

# **Overview and Scrutiny Committee**

## **SUPPLEMENTAL AGENDA**

**DATE: Tuesday 4 June 2013**

### **AGENDA - PART I**

**3. MINUTES** (Pages 1 - 8)

That the minutes of the Special meeting held on 23 May 2013 be taken as read and signed as a correct record.

**7. PROVISION OF SAP REPORTS**

**(a) REVIEWS OF FINANCIAL MANAGEMENT:** (Pages 9 - 70)

Report of the Director of Finance and Assurance

**8. DEBT RECOVERY PROCESS** (Pages 71 - 122)

Head of Collections and Housing Benefits

**12. (a) EXCLUSION OF THE PRESS AND PUBLIC:**

To resolve that the press and public be excluded from the meeting for the following item of business, on the grounds that it involves the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972:

<u>Agenda Item No</u>	<u>Title</u>	<u>Description of Exempt Information</u>
13.	Reviews of Financial Management - Appendices	Information under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that the appendices contain information relating to the financial and business affairs of any particular person (including the authority holding that information).

## **AGENDA – PART II**

### **13. REVIEWS OF FINANCIAL MANAGEMENT (Pages 123 - 294)**

Appendices to the report of the Director of Finance and Assurance

*Note: In accordance with the Local Government (Access to Information) Act 1985, the following agenda items have been admitted late to the agenda by virtue of the special circumstances and urgency detailed below:-*

<u>Agenda item</u>	<u>Special Circumstances/Grounds for Urgency</u>
3. Minutes	Members are requested to consider the minutes of the Special meeting held on 23 May 2013, as a matter of urgency. The minutes were not available at the time the main agenda was printed and published due to the proximity of the meetings.
7a and 13. Reviews of Financial Management	Members are requested to consider this item, which was prepared after the main agenda had been printed, as it provides information relating to item 7 on the agenda ie Provision of SAP reports.
8. Debt Recovery Process	Members are requested to consider the report, as a matter of urgency, in order to receive the information they have requested. The report was not available at the time the main agenda was printed and circulated.

# OVERVIEW AND SCRUTINY COMMITTEE (SPECIAL) MINUTES

## 23 MAY 2013

<b>Chairman:</b>	* Councillor Paul Osborn	
<b>Councillors:</b>	* Sue Anderson	* Ann Gate
	* Kam Chana	* Graham Henson
	* Mano Dharmarajah	* Jerry Miles
	* Tony Ferrari	* Stephen Wright
<b>Voting</b>	(Voluntary Aided)	(Parent Governors)
<b>Co-opted:</b>	† Mrs J Rammelt Reverend P Reece	† Mrs A Khan
<b>Non-voting</b>	Harrow Youth Parliament Representative	
<b>Co-opted:</b>		

- \* Denotes Member present
- Denote category of Reserve Members
- † Denotes apologies received

### 389. Attendance by Reserve Members

**RESOLVED:** To note that there were no Reserve Members in attendance.

### 390. Declarations of Interest

**RESOLVED:** To note that there were no declarations of interests made by Members.

## **RESOLVED ITEMS**

### **391. Appointment of Vice Chairman**

**RESOLVED:** To appoint Councillor Jerry Miles as Vice-Chairman of the Overview and Scrutiny Committee for the 2013/14 Municipal Year.

### **392. Establishment of Sub-Committees for 2013/14**

The Committee considered a report setting out the proposed memberships and Chairmen of the Sub-Committees for 2013/14.

**RESOLVED:** That the Sub-Committees of the Overview and Scrutiny Committee be established for the Municipal Year 2013/14 with the memberships and Chairmen as detailed in Appendix I to these minutes.

### **393. Appointment of Lead Members 2013/14**

The Committee considered proposals relating to Lead Members for Scrutiny for 2013/14.

**RESOLVED:** That the Scrutiny Lead Members and their areas of responsibility be agreed, as detailed in Appendix II to these minutes.

(Note: The meeting, having commenced at 8.31 pm, closed at 8.33 pm).

(Signed) COUNCILLOR PAUL OSBORN  
Chairman

**SCRUTINY SUB COMMITTEES – 2013/14**

(Membership in order of political group nominations)

<b>Conservative</b>	<b>Labour</b>	<b>Independent Labour</b>	<b>Ungrouped</b>
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**(1) PERFORMANCE AND FINANCE SCRUTINY SUB-COMMITTEE (5)**

	(2)	(2)	(1)	(0)
<b>I. Members</b>	<b>Tony Ferrari (CH) Paul Osborn</b>	<b>Sue Anderson Graham Henson</b>	<b>Mano Dharmarajah</b>	
<b>II. Reserve Members</b>	1. Chris Mote 2. Amir Moshenson	1. Jerry Miles 2. Ann Gate	1. Husain Akhtar	
CH	= Chair			
*	= Denotes Group Members for consultation on Administrative Matters			

**PERFORMANCE & FINANCE SUB-COMMITTEE**

The Performance and Finance Sub-Committee has the following powers and duties:

1. To be the key driver of the scrutiny function's work programme and the body responsible for monitoring the performance of the council and partners in relation to their stated priorities;
2. To consider/monitor, on an exception basis, the financial and service performance of the organisation;
3. To consider/monitor the performance of the council's partners;
4. To undertake specific investigation of identified 'hot spots' through Q&A, reports or challenge panels – subject to endorsement by the Overview and Scrutiny Committee;
5. To refer 'hot spots' to the Overview and Scrutiny Committee for more detailed investigation where necessary;
6. To consider such urgent items as are appropriate – ad hoc, Councillor Calls for Action, area scrutiny.

