

LONDON BOROUGH OF HARROW**CABINET - 16 FEBRUARY
2017****MINUTE FROM HEALTH AND WELLBEING BOARD – 12
JANUARY 2017****190. INFORMATION REPORT - Draft Revenue Budget 2017/18 & Medium
Term Financial Statement 2017/18 - 2019/20**

The Board received a report which detailed Harrow Council's Draft Revenue Budget 2017/18 and Medium Term Financial Strategy 2017/18 to 2019/20, as reported to the Council's Cabinet on 8 December 2016. It was noted that the budget and MTFs would return to Cabinet in February 2017 for final approval and recommendation to Council.

An officer introduced the report and updated the position including the receipt of the local government settlement. A 3% social care precept, up from the previous limit of 2% was now authorised and the option to include 3 years at 3% was available. It was reported that the 3% would make a difference in Harrow as the 2% had already been used. The Adult Social Care support grant used new homes bonus monies so the net impact was negative.

A CCG representative referred to the consultation regarding the smoking cessation programme, as an example of an area where the CCG was unable to reinstate budget reductions made by the local authority.

In response to a question, the Director of Public Health provided further detail on the draft 2017/18 Public Health budget and stated that priority had been given to statutory services and substance misuse.

The Director of Adult Social Services responded to a question on funding of the first sector and it was noted that the feedback on the budget proposals by voluntary groups would be reported to the February Cabinet meeting.

RESOLVED: That the report be noted.

Background
documents:

Minutes of the Health and Wellbeing Board – 12 January 2017

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HARROW BUSINESS CONSULTATIVE PANEL MINUTES

23 JANUARY 2017

Chair: * Councillor Aneka Shah-Levy

Councillors: * Ajay Maru * Bharat Thakker
* Pritesh Patel (1)

* Denotes Member present

(1) Denotes category of Reserve Members

14. Attendance by Reserve Members

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

Ordinary Member

Reserve Member

Councillor Kam Chana

Councillor Pritesh Patel

15. Declarations of Interest

RESOLVED: To note that the following interests were declared:

Agenda Items 8&9 – Information Report: Draft Revenue Budget 2017/18 and Medium Term Financial Strategy 2017/18 to 2019/20 & Information Report: Draft Capital Programme 2017/18 to 2019/20

Councillor Ajay Maru declared a non-pecuniary interest in that he owned a business in Harrow. He would remain in the room whilst the matters were considered.

Councillor Pritesh Patel declared a non-pecuniary interest in that he was Director of a local non-profit organisation. He would remain in the room whilst the matters were considered.

16. Appointment of Vice-Chair

RESOLVED: To appoint Councillor Ajay Maru as Vice-Chair of the Harrow Business Consultative Panel for the 2016/2017 Municipal Year.

17. Minutes

RESOLVED: That the minutes of the meeting held on 26 January 2016 be taken as read and signed as a correct record.

18. Public Questions, Petitions & Deputations

RESOLVED: To note that none were received.

RESOLVED ITEMS

19. Information Report: Draft Revenue Budget 2017/18 and Medium Term Financial Strategy 2017/18 to 2019/20 & Information Report: Draft Capital Programme 2017/18 to 2019/20

Members received two reports of the Director of Finance which set out the Council's proposals Draft Revenue Budget 2017/18 And Medium Term Financial Strategy 2017/18 To 2019/20 and the Draft Capital Programme 2017/18-2019/20 For Consultation.

The Chair welcomed a local business representative to the meeting. She explained that the Council had a statutory duty to consult the business community before setting the Budget and Council Tax for the forthcoming year.

