles for how the budget is constructed to achieve this will be issued to officers during the budget setting process. This will form the basis of any “Take Part” style consultation that takes place.

- 3. Harrow Council to give much greater emphasis to understanding and improving how Council money is spent, rather than dedicating most of the available time and energy to deciding what the Council will not spend money on in the future.**

Response

Agreed. More time should be spent on what the council spends rather than savings that need to be delivered. However it is important to reflect on the Council's statutory requirement to set a balanced budget.

- 4. Harrow Council to move away from a directorate-based budgeting process to an outcomes-based one that:**
- a. Is meaningful to residents, rather than based on the Council's internal structure.**
 - b. Is based on residents' needs.**
 - a. 100% outcomes-based by 2019/20 or earlier.**
 - b. Draws on 'zero-based budgeting' elements: where new ideas are developed from the ground up, rather than incrementally developing upon past ideas.**

Response

Agreed. However this will take time to implement and will be fully implemented, as suggested, by 2019/2020

- 5. Harrow Council to draft a proposal for a gradual transition to an Outcomes-Based Budgeting approach, for consideration by Overview and Scrutiny prior to finalisation and implementation.**

Response

Agreed. As per 4

- 6. Harrow Council to give careful consideration to getting the following right when planning and implementing an outcomes-based budget approach:**
- a. Communication, culture change and change management: Avoid confusion and uncertainty by planning in advance and dedicating sufficient resource to programme management; recognise that some members of staff may feel threatened and behave defensively and plan a response to this.**
 - b. Leadership: Ensure that Members and everyone at Senior Management level have a common vision and are fully engaged in the**

design and delivery of an approach. Choose individual outcome leads on their leadership ability not their service knowledge.

- c. Contingency Plan: In recognition that a changing approach is experimental and involves some risk. This may include setting key milestones and review points at which contingencies trigger.**

Response

Agreed

- 7. Harrow Council to give consideration to whether additional resourcing is needed to support the budgeting process in light of the above recommendations and any other considerations.**

Response

Agreed.

- 8. In determining how best to deliver priority outcomes, Harrow Council should consider the totality of public spend in Harrow and work collaboratively with public sector partners to deliver shared objectives as effectively as possible. Use of the Greater Manchester Cost Benefit Analysis Tool (see below) should be investigated with partners, to see if this can be used as a Common Approach.**

Response

Partially agreed. While we recognise the importance of looking at the total public sector spend in Harrow, any final decisions about the budget must be in the financial interests of the council.

- 9. Harrow Council to equip all Members with the skills and knowledge needed to improve Harrow's journey towards outcome based budgeting. For instance by increasing awareness of which services are statutory, what this means and how much scope there is for altering the nature and scale of these services. The reason for this is because simply labelling something "statutory" doesn't inform about what it means for services in terms of outcomes, quantity or quality, or other features of a service.**

Response

Agreed. Training can be delivered in this area.

- 10. Harrow Council to write to the Government, welcoming the 2014 Autumn Statement commitment to giving local authorities indicative multiyear budgets as soon as possible after the next Spending Review, and lobby all relevant parliamentary political parties to deliver this if they are in Government after the General Election.**

Response

Partially agreed – a letter will be sent to the current Government and as part of the Fairer Grant for Harrow campaign, once a new Government is in place following the General Election, a letter will be written to the Government.

11. Harrow Council to consider how resources can be freed up to resource early intervention and prevention services.

Response

Agreed. The current budget process already supports "Invest to save" proposals. Any large scale early revenue investment may well increase savings required elsewhere in the early years of the MTFS.

12. Harrow Council to further develop evidenced-based decision-making, to make sure that resources are used as effectively as possible to deliver public value. In particular, it is recommended that Harrow Council pilots the use of the Greater Manchester 'Cost Benefit Analysis' Tool as a method to help us understand the costs and benefits of early intervention and prevention, and build evidence for pooling budgets with partners where benefits are derived by more than one public sector body. This could be for any or all of the following:

- a. To evaluate a core service with strong preventative elements.
- b. To evaluate a service with preventative elements that is at risk of being cut – to help the Council decide whether it should or shouldn't be cut.
- c. To help us estimate the costs and benefits of a new service delivery model that the Council might invest in, to help the Council decide whether it should do so.