## (2) HEALTH AND SOCIAL CARE SCRUTINY SUB-COMMITTEE (5)

	(2)	(2)	(1)	(0)
<b>I. Members</b>	<b>Mrs Vina Mithani (CH)</b> <b>Lynda Seymour</b>	<b>Margaret Davine</b> <b>Victoria Silver</b>	<b>Husain Akhtar</b>	
<b>II. Reserve Members</b>	1. Janet Mote 2. Mrs Lurline Champagne OBE	1. Ben Wealthy 2. Kairul Kareema Marikar	1. Vacant	

CH

= Chair

\* = Denotes Group Members for consultation on Administrative Matters

### HEALTH AND SOCIAL CARE SCRUTINY SUB-COMMITTEE

The Health and Social Care Scrutiny Sub-Committee has the following powers and duties:

1. To be the key driver of the scrutiny function's health and social care scrutiny programme and maintain relationships with health and social care colleagues and partners in relation to shared stated priorities, in consultation with the Overview & Scrutiny Committee.
2. To be responsible in accordance with Regulation 28 of the Local Authority (Public Health and Wellbeing Boards and Health Scrutiny) Regulations 2013 for scrutiny of the Council's health functions other than the power under Regulation 23(9) to make referrals to the Secretary of State.
3. To recommend to Council that a referral be made to the Secretary of State under Regulation 23(9) of the Local Authority (Public Health, Health and Wellbeing and Health Scrutiny) Regulations 2013.
4. To have specific responsibility for scrutiny of the following functions:
  - § Health and social care infrastructure and service
  - § NHS England, Clinical Commissioning Groups (CCGs) and the Health and Wellbeing Board
  - § Public Health
  - § Other policy proposals which may have an impact on health, public health, social care and wellbeing
  - § Collaborative working with health agencies
  - § Commissioning and contracting health services
5. To review the planning, provision and operation of Health services in Harrow and ensure compliance with Regulation 21(1) of the Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) Regulations 2013 by inviting and taking account of information and reports from local health providers and other interested parties including the local HealthWatch;
6. Where a referral is made through the local HealthWatch arrangements, to comply with Regulation 21(3) of the Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) Regulations 2013 by ensuring that the referral is acknowledged within 20 days and that the referrer is informed of any action taken;

7. Where appropriate, to consider and make recommendations for response to NHS consultations on proposed substantial developments/variations in health services that would affect the people of LB Harrow.
8. Where appropriate, to consider and make recommendations for response to consultations from local health trusts, Department of Health, Care Quality Commission and any organisation which provides health services outside the local authority's area to inhabitants within it.
9. Continue to seek the development of relationship with NHS England, CCGs, Health and Wellbeing Boards, Care Quality Commission, HealthWatch and the Local Medical Council.

*(Note: members of the Executive or members of the Health and Wellbeing Board may not be members of the Health and Social Care Scrutiny Sub Committee. Any health matter requiring an urgent decision/comment before the next meeting of the Health & Social Care Sub-Committee will be considered by the Overview and Scrutiny Committee if that is sooner).*

### **(3) CALL-IN SUB-COMMITTEE (5)**

	(2)	(2)	(1)	(0)
<b>I. Members</b>	<b>Tony Ferrari Paul Osborn (CH)</b>	<b>Sue Anderson Jerry Miles</b>	<b>Mano Dharmarajah</b>	
<b>II. Reserve Members</b>	1. Stephen Wright 2. Chris Mote 3. Kam Chana	1. Ann Gate 2. Graham Henson	1. Vacant	

CH = Chair  
\* = Denotes Group Members for consultation on Administrative Matters

### **CALL-IN SUB-COMMITTEE**

The Call-In sub-committee has the following powers and duties:

- (a) to examine decisions of the Executive which are taken but not implemented, and which are 'called in' in accordance with the Committee Procedure Rules;
- (b) to refer matters called in to the decision taker with reasons and recommendations for changes;
- (c) to refer Executive decisions to full Council if they consider they are contrary to the policy framework or contrary to or not wholly in accordance with the budget.



#### **(4) CALL-IN SUB-COMMITTEE (Education) (9)**

	(4)	(4)	(1)	(0)
<b>I. Members</b>	<b>Mrs Camilla Bath Christine Bednell Janet Mote (CH) Lynda Seymour</b>	<b>Sue Anderson Ann Gate Jerry Miles Christine Robson</b>	<b>Husain Akhtar</b>	
<b>II. Reserve Members</b>	1. Chris Mote † 2. Ramji Chauhan † 3. Vacant	1. Ajay Maru 2. Sasi Suresh 3. Mitzi Green 4. Bill Phillips	1. Vacant	
CH	= Chair			
*	= Denotes Group Members for consultation on Administrative Matters			
†	The appointed number of Reserves for each Group is in excess of the Committee Procedure Rule provision, by virtue of Resolution 17: Overview and Scrutiny Committee (18.7.06).]			

#### **Voting Co-opted Members:**

- (1) Two representatives of Voluntary Aided Sector  
- Mrs J Rammelt/Reverend P Reece
- (2) Two representatives of Parent Governors  
- Mrs A Khan (Primary) / vacancy (Secondary)

#### **CALL- IN SUB-COMMITTEE – EDUCATION**

The Call-In sub-committee has the following powers and duties in relation to Education Matters:

- (a) to examine decisions of the Executive which are taken but not implemented, and which are 'called in' in accordance with the Committee Procedure Rules;
- (b) to refer matters called in to the decision taker with reasons and recommendations for changes;
- (c) to refer Executive decisions to full Council if they consider they are contrary to the policy framework or contrary to or not wholly in accordance with the budget.

**SCRUTINY LEAD MEMBERS 2013/14**

<b>Policy Lead Member</b>	<b>Councillor 13/14</b>
Health	Councillor Ben Wealthy
Children and Families	Councillor Christine Bednell
Corporate Resources	Councillor Jerry Miles
Community, Health and Wellbeing	Councillor Chris Mote
Environment and Enterprise	Councillor Stephen Wright

<b>Performance Lead Member</b>	<b>Councillor 13/14</b>
Health	Councillor Janet Mote
Children and Families	Councillor Victoria Silver
Corporate Resources	Councillor Kam Chana
Community, Health and Wellbeing	Councillor Nana Asante
Environment and Enterprise	Councillor Phillip O'Dell

## **REPORT FOR: OVERVIEW AND SCRUTINY COMMITTEE**

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<b>Date of Meeting:</b>	4 June 2013
<b>Subject:</b>	Reviews of financial Management
<b>Responsible Officer:</b>	Simon George Director of Finance and Assurance
<b>Scrutiny Lead Member area:</b>	Councillor Jerry Miles – Policy Lead Corporate Resources Councillor Kam Chana – Performance Lead Corporate Resources
<b>Exempt:</b>	No but with some Part II appendices – Exempt by virtue of Paragraph 3 of the Local Government Act 1972 in that these appendices contain information relating to the financial or business affairs of any particular person (including the authority holding that information)
<b>Enclosures</b>	Appendix 1 – Exempt – Finance Effectiveness Review Appendix 2 – PWC Update Budget Holder Forecasting Compliance Appendix 3 – Exempt – ERP Development Plan Appendix 4 – Exempt – Corporate Services Summary Appendix 5 – Exempt - Outline Business Case Appendix 6 – Birmingham Health Check Appendix 7 – Harrow CIPFA – Next Steps report

### **Section 1 – Summary and Recommendations**

This report provides members with a summary of the recommendations of past reviews into the use of SAP and financial management and the actions that have followed them.

