

## **HARROW COUNCIL**

### **CABINET – 12 FEBRUARY 2009**

#### **OVERVIEW AND SCRUTINY COMMITTEE MEETING HELD ON 17 DECEMBER 2008**

##### **Question and Answer Session with the Leader of the Council and the Corporate Director of Finance - Comparative Performance Analysis and Budget:**

In accordance with Local Government Act (Access to Information Act) 1985, the item on the budget was admitted late to the agenda to allow Members to ask questions on the budget which was being considered by Cabinet the following day. Reference to this item had inadvertently been omitted from the agenda when it was circulated.

The Committee received a presentation from the Leader of the Council and Portfolio Holder for Strategy, Partnership and Finance. He stated that the Council had adopted an integrated planning framework to ensure that the Corporate Plan and the Medium Term Financial Strategy (MTFS) were developed in tandem. He outlined the Council's priorities for 2009-10, which were:

- Better Streets
- Improve support for vulnerable people
- Build Stronger Communities.

The Leader stated that the number of priorities had been reduced from previous years in order to ensure that they received appropriate funding, including growth. The development of the MTFS would continue to be increasingly challenging because of the low level of reserves held by the Council, as a result of which the Council did not have much flexibility to utilize its reserves in the short term. There was also an expectation from the Council's external auditor that the levels of reserves would continue to increase. The current economic climate and the credit crunch had also put additional pressures on the budget. It was therefore intended to revise the policy of adding £1m to reserves each year until such time as general balances exceeded £5m. A revision in the policy would be considered by Cabinet in December 2008.

Members were informed that the Council had a statutory duty to approve a balanced budget and that a substantial amount of work had been carried out with the Directorates. Savings were being sought through the Directorates, and the Council would be examining how its services were delivered and whether any changes would assist the challenging financial position. The final budget proposals and the Council's Corporate Priorities would be submitted to Cabinet in February 2009 initially and thereafter to Council for approval.

The Leader and the Corporate Director of Finance responded to a question on the involvement of Price Waterhouse Coopers, the Council's external auditor, in carrying out a comparative performance analysis and the associated costs of this commissioning exercise. They stated that the report had been prepared for use nationwide and the costs were low. Bench-marking was an essential ingredient to judging performance and the report provided 'real time' results. In-year tracking would also be available should a number of boroughs subscribe to this requirement.

The Corporate Director agreed to provide the Committee with the costs incurred in engaging Price Waterhouse Coopers in this analysis.

In response to a question during the course of the meeting on how the administration had arrived at three priorities, the Leader stated that this had been achieved through consultation with a Residents' Panel, Have Your Say consultation and by engaging with people in the Town Centre.

In response to questions from Members on the budget, the Leader of the Council and the Corporate Director of Finance responded as follows:

Q - What impact is the credit crunch having on the Council's cash flow and investments?

A – One of the main impacts of the credit crunch had been the inability to proceed with the development of a new Leisure Centre. The credit crunch had had an adverse affect on revenue and the sale of the asset would not therefore proceed. The credit crunch had also impacted on other areas, for example income from land charges had fallen and the Council was in the process of renegotiating its contracts because of high inflation rates. Energy costs had risen and the low base rates had impacted on short-term deposits held by the Council.

As a result of the credit crunch, forecasting was very difficult and the Council was working and budgeting on the assumption that both the inflation and interest rates would be low in the following year.

Q - What is the Council's analysis of how the general downturn will impact upon the Harrow economy, what are the anticipated likely calls on the Council and how prepared is the Council to deal with these demands?

A – Harrow had, to date, been fortunate that its homelessness figures had not risen. However, unemployment levels in Harrow were expected to increase more than in other boroughs. The downturn would impact on the provision of care for adults and children and a small contingency of £150,000 had been allocated for any unforeseen eventualities in this area. The Leader acknowledged that this was an insufficient and, possibly, unrealistic amount. To help residents, the Council was exploring the possibility of setting up a Credit Union and had received support from the GMB Union in this regard. A Credit Union would need to be community linked.

The Corporate Director stated that an increase in claimants of housing benefit and Council Tax benefit was expected and these areas were being monitored closely. The Council was working with local businesses with a view to advising them during the downturn.

The Leader responded to a supplemental question in relation to the proposals in the budget about library opening hours. He stated that the proposals had not been finalised and that he could not confirm whether or not there would be closures or a reduction in the opening hours of the libraries. However, he was hopeful that the Council Tax would not be set above 3% in 2009/10 but could give no guarantees given the economic pressures.

In terms of the savings of £20,000 proposed in relation to the scrutiny budget, there were no proposals to reduce the number of staff. However, it was intended to review the existing structure and staff grades. A staffing review across the Assistant Chief Executive's area was expected.

Q - Funding gaps are £4m in 2009/10, £8m in 2010/11, and £7m £2011/12. Efficiency savings are forecast at £4m, £1.6m, £2m and already built into the figures. What is the Council's strategic approach to finding such big savings which cannot be found from Council Tax due to 5% capping or from central government grant, for example will we stop doing something altogether or heavily reduce some services in line with the Corporate Plan?

