

CABINET – 18 FEBRUARY 2016

REFERENCE FROM OVERVIEW AND SCRUTINY COMMITTEE (SPECIAL) – 26 JANUARY 2016

QUESTION AND ANSWER SESSION WITH THE LEADER OF THE COUNCIL AND CHIEF EXECUTIVE ON THE BUDGET 2016/17

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

The Leader of the Council gave an introduction and explained that for the first time the Council had set a 3 year budget. This had been a difficult process as the Council had to find savings of approximately £31 million over the next 12 months and identify a further £52 million of savings for the further years. It was expected that by the end of the three years the Council would have made a 59% reduction in the amount it spent on its controllable budget.

There were also other considerable challenges facing the Council which were adding further pressure on its resources. This included a rise in homelessness and changes to children's social care which had incurred further expense for the Council.

The Leader reported that despite the financial pressures, there were a number of positive things to highlight. Firstly the Council were working differently by embracing shared services and working more collaboratively both locally and regionally. As part of the Commercialisation Strategy adopted by the Council, it was expected that this would generate £15 million for it. The income generated by the Council would go towards building a better Harrow.

The Chief Executive also addressed the Committee and reported that in addition to the reductions in RSG facing the Council it was also important to note that Harrow had an ageing population with residents living longer but with more complex needs – more children coming into care and a significant increase in Homelessness all adding to the Council's costs. The Local Government financial settlement had been tough especially in the first year 2016/17 and it was believed that outer London boroughs such as Harrow had seen a bigger impact than inner London Boroughs. The 135 proposals contained within the budget had been developed through a robust commissioning panel process. The regeneration and commercialisation agendas would be key priorities and opportunities for the Council moving forward.

Members asked a series of questions to the Leader and Chief Executive and received responses as follows:

There is concern that wages which are related to regeneration projects are being capitalised. Officers have confirmed that this issue has not been included on the Council's risk register and there are concerns that if regeneration projects go ahead these wages will have to be paid out of the Council's general account.

The Leader responded that there were regulations that were required to be adhered to on whether the wages could be capitalised or not. Ultimately this would be

determined by accounting professionals. The specific figures relating to these relevant wages would be circulated to members of the Committee separately.

The Chief Executive commented that it was not unusual to capitalise wages against Regeneration Projects and the relevant regulations would be adhered to. This was an area that the Council's external auditor inspected on a yearly basis and they would need to be satisfied on this aspect. If regeneration projects did not come to fruition and the wages had to be decapitalised there was a Business Risk Reserve Fund which the Council could use to deal with any costs incurred.

How are the Council engaging residents on its Regeneration proposals?

The Leader responded that the Council had introduced a Residents Regeneration Panel. The panel had already met 2 or 3 times and had generated good discussions on general issues relating to place shaping.

The residents who were part of the panel represented various parts of the borough. Feedback received from these members of the Panel was that the Panel was well received and allowed for other localised consultation to also take place.

The Council has secured funding for the regeneration of Wealdstone. What specific projects will take place?

The Leader responded that the Council would always bid for any opportunity where it could secure external funding for projects unless it was not in the borough's interests. Money was being spent on creating a housing zone, helping business start-up in Wealdstone and further investment in public realm. It was important to recognise that Wealdstone was one of the most deprived areas in Harrow and required investment.

Given the reduction in the number of Overview and Scrutiny Meetings and given that no non-executive Councillors can speak at Cabinet meetings, how do you envisage that the current administration will be scrutinised? Are there any proposals to reduce the number of Members on Cabinet?

The Leader responded that due to the financial pressures facing the Council, all options had been explored which had included reducing the number of formal Committee meetings. There were other democratic processes that Councillors could use to scrutinise the Cabinet and meetings such as these were very productive in allowing issues to be raised directly with the Leader.

If there were ideas and suggestions on how things could be done differently, these would be considered.

The Leader also commented that the number of Members on Cabinet was an issue that only he could solely determine in accordance with the relevant legislation, and he would always consult with his political group. It was important to recognise that were there key pressures and key projects taking place within the Council, it was important to ensure that there was a Portfolio Holder responsible to provide political direction if required.

What actions were the Council taking to prevent fly tipping and cleanliness in the borough?

The Leader responded that the administration had pledged to introduce on the spot fines which had been successfully implemented. There were also more frequent litter pick-ups. Other social issues had also been addressed such as making Landlords and tenants more responsible of their relevant properties and surrounding areas.

The Leader has announced that the Council had proposed a 3 year budget. What are the distinctions from last year's budget to the one currently proposed?