Recommendations: To note the report

## **Section 2 – Report**

### **2. Introduction**

- 2.1 This report summarises recent reviews into Financial Management in Harrow that formed part of the evidence base for the “SAP/General Ledger Improvements” workstream within the Transforming Financial Management Project. The summary includes the main recommendations relating to financial Management and the actions that have arisen.

### **3. Background**

- 3.1 All organisations require effective financial systems to operate well and meet their statutory obligations. It is even more the case for Local Authorities because of their unique duties of public stewardship and accountability.
- 3.2 Local Authorities must constantly scrutinise and improve their processes to ensure they continue to efficiently and effectively support the delivery of their strategies and plans.
- 3.3 The Council in recognition of this, established a ten-year strategic partnership with Capita in 2005 with a remit to improve performance, customer services and business efficiency through end-to-end business process reviews and IT improvements. The reports itemised below were produced either directly or indirectly in support of this Business Transformation process, which includes a rigorous cost benefit analysis.

### **Financial Management Reports**

- 3.4 The reports summarised below in date order, are those identified as having the most relevance to the “SAP/General Ledger Improvements” within the improving Transformation Financial Management Project (TFM). The seven reports reviewed are as follows:
- Report 1 – PWC Finance Effectiveness Review, (2008).
  - Report 2 - Budget Holder Forecasting Compliance, (2011)
  - Report 3 – ERP Development Plan, (2008)
  - Report 4 - Corporate Resources Blueprint (2010)
  - Report 5 – Outline Business Case – Corporate Services
  - Report 6 – SAP Health Check with Service Birmingham (2011)
  - Report 7 – CIPFA FM. (2012)
- 3.5 They formed part of a desktop review to support the SAP and General Ledger work stream within the overall TFM project, the purpose of which was to learn from previous reviews and therefore avoid wasting time and

resources at a time when resources are severely stretched. Some actions to address the issues identified are included. Some of the actions are relevant to more than one report and to avoid repetition are simply referenced where relevant.

### **Report 1: PWC Finance Effectiveness Review – Final Report, May 2008**

- 3.6 This report was commissioned by Harrow from PWC and was funded by central government through the Capital Ambition programme (2008-11). This programme aimed to support London's authorities and local strategic partnerships to deliver efficiencies, improve performance, and support innovative ways of working.
- 3.7 The Performance & Finance Scrutiny Sub-Committee were given a verbal report and presentation by the Divisional Director of Corporate Finance and Procurement in April 2008. It was resolved that the Chair and Vice Chair review the report. It is marked "Strictly confidential"
- 3.8 The 75 page report aimed to review Harrow's "budget monitoring process and the use of underlying technology", including SAP. Budget Monitoring is covered in two sections (pp 22-27, 59-61). PWC undertook a process mapping exercise, a gap analysis and an activity analysis of finance staff and also interviewed managers. Key findings were:
- a. The Budget monitoring process is inconsistent across service areas, does not provide accurate and timely data and there is insufficient challenge. There should be more focus on high risk areas and creating a robust month-end processes.
  - b. The budget setting process needs to be streamlined and made bottom up.
  - c. There are capacity gaps in some key areas of Finance
  - d. The roles and responsibilities in Finance and for service managers are not clear and support levels vary.
  - e. The new skills and intended culture of managers owning budgets is not embedded and there is some non-compliance. A training programme is required.
  - f. SAP is under utilised by managers due to data inaccuracy, some input screens being hard to use, and poor report formats. There is a lack of skills in some areas. There is a considerable number of excel based processes and time spent on non-value-added activities
  - g. An exercise on the Social Care system (Framework I) to improve data and the effectiveness of the interface with SAP would be beneficial.
  - h. There is a lack of SAP expertise in Finance with no single point of contact.

### **Actions:**

- 3.9 Mandatory refresher Training for Revenue Budget Holders on SAP took place between February and June 2009. Refresher training was offered in May and June 2010 and each budget holder has a named finance officer who can offer support. A performance measure to

ensure that managers were complying with their forecasting was introduced.

- 3.10 The compliance of managers with the KP06 budget monitoring process was measured monthly. Compliance rates increased substantially from rates below 50% to rates ranging between 70 and 100% (Jan 2011)
- 3.11 The Finance Business Partner role was reviewed and updated
- 3.12 An annual timetable is consulted on and agreed for Budget Monitoring, Budget Setting and Closing. The timetable has reduced over time and is monitored closely. For the Budget Setting process and related training, other actions are reported below under "Budget Holder Forecasting Compliance, Jan 2011 in paragraph 3.23.
- 3.13 From 2013/13 and 2013/14 a more bottom up budget process was implemented.
- 3.10 Training programmes in Business Explorer (the SAP reporting tool), for 10 super users were completed in April 2013, jointly with the ERP Support team and colleagues in Housing. In addition, a Finance Super User post has been created and appointed to in 2013 under the new Finance and Assurance structure.
- 3.12 A review of the data cubes is underway in two work streams covering HR and Finance. Workshops have been undertaken and reports are being be commissioned.
- 3.13 Framework I improvements are currently being made by cleansing data and moving assessment onto the system from two subsidiary systems.

## **Report 2. Budget Holder Forecasting Compliance, Jan 2011**

Author Myfanwy Barrett (Corporate director of Finance). Report to Scrutiny Committee (Cllr Tony Ferrari). This was basically a follow up to elements from the PWC report. It noted the following actions:

- Mandatory Training for Revenue Budget Holders on SAP took place between February and June 2009. Refresher training was offered in May and June 2010 and each budget holder has a named finance officer who can offer support. A performance measure to ensure that managers were complying with their forecasting was introduced.
- Target KP06 compliance 100%. This was being monitored by the Finance Business Partners. Compliance rates have increased substantially from rates below 50% to rates ranging between 70 and 100%.