Following comments and questions from Members, officers advised that:

- the draft Business Rates list has been issued at the end of 2016 and local businesses would have been informed of their new rateable values. The final list will be issued on 1 April 2017 but business rates bills will be sent out in early March 2017 based on the draft list. Whilst rateable values have generally gone up in

London and in Harrow too, the amount of additional business rates payable will be capped under the transitional relief scheme;

- 98% of business rates are collected annually, 30% of which (approximately £14.5m) is retained by Harrow Council as part of its budgeted income. The Council's gross budget for 2016/17 amounted to £560m, a significant proportion of which was ring-fenced to meet the Council's statutory responsibilities in the areas of public health, housing benefit, schools etc. The Council's net controllable budget, the element that the Council had control over and where the savings would need to be found, amounted to £165m in 2017/18;
- The Government was consulting on proposals where Council's would retain 100% of business rate revenues by 2020 in order to enable them to fund local services;
- the number of Business ratepayers in Harrow has been declining steadily over a number of years. This had in part been due to permitted development rights under planning law which allowed office space to be converted to domestic use, resulting in a loss of jobs and business rates. This loss of income was in part offset by an increase in council tax revenue due to more domestic properties being built;
- consultation was ongoing regarding the specifics for future 100% rates retention, including the mechanism for top-up and tariff and the 'level of need' assessment process.

RESOLVED: That the reports be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 8.12 pm).

(Signed) COUNCILLOR ANEKA SHAH-LEVY
Chair

LONDON BOROUGH OF HARROW**CABINET – 16 FEBRUARY 2017****REFERENCE FROM OVERVIEW AND SCRUTINY COMMITTEE (SPECIAL) –
1 FEBRUARY 2017****QUESTION AND ANSWER SESSION WITH THE LEADER OF THE COUNCIL
AND CHIEF EXECUTIVE ON THE BUDGET 2017/18****197. QUESTION AND ANSWER SESSION WITH THE LEADER OF THE COUNCIL AND
THE CHIEF EXECUTIVE ON THE BUDGET 2017/18**

The Chair welcomed the Leader of the Council, the Portfolio Holder for Finance and Commercialisation, the Chief Executive and the Director of Finance to the meeting.

The Leader of the Council gave an introduction and explained that, in the seventh year of austerity and significant cuts to local government funding, it was now extremely difficult to secure yet more savings and achieve a balanced budget, particularly as the pressures in areas of service such as adult and children's social care were so severe and increasing. He confirmed that the Council's priority continued to be to protect the most vulnerable in the community.

The Chief Executive underlined the severity of the budget pressures. He also made reference to the current Ofsted inspection of children's care services and to the findings of the LGA Peer Review. He looked forward to the Overview and Scrutiny Committee's assistance in addressing the key challenges facing the Cabinet.

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

Had the Leader instructed officers not to brief Opposition councillors on budget issues?

The Leader replied that this was not the case.

The Constitution required Members to be given regular up-to-date briefings and yet some Members had not been briefed on key projects, such as Phoenix and Infinity – was it not the duty of officers to brief all leading Members, not simply those of the Administration, on such issues?

The Chief Executive advised that it was his understanding that all shadow Portfolio Holders were regularly briefed and he was aware that other senior staff also briefed these Members on aspects of their services. He accepted that, in relation to the Phoenix project, historically he had understood it had been necessary to be careful about the dissemination of some information due to commercial reasons, but had stressed to all Corporate Directors that Members should be briefed on all key projects. The Leader stated that he wished to improve the relationship between the Administration and the Opposition, and he gave the example of recent discussions about the Council agenda; however, he considered that these efforts were undermined by repeated criticisms and complaints about the Administration, and by approaches such as submitting more than 100 questions to a single Council meeting.

What elements of the Transformation Programme were to be funded by capital receipts?

The Portfolio Holder for Finance and Commercialisation explained that the Council were required to report the use of capital funds to the Government and the external auditors. There were a number of different applications of this funding across the Transformation Programme and these were all contained in the capital allowance provision agreed for these purposes.

The ability of Members to scrutinise services and budgets properly had been affected by the reduction of dedicated scrutiny resources, the reduction in the number of Overview and Scrutiny Committee meetings, the most senior staff (Corporate Director) rarely attending those meetings and by inaccuracies and omissions in the Forward Plan of Key Decisions. The opportunity for non-executive councillors to address the Cabinet meetings was regarded as limited, and the example was given of the Performance and Finance Scrutiny Sub-Committee being expected to carry out quarterly monitoring when the frequency of meetings had been reduced to three per year. Was the Administration prepared to give Overview and Scrutiny greater scope to scrutinise?