A – The Leader stated that the Council would need to radically review and evaluate the services it provided and the way these were delivered. It would need to examine which services needed to be provided and were required under the law, which were 'good' to provide and those that were 'nice' to do. The Council would need to ascertain whether it could afford to provide the latter two and would need to strike a balance.

In response to a supplemental question about streamlining the top structure, the Leader stated that savings could be achieved in this way. They would need to be balanced with associated costs. He confirmed that the Council would not be able to meet the funding gap(s) even if it increased the level of Council Tax to the capped figure of 5%.

Q - Is now a good time to start thinking about zero-based budgeting?

A – The Leader was of the view that zero-based budgeting was a costly and time consuming process. It was considered to be a critical tool by many. The Corporate Director stated that whilst she agreed with the principal of zero-based budgeting, it would be difficult to resource it on the basis of the work involved in setting the budget. With the size of the funding gaps and the poor settlements received from the government, radical action was necessary as it was not feasible to keep making small savings year on year.

In response to supplemental questions, the Leader stated that the Council was trying to mitigate the impact of the cut in the base rate by financing capital with short-term borrowing and lending long-term. Where possible, the Council was trying to place funds for longer terms in order to capture higher rates of interest and by borrowing to finance capital expenditure at less than 3% to minimise the impact on the budget. The Council did not have powers to borrow money with a view to lending it.

Looking ahead to 2011-12, and given the current economic climate, the Council might not be in a position to purchase the Lowlands site currently occupied by Harrow College. This purchase was with a view to selling the Civic Centre site.

Q - Are there any potential job losses associated with the 2009/10 budget?

A - The Corporate Director of Finance stated that there were no proposals in the draft budget to reduce the number of staff employed but the Council was looking at various measures with a view to reducing the substantial funding gap(s). It was not in a position to fund redundancy costs which could not now be spread over a number of years as had been possible before. Early retirement was also costly. She confirmed that all new recruitment, except those in schools which managed their own budgets, had to be approved by the relevant Portfolio Holder.

Q - The budget papers show an allowance of 2% for inflation costs. Is this realistic?

A – Inflation was expected to fall and allowance had to be made for a possible deflation. When finalising the budget, an assumption of the probable rate of inflation would be made. The largest liability that the Council was facing was financing the payroll and the pay settlement agreed for 2009/10. The Council did not have any control over the pay settlement agreed nationally and, for the purposes of the budget, it was taking an objective view of the likely settlement.

In response to a supplemental question on the proposed savings in the Adults and Housing Directorate, the Corporate Director stated that there had been an underspend in this area in recent years but it was working to deliver on spend in 2009/10. The 'capacity' that existed in the Directorate was being taken away to show real efficiency savings. It would not have an impact on provision of care to residents. In response to a question from Members, she undertook to inform the Scrutiny Manager about the social care reform grant and its provision in the budget.

Q - In the spirit of the VAT cut and the GLA precept expecting to be nil in 2009/10, have we considered a nil rate Council Tax increase to help hard pressed Harrow residents?

A – The Leader stated that the administration had intended to set a nil rate but, due to the challenging financial situation and the current economic climate, this was an unlikely proposal. A 3% increase in the Council Tax would be an achievement in itself. The Corporate Director added that a 1% increase in Council Tax equated to revenue of £1m and a correct balance had to be struck when setting the budget and the Council Tax. A small reduction in VAT had a neutral effect on the Council's finances and it was not economical to alter fees and charges by a few pence.

Q - In the aftermath of the Baby P tragedy, it is possible that there will be an increase in the number of children looked after by the Council. Is this likely to have an impact on the Council's finances and how is this being mitigated?

Q - How does the efficiency saving of £1.8m in Adults and Housing services square with providing services to vulnerable people?

A - The Leader informed Members that following the Baby P tragedy, a cross-party review had been undertaken by the Council. The Corporate Director of Children's Services was satisfied that the allocated budget was sufficient to ensure that children were not put at risk. A best practice reminder had been issued to relevant staff.

The care of vulnerable children was a complex and demanding area, and the Council faced considerable media challenges in explaining what the Council do. In Harrow the work of Children's Services, the police and the Primary Care Trust - together and separately - was subject to national inspection and local regular audit and checks. However, the Council had undertaken an additional review of high risk cases as an extra precaution - the key points arising from which were:-

- All high risk cases were being monitored effectively and there were no cases where the poor practice outlined in the Haringey inspection report existed in Harrow. The work was completed on 1 December and the results were being developed into a 'best practice' multi-agency action programme.

A best practice reminder had been issued to all workers and a programme of extra training, audit, support and development had been established.

There were always improvements that could be made and the audit would ensure that Harrow learnt from the issues and errors made elsewhere and built upon basic good practice. Harrow staff were not complacent and constantly worked to challenge and support each other to improve practice, give children good life chances and support families in difficulty.