## **Report 3: ERP Development Plan, Sept 2008**

- 3.13 This was a joint report of Corporate Director Finance (Myfanwy Barrett) and Divisional Director of Shared Services (Greg Foley) to the Corporate Leadership Group (CLG). It was commissioned at a result of the PWC report above.

3.14 Its aim was “to help managers to do their jobs by providing reliable and timely management information” and get VFM from SAP ERP. The main goals were:

- Increase use of the system
- Improve the reputation of the system
- Fix technical problems
- Simplify key processes
- Improve compliance with key processes
- Improve management reporting
- Clear up confusion and improve support to users
- Provide additional training
- Improve value for money

Its evidence base included the:

- Capita post implementation review
- PWC Financial Effectiveness Review
- ERP Healthchecks
- Internal Audit work

Key actions included;

- Technical fixes, particularly in relation to purchasing
- An end to end review of the month end and forecasting process
- Introduce purchasing cards
- Review Northgate/Anite interface for Housing
- ERP Team to be trained as super users.
- Managers to promote use of ERP, new training for users, ERP mini campaign)

#### **Actions:**

3.15 In addition to the Transforming Financial Management work streams on Data Cubes and Reporting outlined above:

- In Sept 2012, SAP was upgraded by the introduction of a portal based software module SRM7, to allow better buying through greater visibility of spend activity and improved compliance with the procurement regulations. This change was supported by a compulsory training programme and a review in the number of suppliers which led to a reduction. Purchasing roles were also reviewed and rationalised and the Pro Class Category management process introduced. This is Local government owned classification system that categorise goods and services. It is designed to improve the accuracy of the Expenditure Analysis by forcing correct coding and ensure that only approved suppliers can be used. The SRM upgrade was aligned to the changes to the Council's Corporate Procurement Policy to not only ensure reinforce compliance but also ease of use by introducing changes to the user interface.
- An end-to-end review of the month end and forecasting process was carried out by the Divisional Director of Finance and Procurement in 2008 and a revised process with tighter timescales was introduced. It was supported by new guidance and training. During the implementation phase, monitoring of

KP06 compliance was undertaken and a Business Warehouse report was written to collate forecasts at different levels centrally.

#### **Report 4: BTP- Corporate Services Blueprint Summary V 0.9.**

3.16 This report was commissioned from Capita by Harrow, and summarises a number of separate issues. The finance element proposed implementing a SAP “Business Planning and Consolidation (BPC)” module to enable senior managers, budget holders and Finance officers to access and manipulate financial data in SAP. It included workflow and creating a budget audit trail.

3.17 Its aims were to:

- Enable meaningful modelling of budgets to cater for changing business scenario's
- Reduce the time spent by the Finance department supporting budget holders budget monitoring and forecasting returns. Increase the time challenging the variances and working with budget holders to address them and to streamline the month end forecasting process by an automated workflow.
- Introduce more robust financial controls and audit systems including using role profiles and authorisations to control what data can be changed by the user

#### **Actions:**

3.19 The BPC was not taken forward due to the high cost of implementation, both consultancy and infrastructure, so other alternatives were investigated by the council.

3.20 A new budget monitoring tool “My4Cast” has been developed with stakeholders. It is in the process of completing user testing and managers training begins on the 14<sup>th</sup> May, in preparation for a launch for the period 2 forecast in June. This addresses most of the issues raised above. It is simple to use and provides access to a range of up to date reports online (not by email), including commitments and salaries and supports drill down functionality. The forecast is pre-populated with the budget at the start of the year and the managers forecast and comments roll forward each month. This saves a considerable amount of data entry where there is little change between months, as is the case with most budget lines. There are activity monitoring reports available so that managers forecast activity can be tracked at a line item level. A BW report to amalgamate managers forecasts has been written and is available to Finance.

3.21 All managers will receive some basic budget monitoring guidance before Period 2 as part of the launch process.



- 3.21 A process for uploading and recording electronic budget Virements has been created, as part of the My4Cast workstream.
- 3.21 A full review of the budget setting process, will begin following the implementation of My4Cast in June 2013.
- 3.22 A new strategic commissioning panel process was introduced for 2012/13 budget and refined for 2013/14 setting out the directorate vision over the next three years at different resource levels. Progress on savings is monitored through monthly budget monitoring in 2012/13.
- 3.23 In 2013/14 monitoring of the implementation of MTFS savings and developments was introduced.

### **Report 5: Corporate Resources - Outline Business Case (2012)**

This summarised a number of initiatives to review, streamline and automate back office functions. These were supplemented by one-to-one meetings and workshops. It included a workstream on Financial Processes, Financial Control, Performance Management and Reporting and Budgeting & Service Planning” – This included workstreams on

- end user training
- reducing manual processes and improving efficiency by improved use of SAP (including for budget setting)
- improved user interface
- improving reporting by keeping a single version of truth

Findings were:

- The monthly Budget Monitoring process is inefficient taking 3 weeks from end to end. The Council aims to reduce this to 10 working days.
- Reporting is inadequate with too much reliance on excel manipulation. It should be standardised, focussed and relevant to the reader and easily understood
- Budget holders can cross charge to other budget holders areas without permission.
- The chart of accounts isn't best structured
- There is a lack of user guidance such as coding books, instruction manuals and user guides

#### **Actions:**

- As identified above My4Cast has been introduced which will make the Budget monitoring process more efficient and provides instant access to reports on finance, establishment and staffing costs and HR related to the users area only. A drill down facility to underlying transactions is also enabled. It is being linked to training to all budget managers in May.
- Another project which will begin in June is to establish a new SAP based Journal process to improve control and establish and

authorisation process. An initial specification has been drawn up with Capita.

- The Financial regulations have been updated to clarify roles and responsibilities and after approval by the Council in May a finance guide will be written.
- The chart of accounts will be reviewed in time for the 2014/15 accounts.

### **Report 6: SAP Health Check with Service Birmingham (3<sup>rd</sup> Aug 2011)**

3.25 This report was produced by the Divisional Director Finance & Procurement (Jennifer Hydari). It was Internal only but SAP system support and accountants were involved. Areas Covered were:

- revenue budgeting, reporting and forecasting
- balance sheet reporting
- capital accounting budgeting and reporting.