The Chief Executive apologised if the arrangements had not been as some Members had wished and he was keen to discuss ways in which these could be improved. He was clear that the Overview and Scrutiny function had an important part to play in supporting the work of the Council and was a key accountability measure in the local democratic process. However, he personally considered that it would be more effective if the focus moved away from “policing” decisions within the organisation and more towards policy development and engaging with residents. He pointed to the big issues across other public services in which Overview and Scrutiny could play a more active role, for example, the STP reviews in the health service. The Chief Executive offered to meet with the Chair and Vice-Chair of the Overview and Scrutiny Committee to discuss this further. In the context of the LGA Peer Review, the Chief Executive had also enlisted the support of the Centre for Public Scrutiny in advising on improvements and this would provide a further opportunity to consider some of the concerns raised in the question. The Leader emphasised the political will in the Administration to make Overview and Scrutiny more effective, but he doubted whether it would be wise to change the arrangements at Cabinet meetings where he had been prepared to go beyond the usual 15 minutes allowed for questions, but did not agree that this should be extended to unreasonable levels. He considered that it would be better to find other mechanisms and practices to enhance Overview and Scrutiny, as suggested by the Chief Executive, and he proposed involvement in the Council’s plans to address inequalities.

It appeared that officers had been aware of the pressures on the children’s services budgets which were likely to cause an overspend, but this had not been clearly addressed in reports to Members. The Portfolio Holder for Children, Schools and Young People had indicated as late as November that the budget could be brought into balance even though the overspend profile had been clear after Quarter 1.

The Leader explained that efforts were always made to try to keep spend within budget and the Portfolio Holder had made her statements in good faith in the hope that the position would improve. The Portfolio Holder for Finance and Commercialisation added that measures were taken early in the financial year to address the pressures, including pushing for improved efficiencies, but it had not proved possible to restrain the spend sufficiently given the underlying demand. The Chief Executive highlighted the impact of

high-cost families entering the Borough in recent months which had impacted on the budget and outlined some of the measures used to moderate costs including careful reviews of placements and avoidance of the use of agency staff.

Would children's services be offered the resources they had indicated were needed when the Administration's budget proposals were presented and would monthly budget monitoring figures be provided to Members on the Performance and Finance Scrutiny Sub-Committee so that they could carry out their scrutiny role more effectively?

The Leader stated that children's services would be offered the resources they had indicated were needed, but he cautioned that even so, the budget position could well be affected by unpredictable increases in demand. The Portfolio Holder for Finance and Commercialisation added the Council also had to be aware of the risk of distorting the balance of the budget, making too severe reductions in some parts in the budget in order to fund priority areas and then finding that underspends occurred; the key would be careful monitoring and management as the year progressed. With regard to monthly reporting, he cautioned that this could lead to misunderstandings since virements and adjustments might be made to address budget issues along the way, and also once information was in the public domain, the Council would have to devote more resources to the explanation of those figures to Members and others.

How was the Council addressing the problem of domestic violence and were these efforts having an effect?

The Leader reported that the Council had invested an additional £200,000 immediately following the 2014 election. He referred to the additional investment in adult social care and children's social care (£4.6m and £2.8m respectively), which would provide more scope for social workers to address the needs of vulnerable people. He would be speaking at a conference on domestic violence the following day and would underline the Council's commitment in this area. He would obtain relevant data for Members, but his understanding was that the Council's efforts, including joint work with the Tavistock Clinic, were having a positive effect. The Portfolio Holder for Finance and Commercialisation added that the Council was also trying to prevent the circumstances which often led to family pressures and increased risk to vulnerable people; for example, staff working to prevent homelessness.

How well was the Council doing in delivering on planned savings targets?

