

**Statement made by Interim Director of Finance
at the Overview & Scrutiny Committee Meeting on 20th July 2011**

Thank you Chairman for allowing me to speak as I think it is important to clarify the truth behind some of the myths and mis-information flying around.

I would first like to discuss the background and context of this issue. I think Members are all aware of the Government's intention to reduce by some 28% - 30% over a 4 year period the amount of funding it provides to local government. This is hugely complex to unpick as it involves not just Formula Grant but also lots of specific grants that are now rolled up into it. This is also against a backdrop of rising demography, various inflationary pressures, etc. Local government is reputed to have been the worst hit, in terms of funding cuts, of all the public services. And this was also front-end loaded, giving us little time to plan for and make some of the changes. Even the most astute accountant struggles to get to grips with all the details.

But the headlines are that to carry on delivering exactly what we used to, given the reductions in available cash funding, meant we would have been about £19m short for 2011/12 in Harrow and by the end of the 4 year life of the Comprehensive Spending Review period, over £60m per year needs to be saved from our overall budget. That had to mean major change.

When the government announced its funding settlement, they brought in an additional element of funding for 2 years only by directing PCTs to hand some money over to Councils to cover the costs of "existing social care provision". This was to effectively soften the blow of the Government's cuts and formed part of what they called Council "spending power". But the financial situation of our local PCT meant that we couldn't have total confidence that money would come in, so for prudence reasons it was excluded from the Council's budget.

This Council has been proactive, saw the cuts coming and embarked upon the Transformation Programme, so it has already got initiatives underway to address about half of the savings required. And, in the main, this is without significantly impacting on front-line service delivery.

In common with virtually all other Councils, this Council is looking not just at cutting costs but also at re-examining opportunities for those who can contribute to specific services to do so, and thus protect services for those in greatest need – for example the current consultation on Adults Services and Concessionary fares.

Irrespective of the issues around the PCT monies that seem to have fuelled so much misunderstanding and concern, all Councils have to look very hard at their cost base and at the services they are providing and make some really tough decisions. It is always better to plan and consider such matters carefully and this Council has indicated its commitment to talking to its community and consulting thoroughly on proposed changes.

Another key theme is that we need to be working together across the Public Sector and indeed across the voluntary sector to do the best that we can for our Community with the limited resources that are available. I know the Council has had improving relationships in recent times with the PCT, for example, and as I understand it, this is why this Council was able to reach an amicable agreement with the PCT to hand over the funds to the Council, which for some other London Boroughs, as I understand it, this is not yet the case. It is also why, as part of the deal, £500,000 was given back to the PCT to help them deal with some of their pressures in relation to adult care.

The Council's 2011/12 budget for Adult Social Care involved no cuts to front-line services and indeed included an additional £1.5 million for demography pressures and a substantial share of a £1 million contingency. Again, this was not the case in many authorities. There are however considerable savings and efficiencies within the budget and all testament to the service for this. But importantly, the Council effectively did fund the costs of existing social care provision within its base budget, which ironically is better than propping it up with time limited funding. So it fulfilled the purposes of the Government's direction in relation to the PCT monies without actually including the PCT monies in the budget.

In addition, there are other sources of funding for adult social care that the Council has influenced, for example LAA Reward Grant monies to fund reablement, and other bids have also been made for these LAA Reward Grant monies. And can I also remind you of the improved overall performance of the service, as confirmed by external inspectors in recent years.

It should be noted that I have only discussed revenue expenditure here. The Council has just agreed to put an extra £1 million of Capital into adaptations which help people stay in their own home.

Coming to the details of the specific PCT monies, it was not a bidding process. PCTs were directed to enter into S256 agreements with Councils on how the money would be used and to pay the funds to Councils. We received the £2.6 million from the PCT on 3rd May 2011 and as part of the agreement reached when the S256 agreement was signed on the 29th and 30th March, we have recently handed back an agreed £0.5 million. The agreement also covers just under £2.5 million due to be received from the PCT for 2012/13 and I expect that will be appropriately included in the budget for that year, since we now have more certainty over its receipt.

Having reached that agreement and given that the monies weren't in the budget we therefore needed to consider how it was treated and I, as S151 officer, advised that we considered this in the round alongside the reporting on the 2010/11 out-turn position. Under this Council's constitution this also needed to come back to full Council. For most London Boroughs I understand that is not the case and I would advise that I believe that most of the London Boroughs who did not originally include the PCT monies in their budgets either, are treating these monies, where received, in a very similar way to this Council.

With respect to the out-turn, yes we had an underspend and yes we've been able to build general reserves up to £7m and establish a small Transformation and Priority Initiatives fund, but in the context of the scale of change and savings needed in the future, these are not significant sums.

Therefore, my advice, which leading Members have accepted, was that we should apply the Council's funds that could be released by receipt of the PCT Monies, to enhance the Transformation and Priority Initiatives Fund, giving the Council more resilience to plan for and implement the changes that will be needed across the Council in the future. I would expect that, as the Service utilising over a third, almost 40% of the Council's revenue budget, the Adults and Housing Service is likely to receive the benefit of a reasonable proportion of that Fund.

With respect to the questions about Equalities Impact Assessments, the Cabinet and subsequent Council decision were to add to a specific reserve, and not to spend additional monies. No service was cut or customer or citizen impacted as a result of that decision. Clearly, as ever, any future spending or saving decisions will need to pay due regard to equalities implications and I know the Council is totally committed to doing this properly and fairly.

I apologise if this has come across as something of a lecture or speech, but I thought it was important to clarify because it gets to the heart of the Petition that Council has referred to you tonight.

My response to the petition is that it is flawed in suggesting the PCT funds are not to be used for the purpose intended. They are. But I do understand and accept how the petitioners may have formed a different view. I think it would be premature to pump all of the extra Council money released through receipt of the money from the PCT, into adult social care at present as that might not be sustainable. It is, in my view, better to put it into this Fund and subsequently make carefully thought through decisions as to how it can get the maximum impact.

However, I do support the sentiments about the Council working in partnership with the voluntary and community sector to do the best they can for Harrow's people and I hope we can move on from this "disagreement" and the perception that the Council is "misusing" these funds to one where we all work together to ensure those who really need adult or indeed any social care, do receive it.

I hope I've answered a lot of the petitioners questions as part of this statement but I will be happy, along with the Leader, to answer any further questions. And, I would hope that we could reach closure on this issue following tonight's meeting.