3.26 Operational Issues and actions:

- Harrow Finance staff feel that the drill down to Purchase Orders and transactions is poor for both Finance and Budget Holders. Birmingham found the process to be fit for purpose but the descriptions input for Purchase Orders were inadequate. Action: Process change required
- Users can make charges to another's budget managers budget – Birmingham states this is standard procedure in BCC “the budget holder is expected to raise a query...with the source of the charge” : Action. Business decision for Harrow.
- Profiling – Harrow only uses 1/12<sup>th</sup> profile. Several profiles are available including quarterly, half-yearly, termly and so on. Birmingham uses a range of profiles which are discussed in depth with budget holder at the start of the year. Action. Business decision for Harrow.
- Revenue and Capital Reports are inadequate, report descriptions are poor. There is no drill down, and data inconsistent with SAP (i.e. ZFI-GRIR): Birmingham used BI to design in house reports. Action: Harrow to review suite of reports and implement a flexible report writer.

#### **Action:**

3.28 Suitable reports have been made available on the SAP portal in 2013. The reports are pre-filled with the users cost centres, using SAP role profiles and have been amended so that the data is consistent with the system actuals. Reports include commitments and salaries, with full drill down to the transactional detail.

### **Report 7: CIPFA Financial Management Report, May to June 2012**

3.29 This was commissioned by Harrow and reported to CSB. It was later agreed with Portfolio Holder and reported to the Performance and Finance Scrutiny Sub-Committee, 12 Sept 2012.

- 3.30 This is the report that initiated the Transforming Financial Management project. It is wide ranging but its specific recommendations on finance systems included:
- Producing a standard suite of Reports
  - Reducing the significant level of manual manipulation of base data required for reporting;
  - Improving quality of in year information for forecasting purposes;
  - Leading integration programme with other systems;
  - Introducing consolidated real time information
  - Help managers make much better use of the SAP system to reduce undue reliance on Finance staff.

**Actions:**

- 3.31 The Transforming Financial Management project was initiated to address the issues above. The actions planned are extensive but include but those completed or are in progress are:
- 3 Workshops with Finance Managers in Nov 2012 to standardise base budget processes and coding practices for 2013/14 and onwards.
  - Budgets were risk rated in July 2012 to direct Finance support efficiently and effectively.
  - Designed a new Finance and Assurance structure and evaluated new role profiles. Recruitment will be substantially completed by August.
  - Replacement of the current budget forecast screen (KP06) with an easy to use alternative from June 2013 (Period 2), supported by training.
  - Review and update the Financial Regulations to improve system controls, thereby reducing manual intervention. These have been to the Constitutional Working Group and approved by Cabinet and are on the Council agenda in May 2013.
  - Projects are underway to introduce more system interfaces to reduce manual interventions, including Northgate OHMS and Verto

#### **4. The Future of SAP and the impact on SAP Developments**

- 4.1 SAP was procured and implemented as part of a ten-year Business Transformation Partnership with Capita, through a vendor neutral process in 2005/06. This Capita support contract ends in October 2015, with an option to extend for up to 5 years, subject to 12 months notice.
- 4.2 Although, Harrow can replace SAP, whether the existing Capita contract continues or not, there will obviously be considerable costs involved for new software, licences and implementation. A change in software provider will also have a considerable impact on the future support contract arrangements. The Council is therefore reviewing the future of SAP ERP to enable a decision to be made for October 2015.

- 4.3 To facilitate this process, Harrow is heavily involved in Project Athena, a Capital Ambition funded project that aims to facilitate shared working amongst London's public sector organisations in areas such as procurement of systems, HR, Finance and other functions. This has meant that the Council has focused recently on more manageable or lower cost enhancements to SAP, those that add value to future financial management solutions or have a short investment pay-back period. The current climate of financial restraint has also made significant investment less attractive.

**5. Financial Implications**

- 5.1 None

**6. Performance Issues**

- 6.1 None

**7. Environmental Impact**

- 7.1 None

**8. Risk Management Implications**

- 8.1 The Business Transformation process includes a risk assessment.

**9. Equalities**

- 9.1 The Business Transformation process includes an Equalities Impact assessment where relevant.

**10. Corporate Priorities**

10. Not applicable.

**Section 3 - Statutory Officer Clearance**

Name: Simon George



Chief Financial Officer

Date: 28 May 2013

Name: Hugh Peart



on behalf of the  
Monitoring Officer

Date: 29 May 2013

## **Section 4 - Contact Details and Background Papers**

**Contact:** Tim Sylvester  
Senior Project Accountant  
**0208-416-8166**

**Background Papers**  
**None**



**REPORT FOR: PERFORMANCE AND  
FINANCE SCRUTINY  
SUB-COMMITTEE**

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<b>Date of Meeting:</b>	18 January 2011
<b>Subject:</b>	Budget Holder Forecasting Compliance
<b>Responsible Officer:</b>	Myfanwy Barrett, Corporate Director Finance
<b>Scrutiny Lead Member area:</b>	Councillor Tony Ferrari (Performance Lead – Corporate Effectiveness and Finance)
<b>Exempt:</b>	No
<b>Enclosures:</b>	None

**Section 1 – Summary and Recommendations**

This report provides the Sub-Committee with a brief update on the performance of revenue budget holders forecasting on SAP.

**FOR INFORMATION**

## **Section 2 – Report**

### **Background**

The Council commissioned a review of Financial Effectiveness in May/June 2008. This was carried out by PWC and funded by the London Collaborative in order to help Harrow improve its financial management.

Part of the implementation of the action plan, was to train 100% of revenue budget holders to monitor their budget and forecast using SAP. Training took place between February and June 2009 and was mandatory. Refresher training was offered in May and June 2010 and each budget holder has a named finance officer who can offer support. A performance measure to ensure that managers were complying with their responsibility to monitor and forecast monthly was introduced, and each directorate Finance Business Partner (FBP) is responsible for monitoring compliance rates. The target is 100%.