Senior managers in Children's Services regularly audited case files and practice and met with workers, children and families to get a view of the service.

It was not possible to say "It won't happen here" as some people deliberately harmed children and sought to hide the fact from discovery. Harrow staff were constantly vigilant and focus their efforts on the "day in the life of the Child".

The leaflet "What to do if you are worried a child is being abused or bullied" was available to all staff, public and Councillors from the Harrow Local Safeguarding Children Board.

The Corporate Director of Finance stated that as the budget was developed, discussions with the Corporate Director of Children's Services would continue with a view to ensuring that all statutory responsibilities and safeguarding issues in Children's Services were resourced adequately. A similar exercise had been carried out in the Adults and Housing Directorate. The Council was also working with its partners to ensure a seamless service.

A Member stated that in their corporate parenting role, Councillors ought to lead by example and keep this issue at the forefront of its agenda. Councillors had a responsibility to ensure that all children were protected and that the tragic circumstances in Haringey were not repeated in Harrow. The Leader agreed with these sentiments. Two other Members highlighted that the safety of children was of paramount importance, the safeguarding of children ought to be a priority and there was a need to engage with residents at various levels and in schools.

Q – How did the credit crunch impact on recycling and its management by the Council?

A - In the short term, the impact would be minimal because contracts had previously been agreed. In future, it was possible that the Council would face additional costs.

The Corporate Director of Finance stated that procurement activity in partnership with other agencies such as Capita and the West London Consortium was ongoing with a view to reaping financial benefits.

Q - How much has it cost to set up Access Harrow and have the anticipated savings from Access Harrow materialised?

A – It was unlikely that any savings would be achieved through Access Harrow. A growth of £70,000 had been budgeted in order to ensure an efficient service to residents. The relationship with Capita had improved and, overall, the terms of the contract had been delivered successfully. However, identifying and delivering on savings had not been successful, as a result of which the savings had had to be re-phased.

A Member of the Committee commented that overall, the relationship with Capita ought to be considered as a success story.

Q - Is the Council exploiting all of the available external funding opportunities either for itself or for voluntary sector partners?

A – In response to the question, the Leader stated that grants were normally ring-fenced to particular areas, and some money from the European Union had been acquired. The Council did not intend to apply for pump priming grants, as these required matched funding from the Council. The External Funding Officer provided support to the Voluntary Sector to help secure funding, an area that was the subject of further consideration by Cabinet in light of the recent scrutiny review.

Q – Sharing of services with other Councils and the cost of the Council's Communications Service

A – The Corporate Director of Finance replied that consideration had been given to the sharing of services with other boroughs but this could take a long time to establish. It was noted that the Trading Standards Service was jointly provided with Brent Council.

In terms of the Communications Service, the Council did not spend as much as some other boroughs on communications. It was essential that residents were kept informed and that communication was effective. A more focused approach had been undertaken by the Communications Team than was the case in previous years with consequential benefits. Internal communications had improved as shown by the results of the staff survey.

In response to a supplemental question about the accuracy of press releases issued by the Council on behalf of scrutiny, the Chairman undertook to discuss this matter separately.

Q – Use of agency staff

A – The Council did not spend a significant amount in this area and under certain circumstances it was cost effective to employ agency staff, particularly in IT (Information Technology) Services. The Council was in the process of carrying out a review of its IT Services and was using agency staff prior to deciding on a suitable service delivery model.

Due to spending pressures, all Directorates had been requested to review their use of agency staff. Capita was carrying out an exercise on the management of recruitment of permanent staff and agency staff.

Competitive arrangements were in place in the advertising of vacancies and recruitment of staff.

Q - Budget Process

A – In order to ensure that there were no 'surprises' during the budget setting process, each budget holder was required to sign-off their allocated budget at the beginning of the process. The Corporate Director outlined the robust monitoring process that was in place to ensure that pressures were identified early. The process was supported by the use of the SAP system and further work was underway to gauge capacity and the level of underspend within Directorates at an early stage.

### Q - Parking Fines/CCTV

A – The Leader explained that these areas were the remit of the Community and Environment Directorate and reflected accordingly in the budget. There had been an increase in parking revenue year on year and the Corporate Director of Finance agreed to provide details of the increases to Committee Members.

### Q – Budget for Schools/Performance

A – In reply to a question regarding the performance of schools and the allocation of budget, the Leader informed Members that the schools' budget was delegated to schools. Overall evaluation showed that the performance of schools was even better than the examination results.

The Leader highlighted his recent visit to Canon High School where the conduct of pupils was excellent. He was pleased to see that the school was teaching its pupils to be good citizens. Overall, Harrow ought to be proud of its schools, bearing in mind that the proportion of pupils with English as their first language was low.

The Chairman thanked all for participating in the Question and Answer Session.

## **FOR CONSIDERATION**

Background Papers: Minutes of the Meeting

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