The Portfolio Holder for Finance and Commercialisation reported that only 13% had not been achieved and this was in the context of savings becoming increasingly difficult to identify and deliver. The Council was learning the lessons from the "unachieved" category of savings, though some of these were the result of deliberate decisions to withdraw a proposal, such as the Bridge project. As the Council was delivering the vast majority of its planned savings, he considered the major challenge was the response to increasing service demands and reducing central Government funding rather than implementation of the Council's plans.

What was the Council's attitude to multi-year funding from the Government?

The Portfolio Holder for Finance and Commercialisation explained that, while the Government's offer, appeared positive on the surface, acceptance of it for Harrow would

have the consequence of reducing RSG by 93%, down to a level of only £1m. A bid for multi-year funding would have involved submission of an “efficiency plan”, but the Council already had such plans in place. The Leader added that the Council’s response to budget pressures was not just to achieve savings and efficiencies but also to seek to grow income streams as part of the overall mix. He regarded this as the only alternative to more severe cuts to services which he was not prepared to support. The Portfolio Holder for Finance and Commercialisation emphasised that these income-generation initiatives had already achieved about £1.3m and was going to generate even more in future; he considered that this approach had unlocked talent, energy and initiative among staff. He gave the example of the Infinity project with IBM as an innovation which could realise significant benefits.

Would the Council give a guarantee to the users of the Borough’s funded youth services that there would be continued and unreduced support for their work?

The Leader explained that the Council was considering new ways of supporting these services as it was having to achieve efficiencies across all its services. He recognised that this inevitably created concern and uncertainty among both staff and service users and accepted that investigation of new models had taken longer than anticipated. However, as the Council was mid-way through a consultation exercise, he could not yet provide the certainty sought by the question. The Leader undertook to speak to the relevant Portfolio Holder and senior staff and to ensure that a meeting with the Harrow Youth Parliament be held, with information being provided in advance so that a meaningful discussion of proposals could take place.

Would the Council provide a copy of the “efficiency plan” which had been removed as an item on the Forward Plan of Key Decisions?

The Portfolio Holder for Finance and Commercialisation advised that this was effectively the Mid-Term Financial Strategy.

What were the Council’s estimates of the population growth associated with its Regeneration Programme and how was it proposed to match this with appropriate infrastructure improvements? There were already significant demands on public services, eg .the pressures on schools, the traffic network, GP surgeries and Northwick Park A&E Unit, so how did the Council expect to provide sufficient services for a substantial population increase.

The Chief Executive reported that an additional 5,500 dwellings were anticipated. In addition it was expected that 3,000 local jobs would be created with the business of new “incubator” and “move on” business space. The infrastructure impact was being assessed as part of the Infrastructure Delivery Plan with amongst other things, the building of new schools, GP walk in centre, library and a doubling of the size of the bus station, and there were similar measures in place to investigate traffic generation. The CIL money generated would support this.

The Leader underlined that there were existing pressures on health services caused by central Government’s refusal to respond by doing anything other than blame health professionals such as GPs. He considered that the new housing in the Regeneration Programme reflected the Council’s commitment to address the housing crisis in London

as contrasted with the Government's failure to take any decisive action. The Leader confirmed that infrastructure implications were being considered and that there would be access to new funds, such as Community Infrastructure Levy (CiL), for these purposes. He referred to school expansions and the identification of sites for new schools as clear examples of planning for population increase. With regard to transport improvements, he was pleased with the decision of the new Mayor of London to proceed with step-free access works at Harrow-on-the-Hill station and the Council would also continue to support cycling as a transport mode.

Were apprenticeships to be provided as part of the business growth in the Regeneration Programme?

The Chief Executive advised that the proposed procurement contracts would, wherever possible, focus on local employers and apprenticeships were envisaged to be part of this.

The LGA Peer Review had identified a lack of clarity for non-executive councillors about the Regeneration Programme and suggests it is not integrated with the wider "Place" agenda for the Council – what did the Administration propose to do about this?

The Chief Executive reported that the Council was very clear about how the Regeneration Programme related to its vision of Harrow's future development in terms of jobs, housing and community facilities. He pointed out that, while the Peer Review identified certain improvements, it also made positive comments about the Council's vision and ambition in this area.