Compliance rates have increased substantially from rates below 50% to rates ranging between 70 and 100%. This will vary from month to month and by directorates. It also includes the impact of any budget holder who completes their forecast outside of the required time period for reporting – late forecasts are counted as non compliance. FBPs will always ensure that there is full coverage of all medium and high risk areas. Where there are a smaller number of managers and cost centres then compliance rates will look worse where a small number of managers do not fully comply.

Reporting on compliance levels and the robustness of forecasts is a regular item at all Directorate Management Teams. This means that action can be taken where a manager is failing to comply and is putting the financial position at risk. Where the budget forecast has not been supplied by the budget holder the FBP will take appropriate action to ensure there is sufficient and robust monitoring information so as not to misrepresent the position reported.

### **Current situation**

This Committee has requested what proportion of the budget remains unmonitored as a result of the less than 100% compliance.

The answer is that this will vary, but that the Finance Business Partner will always ensure that monitoring and reporting is comprehensive and robust in that it covers all medium and high risk areas on a continuous basis and will ensure coverage of low risk areas on an interim but regular basis. There are no managers who routinely do not comply. FBPs will always take action where key information has not been provided to ensure that this is included.

The reporting of compliance rates is intended to make transparent where directorates have higher levels of budget holders who have not supplied the forecast and so supports the aim to continuously work towards 100% compliance. Overall compliance rates are high and stable and there is not a



problem of sustained non compliance. However it is still intended that 100% compliance rate should be the target.

The more important measure is robustness, i.e. how reliable the forecast is. This is addressed by the finance officers who support the budget holders who will question and challenge the forecast. The FBP will be the senior manager who reviews this. At the end of the financial year an exercise is carried out to compare the quarterly forecasts with the final outturn position and this is reported to senior management. The Corporate Strategic Board (CSB) examines the monthly position which incorporates the % variation between months and explanations for movement.

### **Financial Implications**

The robustness of the financial forecast is integral to the Council being able to exercise sound financial management.

### **Performance Issues**

Whilst it remains important to measure compliance rates because this is the most efficient and effective way of managing and controlling budgets, measures of robustness are a more crucial indicator.

### **Environmental Impact**

N/A

### **Risk Management Implications**

Yes.

### **Corporate Priorities**

Good financial management supports the achievement of the corporate priorities.

## **Section 3 - Statutory Officer Clearance**

Name: Myfanwy Barrett



Chief Financial Officer

Date: 06 January 2011

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jennifer Hydari – Divisional Director Finance and procurement.

Tel: 0208 424 1393 (internal 2393)

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## Briefing Note:

### SAP issues

9 August 2011

A SAP health check took place on 3 August 2011 with Service Birmingham which was represented by a SAP system support person and an accountant seconded to the team. A number of operational issues were raised covering revenue budgeting, reporting and forecasting, balance sheet reporting and capital accounting and reporting – where Harrow finance staff sought advice from the Service Birmingham Team. These issues are referred to below with recommendations. BCC refers to Birmingham City Council and it is recognised that their advice is based on their own practices which may not always suit Harrow's business needs. The list of issues from Harrow is attached for reference.

The higher level strategic use of SAP needs to be considered as part of what the finance function will look like in the future and how this best meets the needs of the Council.

### Operational issues

#### 1. Drill Down to POs and Transactions

✓ Finance staff feel that the drill down to POs and transactions is poor in terms of what this allows either finance or budget holder to see and that this is often inadequate to allow the user to see what the transaction relates to.

✓ Service Birmingham reply: the drill down is as expected and fit for purpose. However, agree that adequate description is missing.

#### Recommendation:

✓ Require Abap (hard coded) change to system to bring across text being entered at stage PO is raised. Business must remind all PO raisers to supply adequate description.

#### 2. Other users can raise orders or make charges against someone else's budget.

✓ Service Birmingham reply: this is standard procedure in BCC. The budget holder is expected to raise a query where necessary with the source of the charge.

#### Recommendation:

Business decision for Harrow.

#### 3. Profiling

Harrow has not switched on any other profile than 1/12ths, this hinders measuring budget against actual in a meaningful way.

Service Birmingham reply: BCC uses a range of profiles which are discussed in depth

with the budget holder at the start of the year. Actual is measured against profiled budget and the differences are highlighted and explained in conjunction with the budget holder.

**Recommendation:** Harrow to switch on distribution keys so that a suitable profile can be applied. Business decision: cash or accruals profiling.

#### 4. Revenue and capital reports in SAP.

Service Birmingham reply: BCC use BI to design reports. BCC use Funds Management and same report format for revenue and capital.

**Recommendation:** Harrow to review suite of reports and to implement a flexible report writer

1. Transactions. There is no clear drill down to a transaction.
2. KP06 is antiquated and not user friendly. What is best practice?
3. Is there a better system for capital monitoring and forecasting. Fund management? What is best practice?
4. Purchase orders. Again drill down is insufficiently clear.
5. Integration between HR and Financial Ledger.

### **Major Developments**

1. Pension Fund separate legal entity along with separate bank accounts;
2. WLWA separate legal entity along with separate bank accounts; and
3. HRA going forward

### **Capital Accounting**

1. Need to investigate if further transactions can be posted once the project code is settled to an asset.
2. Cannot run depreciation for current year periods until fixed assets are closed for previous year. This distorts the budget monitoring reports. The previous year does not get closed until end of September when the audit is completed.
3. Need to stop amortisation of grant in the system.
4. Residual amount is left at the end of the useful economic life on some of the assets.
5. Amend useful economic life as per the valuation report
6. SORP 2007/08 changes is still outstanding
7. Need to explore the use of sub assets to have an overall view of how much is spent on the asset. This will also enable us to accommodate different useful life of the assets under the component accounting policy.
8. Use of the funding stream to support the monitoring process
9. Use system to calculate MRP which is based using the information in 6 above and the life of the asset.

### **Budget Issues**

1. Virements – The current KP06 screens only allows overwriting the virements which makes it impossible to track the changes and do the reconciliation. Would be ideal via a virement journal with all the features of a journal (e.g. actioned by, approved by, balance to zero, etc.).

### **Other issues**

1. The general ledger allows posting to both capital WBS and Cost centres
2. Report names
3. Drill down
4. ZFI\_grir seems to produce inconsistent data. PO's show up one month but not the next month.
5. User friendly names of the report.