The Leader responded by stating that this was a 3 year budget. The figures to be achieved for the next financial year were more certain. In a 3 year budget there could never be any certainty as to whether a proposal in the last year would definitely proceed as various local and national issues could change impacting on the decision to be made. However the proposals listed in the draft budget were based on careful consideration, officer input, and the direction and projections which it was believed were best for the Council. A 3 year budget provided officers with clarity on the political direction and a direction of travel.

There were some business cases for some of the larger projects and some had been done externally and had provided approximate figures for financial savings.

The Chief Executive clarified that any proposals developed for the next financial year were always more certain compared to the following 2 years. Further business cases could develop later on and circumstances could change. It was better to describe any savings identified in Year 2 or 3 as proposals which could change, develop or evolve.

The average price of purchasing a house in Harrow is now £500k. How can nurses, social workers etc. afford to live in Harrow and what progress is being made on building more affordable homes in Harrow?

The issue of the current average house prices was a problem across London and not just unique to Harrow. One of the ways to try and address this issue was to intervene in the property market and build more houses. The Regeneration project for Harrow would generate thousands of new homes.

What was the cost to the Council of the increasing impact of the increase of homelessness in the borough?

The Leader reported that the current forecast predicted that the cost to the Council would be in the region of £4 million. There were a number of issues contributing to the costs which included the current cost of living, the Council's low housing stock and the use of Bed and Breakfast accommodation. These reasons explained why the Council were very keen to build more affordable homes.

The Chief Executive reported that at the start of this financial year there were 153 homeless people in Harrow and at the end of the financial year it is predicted there will be 312 homeless people. The figure would have doubled. This was placing a huge burden on the Council's finances and it was difficult to predict at this stage when the homelessness figures would stop increasing.

Additionally the Council were trying to use temporary accommodation as best as it could, trying to build new homes and utilise every bit of land available. Interestingly it had been demonstrated that the costs associated with preventing homelessness by getting residents into work were much less than the resultant bed and breakfast cost if the family became homeless. This was an area that the Council would be focusing on.

Will the Council be taking up the 2% social care precept offered by the Chancellor of the Exchequer last year? The Portfolio Holder for Finance and Major Contracts has confirmed that the Council will be and if so it must be published for consultation.

The Leader responded that no decision had been reached on this and any details would be published when the final budget was proposed. Information on this would then be circulated. The Leader commented that this offer was a budget cost shunt onto Local Government. Councils nationally had been trying to persuade the Government that the financial resources provide for social care was not adequate

What progress has been made in securing a fairer grant for Harrow from Central Government?

Firstly, as had been alluded to previously, the Council were pursuing any external funding available provided it was in the borough's best interests. Secondly the Council were looking to build up better relationships with Central Government and the Greater London Authority. The Council had been proactively demonstrating to them that it had an excellent track record in delivering projects and wanted to further work collaboratively. This approach had been well received by Central Government.

The Chief Executive reported that both the Leader and he had met the Local Government Minister to provide further information on Harrow's case for a fairer grant. In terms of funding Harrow was ranked 26th out of 32 London boroughs and 105th out of 120 authorities nationally. At this meeting they also discussed how Outer London boroughs were worse off comparatively than Inner London boroughs and the impact to the Council of changes to Business Rates collection. The discussions were constructive and the Minister had been impressed with the Council's house building proposals and asked to hear more at subsequent meeting

What are the Leader's thoughts on the Voluntary Sector review that is currently taking place? There has been a lack of information provided to the voluntary sector on the scope of the review and which members are involved on it. It is important to recognise that the Voluntary Sector provides valuable services to residents and if they cease operating the Council will have to run services themselves, sometimes at a higher cost to it.

The Leader responded by stating that he fundamentally disagreed with the question asked. A large part of the budget for the voluntary sector had been protected under the draft budget proposals. Various representatives from the voluntary sector had attended meetings of the review and had commented on how positive it had been. The review had terms of reference and member and officer input. Information would be circulated separately on the voluntary sector organisations that had sent representatives to review meetings.

Has fixed penalty notices in relation to littering been successful and effective and what level of reduction in littering has been seen as a result?

There had been a noticeable improvement in the levels of littering in the Town Centre and across the borough. In addition to this park user groups had been taking more responsibility in dealing with littering in parks. The Council were looking to roll this out to other user groups.

What does the Leader consider the current Inflation Rate to be? In the Labour Group Manifesto they have pledged not to increase Council Tax above the rate of inflation.