What was the Council's strategy for addressing the budget risks to the changing treatment of business rates alongside the planned Regeneration Programme developments; in particular, what would be the consequences of the small, "incubator" businesses not contributing to business rate income? How were these issues being reported properly to Members?

The Chief Executive explained that there would be quarterly monitoring reports to the Cabinet on the Regeneration Programme; the financial model was based on empirical evidence from the market eg. rental yields, disposal values, borrowing costs using PWLB etc and possible impact of factors such as the UK's departure from the EU were taken account of (eg the fall in sterling had to date increased import cost). He acknowledged that the timing of the changes to business rates (re March/April 2020) was relevant to the Council's plans, but these were being considered as part of our work and the Council remained confident there would be no adverse financial impact on residents. The Leader also referred to the non-financial benefits of growing small businesses in terms of their contribution to improved equality of opportunity and positive impacts on job satisfaction and mental health.

How would the Council respond to other challenges in the changing arrangements for the Housing Revenue Account and the New Homes Bonus (NHB)? Did the Council have a "Plan B" with regard to the Regeneration Programme?

The Chief Executive acknowledged that the Council had to respond to changes both in Government funding regimes and the markets generally. These were constantly monitored. In terms of the Regeneration Programme short term the cost of borrowing would be capitalised and longer-term projected substantial rental income streams from the

PRS would more than offset long term borrowing costs. Throughout we had taken a prudent approach had been taken in the financial modelling eg using PWLB rates when cheaper borrowing was available. In any event, there were a number of contingency options available to the Council, including postponement of some aspects of the programme, disposal of assets, changing the risk profile so more was undertaken by the developer rather than the Council etc. The Portfolio Holder for Finance and Commercialisation lamented the sudden changes in Government funding regimes which simply increased the Council's difficulties in planning and implementing the budget.

The Council's external auditors considered that the general financial reserves were relatively low; in these circumstances, how did the Council intend to address the risk of not being able to service debt associated with the Regeneration Programme?

The Chief Executive explained the short-term and long-term financing proposals which would involve borrowing costs charged against the assets being constructed being capitalised and longer term rental income estimated to rise to about £11m per annum, a sum which would easily cover debt servicing costs and would create a surplus for the Council. There were also other income streams from NHB and CIL.

Was the "efficiency plan" mentioned by the Portfolio Holder for Finance and Commercialisation different to the Mid-Term Financial Strategy?

The Portfolio Holder for Finance and Commercialisation advised that this was effectively the Mid-Term Financial Strategy.

What were the Council's inflation assumptions?

The Director of Finance reported that pay inflation had been estimated at 1% with more limited figures for supplies and services. The general rise for fees and charges would be 4% with some variations for specific services. The Portfolio Holder for Finance and Commercialisation confirmed that this reflected an element of cost recovery as well as covering inflation.

Why was the Administration not proposing then to restrict the Council tax increase to less than inflation as promised?

The Leader advised that the financial gap created by cuts in Government grant had increased significantly since the publication of the Labour Party's Manifesto. The gap had been estimated at £75m before May 2014, at £83m later in 2014 and was now considerably higher. The Portfolio Holder for Finance and Commercialisation also referred to other changes in Government funding regimes.

Did the Council intend to take up the option of the allowed Council Tax rise for Adult Social Care?

The Portfolio Holder for Finance and Commercialisation confirmed that this was intended.

Was the Council comfortable with IT performance? The error messages on screens intended to display information about meetings at the Civic Centre created a poor impression to visitors and did not reassure Members about the delivery of more complex systems.

The Chief Executive reported that the new service provider had stabilised the position and had displayed a more positive and helpful approach. He met regularly with them to review performance and while there were still a number of issues to resolve, he was comfortable that improvements were being made. He hoped the intention to move to a new Civic Centre would act as a catalyst for further improvements. The problem with the display screens would be addressed.

What were the Council's governance arrangements for IT systems, for example, was there a case for more corporate involvement when certain departmental systems, eg. the planning system, were repeatedly out of action?