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**REVIEW OF FINANCIAL MANAGEMENT**  
**USING**  
**THE CIPFA FINANCIAL MANAGEMENT MODEL**  
**NEXT STEPS REPORT**

**May 2012**

CIPFA  
3 Robert Street  
London WC 2N 6RL  
**Phone:** 0207 543 5600  
**Email:** [stuart.fair@cipfa.org.uk](mailto:stuart.fair@cipfa.org.uk)

**CIPFA FINANCE ADVISORY**



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## **1. Executive Summary**

- 1.1. In February 2012, Harrow Council commissioned CIPFA to undertake a review of Financial Management. Harrow asked for this review to be undertaken to inform the development of an action plan to improve Financial Management at the Council in order to successfully meet the challenges of fiscal retrenchment.
- 1.2. In order to establish a financial management baseline, provide a comparison with best practice and prioritise financial management improvements, Harrow Council decided to use the CIPFA Financial Management Model as a framework for the review.
- 1.3. Harrow Council, like other organisations in the public sector, is facing a period of significant reductions in spending, and must re-shape the organisation to manage the pressures while maintaining service delivery. It is carrying out a Transformation Programme to identify actions to strengthen its ability to manage within the budget envelope while delivering services that provide Value For Money (VfM). These changes are being introduced against a background in recent years of a number of financial challenges. Harrow needs a robust financial management structure to support this period of change. The CIPFA Financial Management Model fits with that approach.

### **The CIPFA Financial Management Model**

- 1.4. The CIPFA Model is recognised by the Treasury as setting out the fundamentals of best practice financial management within a public sector organisation. The Model uses a scoring system to provide an objective measure of financial management performance including the identification of strengths, weaknesses and areas for improvement. Importantly the review measures the organisation's attitude to Financial Management not just the performance of the Finance Team. Our assessment is based on a mix of evidence obtained through Electronic Survey, Interview and Document Review.
- 1.5. The CIPFA Model is based on 38 Statements of best practice. Each of these Statements is supported by a series of up to 18 questions which both explain the scope of the Statement and help the assessment

### **Strengths and Areas for Further Development**

- 1.6. Our work recognises that Harrow has made progress in the last year though there is more work to do to take the journey to the next level. Although our evidence points to financial management arrangements as being generally sound, there are issues involving accountability and ownership over financial management within the non-finance community. In overall terms we summarise areas where Harrow Council demonstrates relative strength and areas that would benefit from further development. These areas are based upon the best practice statements contained within the CIPFA Model.

### **Strengths**

During the course of our work we were able to identify a good number of relative financial management strengths within the Council:

- § Management of the overall budgetary position in a volatile environment;
- § Pace setting S151 Officer providing valuable challenge and direction for financial improvement;
- § Robust arrangements within the Public Facing Finance Function;
- § Treasury Management arrangements; and
- § Business Partnership framework - direction of travel.

### **Development Areas**

- 1.7. Here we summarise areas within Harrow Council that require strengthening and further development. We have categorised such areas between “Harrow Wide Challenges” and “Core Finance Development”. This differentiation being related to the appropriate sourcing and application of the primary focus of improvement. From this analysis, areas with low scores were explored further to identify underlying issues. Eight areas - some of which are interlinked were identified as follows:-

Number	Area
1	Financial Management Strategy
2	Culture – Ownership/Accountability and VfM
3	Financial Management Competencies for finance and non-finance staff
4	Financial Management Information Systems
5	Finance Function Service Standards and Performance Management
6	Positioning of Finance – Challenge and Added Value
7	Accounting processes
8	Internal Audit

- 1.8. Our high level comments on these headings are outlined below.

## **Harrow Wide Challenges**

### **Financial Management Strategy**

- § Producing a 4 – 5 year Medium Term Financial Plan containing detailed financial data for the first 3 years including longer term scenario planning;
- § Strengthening the linkage between reporting of Target outcomes and related Resource Utilisation/Financial Performance;
- § Building more precision in the alignment of budgets with Business needs; and
- § Strengthening the linkage between Medium Term Financial Planning and Outcome Targets.

### **Culture – Ownership/Accountability and Value for Money**

- § Building universal acceptance of ownership and accountability for budgets amongst Budget Holders and Budget Managers across Harrow;

- § Achieving a consistent approach to the appraisal of Budget Holders re: Resource Management;
- § Introducing monitoring and control measures to identify and promptly address budget behavioural issues such as: optimism bias, overspending avoidance, dramatic year-end fluctuations and unregulated profiling of expenditure;
- § Ensuring managers demonstrate VfM (economy, efficiency and effectiveness) in their decision making for utilising budgets to achieve performance targets;
- § Requiring Budget Holders to demonstrate positive actions taken to secure savings rather than limiting their response to revised budgetary constraints by recalibrating the level of activity and re-profiling delivery;
- § Creating Budgets based on a full understanding of cost drivers and costs across Harrow; and
- § Challenging Budget Holders transparently and consistently to deliver VFM.

### **Financial Management Competences for finance and non-finance staff**

- § Developing and implementing formal and comprehensive financial management competency framework for finance and non-finance staff;
- § Taking action at Corporate Leadership Group level to demonstrate support for the importance of financial management skills and build recognition of that importance amongst Budget Holders and their staff;
- § Building statements of required financial competencies into all job descriptions for finance and non-finance staff and obtain evidence of testing of these competencies during the selection process;
- § Developing/updating the appraisal process to ensure staff include financial management objective(s) in annual statement of objectives, appraisal against objectives is evidenced during the year, and incentives and penalties for failure to meet objectives are contained in Finance Regulations/HR Procedures;
- § Assessing extent of variation in current levels of financial management competency of operational staff against level of competency required;
- § Identifying Financial Management competence gaps and dealing with these on a timely basis;
- § Prioritising actions to identify and address key skill gaps to provide increasingly critical value added activities; and
- § Developing and implement a cohesive training programme for non-finance staff.

### **Financial Management Information Systems**

- § Producing a standard suite of Reports
- § Appraising options and taking action to reduce the current significant level of manual manipulation of base data required for reporting;
- § Improving quality of in year information for forecasting purposes;
- § Leading integration programme with other systems;
- § Introducing consolidated real time information – complete picture currently difficult to achieve quickly; and
- § Taking steps to help managers make much better use of the SAP system to reduce undue reliance on Finance staff.