The Leader responded by stating that when the Manifesto was produced it was difficult to foresee future events which may have impacted upon the administration's political decisions. However Local Government generally was in an unprecedented era and the Council were providing value for money for the services that it provided.

The Independent Healthcare Commission has reported its findings on healthcare services in North West London. What are the Leader's thoughts on this?

The Leader responded by stating that the report had made damaging findings which included a lack of planning, poor consultation in London and poor value for money to name a few. The report had been prepared by Michael Mansfield QC who was well respected and Harrow along with other authorities had written to the Secretary of State for the Shaping a Healthier Future Programme to be halted.

The cap on care which was introduced by the Care Act has now been pushed back to 2020. However authorities have asked that the Government continues to provide the implementation funding for it to be put into social care. Has any response been received by the Council?

The Leader responded by stating that no response had yet been received. There had been an inadequate amount of funding provided by central government on adult social care. This applied not only to the Council but also to the Clinical Commissioning Groups. This lack of funding had big impacts for residents.

The Chief Executive commented that nationally the ageing population and adult social care cost added £700 million worth of cost to Local Government every year. Better joined up working was required in providing health and social care to achieve the best outcomes for residents. It was preferred that individuals had a single budget relating to their needs. This would ensure that individuals get better care and better value for money.

A previous Challenge Panel has proposed radical reforms in relation to the budget setting process by introducing outcome based budgeting. These reforms have been endorsed by the Chair of the Challenge Panel and the Portfolio Holder for Finance and Major Projects. To what extent has this been taken into consideration when preparing the current draft budget?

The Leader responded by stating that all proposals in the draft budget produced outcomes. The draft budget had a number of proposals contained within it which delivered positive outcomes including supporting vulnerable people. He was

confident that the Chair of the Challenge Panel would be happy with the proposals contained within the draft budget.

Given the impacts of funding cuts across the Council, could an update be provided on the progress of the commercialisation strategy? Was HB Public Law looking to share services with any other authorities?

The Commercialisation Strategy was progressing well. Recently the Council had been interacting with global companies on introducing an e-purse system for residents. This would be a major project and deliver enormous benefits to residents.

The Chief Executive commented that Commercialisation was a big opportunity for the Council and would provide new income streams to the Council. £15 million had already been identified in income opportunities. It would also provide a more positive agenda for staff within the Council.

The Chief Executive also reported that HB Public Law was looking to expand and operate legal services for some other authorities. Negotiations were still on-going. HB Public Law's expansion allowed it to provide a greater range of services and more resilience within the department.

How are the Council dealing with the reduction in the projected amounts of business rates received by the Council, particularly in light of the regeneration programme and termination of the Review Support Grant?

The Leader responded by stating that It was fair to say that Harrow did not have big business parks, lots of space or a capacity to offer lots of office space in comparison to other London authorities. This was an on-going challenge and was part of the reasons why representations had been made for a fairer settlement grant from Central Government for Harrow.

The Chief Executive reported that the Regeneration programme was a big opportunity for the Council to attract businesses to operate within the borough thereby creating extra income through business rates for the Council and also increasing employment opportunities within the borough.

The Government has reduced rents by 1% under the Housing Revenue Account (HRA). What concerns were there regarding the vitality of the HRA over its lifetime? The draft budget indicated that the Council was not doing enough to attract businesses from operating in the borough. How robust was the budgeting and contingency process?

The Leader responded by stating that there would be implications for the borough. It was important that the Council spoke to Central Government to make its position clear.

The Chief Executive commented that the HRA undertook additional borrowing to build new homes and conduct pro-active repairs to the Housing stock. This approach had been supported by tenants. The changes to rent levels had now meant that the building of new homes that were much needed and pro-active repairs could not take place as initially envisaged. The HRA was now required to look at progressing

schemes in a different way and the Council would be making representations to Central Government on the implications.

What actions were the Council taking to protect the safeguarding of vulnerable children? Had anyone been prosecuted for performing Female Genital Mutilation (FGM) in Harrow

The Council always placed families at the heart of what it did. The Council had done a lot of work in preventing any type of grooming activity and had employed an officer to deal with FGM.

The Council did a lot of awareness campaigns. The Council had only recently achieved a prosecution in relation to child sexual exploitation.

The Chair thanked the Leader of the Council and Chief Executive for their attendance and responding to the questions raised.

RESOLVED: That the Committee's comments be forwarded to Cabinet for consideration.

FOR CONSIDERATION

Background Documents:

Minutes of the Overview and Scrutiny Committee (Special) – 26 January 2016

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