Response

Partially agreed. The Council will continue to explore all options for early intervention and budget pooling where they deliver financial benefits to the Council.

13. Harrow Council to adopt a consultation approach that focusses on public engagement in determining priority outcomes – linking outcomes to service options to some extent, in order to ensure that it is meaningful to the public.

Response

Agreed. Consultation and resident engagement are an essential part of the process of setting the Council's MTFS.

14. Harrow Council to investigate and evaluate options for budget-simulation consultation tools, in which respondents select from cuts and spending options to form a balanced budget, such as that developed by the London Borough of Redbridge. These might need to be adapted to align with an outcomes-based budgeting approach, rather than an incremental based budgeting approach.

Response

Agreed. This will be considered

15. Harrow Council should at the very least, ensure that consultations encourage meaningful choices and encourage people to think about trade-offs in their responses. This may or may not be through the mechanism described in recommendation 14.

Response

As per 13 & 14

16. Harrow Council to investigate and feedback on how local businesses should be positively engaged in future budget-setting and consultation processes, including ideas for how they can contribute to the achievement of Harrow's vision and objectives.

Response

There is a statutory requirement to consult the business community on the budget already. This does not currently generate any significant response or interest. Officers will work with members to try and devise a new way of discharging this responsibility that gains more traction with the business community.

17. Harrow Council to investigate the remaining concerns of the Voluntary & Community Sector Reps raised when giving evidence to this Challenge Panel (see appendix 2), report its conclusions to Overview & Scrutiny Committee and outline what it intends to do differently in the future as a result.

Response

Agreed.

18. Scrutiny to increase its 'pre-decision' Scrutiny (on topics to be decided by Overview and Scrutiny Members). Council officers to notify Scrutiny of forthcoming 'key decisions' at least 6 months in advance to facilitate this, allowing Scrutiny to input at an early stage of policy, strategy and proposal development.

Response

Agreed: Pre-decision scrutiny can be an extremely valuable tool that leads to better quality outcomes for residents. Members and officers would need to explore how the "six month" rule would work in practice and only apply it where appropriate.

LEGAL IMPLICATIONS

1.57 It is a legal requirement for councils to set a balanced budget every year.

FINANCIAL IMPLICATIONS

1.60 Financial Implications are integral to this report.

1.61 A number of the recommendations would require additional investment to deliver.

PERFORMANCE IMPLICATIONS

1.62 None.

EQUALITIES IMPLICATIONS / PUBLIC SECTOR EQUALITY DUTY

1.63 Detailed EQIAs are completed as part of the budget setting process. The outcome of the changes proposed by scrutiny will be subject to this rigour.

RISK MANAGEMENT IMPLICATIONS

1.66 As part of the budget process the detailed budget risk register is been reviewed and updated. This helps to test the robustness of the budget and support the reserves policy.

COUNCIL PRIORITIES

1.68 The annual budget setting process supports delivery of the Council's vision, the administrations priorities and is consistent with the Corporate Plan.

Section 3 - Statutory Officer Clearance

Name: Simon George

Chief Financial Officer

Date: 13 April 2015

Name: Sarah Wilson

on behalf of the
Monitoring Officer

Date: 10 April 2015

Ward Councillors notified:

**NO, as it impacts on all
Wards**

EqIA carried out:

No

*[Any recommendations that
come out of the revised
budget process would be
subject to full EQIAs]*

Section 4 - Contact Details and Background Papers

Contact: Simon George, Director of Finance and Assurance

Background papers: Scrutiny Report

<http://modern.gov:8080/documents/s127687/Ref%20from%20OS%20Cttee%20-%20Revenue%20Challenge%20Panel.pdf>

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

*[Call-in does not apply, as the
recommendation is for noting only]*