The Chief Executive reported that this was being considered at present and it was expected that a report would be forthcoming within three months. There were different models of governance and pros and cons for each of them (re devolved or centralised); he was keen to make an informed decision taking into account the planned changes to the Council and the consequential loss of capacity and resilience. He was clear that, should responsibility remain with departments, then the relevant Corporate Director would have to manage the risks involved in ensuring system availability.

How did the Council explain the treatment of the community "e-purse" in the budget with anticipated income figures appearing unchanged but a year behind previous timings? Would non-executive councillors be briefed about the expected income, in particular on whether the Deputy Leader's estimate of £10m was realistic?

The Portfolio Holder for Finance and Commercialisation explained that following the decision to partner with IBM in the summer of 2016, it had taken time for budgets to be drafted, subjected to consultation and then finalised; the plan was to introduce this new product during 2017. The product was so new that it was very difficult to estimate income reliably, but there was considerable interest in the sector and the Council was pleased to be involved in such an ambitious and promising project. The Chief Executive provided a breakdown of the financial information on commercialisation projects to date. Overall, progress was reasonably good, notwithstanding the delay with the Infinity project. In the case of the latter he had met with IBM and had encouraged them to move more quickly on the project in line with the Council's wishes. With respect to the £10m figure, the Chief Executive was not aware of its basis, but the Council was certainly keen to maximise the potential of its commercialisation projects. He accepted that there was also a need to be realistic and to learn lessons from those schemes which had not achieved their target. The Portfolio Holder for Finance and Commercialisation underlined that such projects necessarily involved financial projections of what might be achieved rather than more concrete estimates.

How was the local government finance settlement likely to affect the Council?

The Portfolio Holder for Finance and Commercialisation confirmed that, following the Council's decision not to take up the multi-year funding option, the principal grant had been unaffected; however, there had been the changes to NHB, cuts in housing funds and a cut to the Education Support Grant. As a result, the amount available had reduced by about £1m compared to the report to Members before the settlement was announced.

What were the Council's priorities for capital investment and were there issues related to delays in capital projects?

The Portfolio Holder for Finance and Commercialisation reported that the priorities focused on health and safety requirements, legal obligations and policy priorities identified by the Administration, such as the Central Harrow Library. There had been some issues of delays in school projects, but a new framework contract was helping to improve performance. Members were invited to raise any specific concerns with officers.

Would the Council Tax increase address the pressures on social care services?

The Leader advised that the pressures were so significant that even additional resources secured through the relaxation of the Council Tax rules, would not be enough to resolve the position fully. He referred to the decision by Surrey County Council to consult residents on a possible 15% increase as a sign of the enormous pressures across the sector.

Was it possible to assess the impact of the longer-term move to funding via business rates?

The Leader advised that it was difficult to anticipate the impact, though the Regeneration Programme proposals gave the Council an opportunity to take advantage of the changes. It was possible that the changes might be trialed in London before formal implementation.

What was considered to be the likely reaction of residents to a Council Tax rise?

The Leader hoped that the Council could get its message across about how the system of local government finance worked, particularly the predominance of funding for social care services in the budget proposals and Council Tax effect. However, he nevertheless considered it was right for the Council to protect vulnerable people even if this entailed some additional burden on Council Tax payers.

What were the Council's plans in relation to the Homelessness Reduction Bill and how was it proposed to assist first-time home buyers and younger households?

The Leader considered that the only effective way to reduce homelessness was to build homes. He reported that London Councils was lobbying the Government about the particular needs in the capital and confirmed that the Council would invest any additional funds provided in paying for the new duties created by the Bill. In terms of support for first-time home buyers and younger households, the Leader was keen that developers be encouraged to meet the affordable housing expectations of the Council (40%); the definition of affordability would be 80% of market rents, but there were also part-buy, part-rent options to be promoted. He referred to TfL land near Harrow-on-the-Hill station which might also be developed for affordable/social housing.

The Chair thanked members of the Committee for their questions and the Leader of the Council, the Portfolio Holder for Finance and Commercialisation, the Chief Executive and the Director of Finance for attending and answering 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) – 1 February 2017

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