## **Core Finance Development**

- 1.9. In the context of Harrow's stated aspiration to provide a first class financial service we consider the following development areas are crucial to take forward:

### **Finance Function Service Standards & Performance Management**

- § Introducing formal Service Standards for agreement with internal customers;
- § Implementing formal Performance Monitoring of the Finance function with internal customers;
- § Utilising Service Standards as valuable benchmarks to gain deeper understanding of cost drivers and their sensitivities to demand;
- § Improving clarity of statement of roles and responsibilities; and
- § Actively use statement of roles and responsibilities to regulate relationship between Finance and Non-Finance Community.

### **Positioning of Finance – Challenge and Added Value**

- § Identifying key drivers on Finance Team in supporting Budget Holders and take actions to reinforce roles and responsibilities of Budget Holders and reduce over-reliance;
- § Appraise extent of Finance staff time tied up in reshaping existing data (e.g. using Excel spreadsheets) and providing reactive tactical short term financial solutions, identifying options to address this constraint on Finance;
- § Reducing finance staff focus on detailed work to provide added value financial support such as Financial strategy/Affordability/Business case modelling;
- § Taking steps to strengthen influencing and negotiation skills of Finance staff to address perception that they cannot provide value added input to policy or development issues
- § Assessing, and where appropriate addressing, capacity of Finance to meet concerns that they are able go beyond 'number crunching' ;
- § Introducing a programme of career and skill development for the core Finance Team to address lack of experience of innovative business models and new ways of working that is currently limiting their capacity to contribute towards Transformational change;
- § Uprating skills and expertise of permanent staff to reduce reliance on interim staff and associated issues of lack of continuity;
- § Restructuring may offer opportunities to rebalance the existing skill set with current requirements; and
- § Ensuring recruitment process is cross referenced to competency framework (when developed) and require evidence that recruited staff meet required experience and skills.

### **Accounting Processes**

- § Implementing more stringent regime of regular monitoring of reconciliations of accounts

## Internal Audit

- § Ensuring Internal Audit has access to adequate resources and suitably qualified staff:-
  - Head of Internal Audit is professionally qualified
  - Providing CCAB qualified resource(s) to assess key Financial Systems
  - Obtaining additional resources to address issues arising from changes in Finance and introduction of new ways of working
- § Strengthening the status and robustness of the Internal Audit Plan in line with best practice by:-
  - Clarifying within the Plan itself, the risk based foundation methodology underpinning the creation and management of the Internal Audit plan within the plan
  - Including a statement of skills required/reconciliation of audit time to proposed audit tasks within the plan
- § Identifying areas where compliance with recommendations are variable and raise non-compliance as part of the appraisal process

## Recommendations for Improvement

- 1.10. The aim of this review is to help improve financial management in Harrow, so we plan to work with management to develop a Schedule of Improvements to respond to the relevant improvement areas . To facilitate this we attach at Appendix 1 - a framework Schedule of Improvements into which the detailed activities can be mapped. Additional resources and investment will be required to take forward the necessary changes to successfully implement Financial Services’ restructuring. Resources will also be needed to ensure that the Improvements/Action Plan is implemented. In this respect Harrow Council would require to set aside sufficient resources to enable this critical work to be completed.
- 1.11. The development steps identified represent quite a demanding improvement programme both within finance and more broadly. Additional resources and investment will be required to take forward the necessary changes to successfully implement Financial Services’ restructuring. A pre-requisite of success is that staff will need to be involved and take ownership of the process.

## Conclusion

- 1.12. We consider Harrow Council has recovered well from a number of financial difficulties in recent years including an overspend on the 2010 Capital Programme and a low level of usable Reserves from 2006-07. In many areas of Financial Management the direction of travel is now the right one - within Financial Management operations the Business Partnering approach is working particularly well and there are some obvious technical strengths within the core Finance Function – indeed, our evidence points to a hard-working and competent core Finance Function being in place although a rebalancing of strengths may improve the service through restructuring.
- 1.13. Whilst solid progress has been made within financial management in the last year there is much more to do. Although our evidence points to the financial management arrangements

being generally sound there are issues involving accountability and ownership over financial management within the non-finance community. This latter issue may have a negative impact on financial management capability and decision making at a time when Harrow is seeking to address the impact of significant fiscal retrenchment. There is also a specific need to further embed VfM within the prevailing culture for Harrow to continue to meet the demands of doing more for less. In practice, it is yet to fully embrace the more advanced styles of financial management that will help it meet such challenges. However, given the level of ambition that has been set by the Chief Executive and the self- challenging and continuous improvement culture so evident within the organisation, we are confident that Harrow can successfully meet these challenges.

## 2. Introduction

### Understanding the Council

- 2.1 Harrow is one of the 32 London Boroughs and is situated in North West London. There are 21 wards and 63 Councillors. In the 2010 election the Administration changed from Conservative to Labour.
- 2.2 Harrow has a growing population, estimated as 230,100 representing a 9.6 per cent growth since 2009, and a changing demographic profile. Harrow's population is one of the most diverse in the country, ranked in 2009 as being the fourth highest local authority area in England, with ethnic minorities representing approximately 53 per cent of the population
- 2.3 A wide range of local services are provided by Harrow, though excluding services provided London-wide by the Greater London Authority, such as Police and Transport. Harrow Council is currently undergoing re-structuring, and in the future will be organised in a way that reflects the complexity of the services that it is responsible for and the number of bodies involved in delivering those services. The review was conducted during a period of organisation service change and the following Service Directorates are now managing local service provision in 4 key areas:-
- § Children and Families services;
  - § Community, Health and Wellbeing;
  - § Environment and Enterprise; and
  - § Resources.
- 2.4 The Harrow Board is led by the Chief Executive, the Corporate Directors of the 4 Service areas and the Assistant Chief Executive. The Chief Finance Officer at Harrow, currently recruited on an 18 Month contract, is also the s151 Officer under the Local Government Act 1972, and is the Corporate Director of Resources, and is currently a member of the Corporate Strategic Board - CSB.
- 2.5 The cost of key services for 2010-11 provides an idea of the different levels of activity in the Council and is summarised below<sup>1</sup>:-

	Gross Expenditure £000	Gross Income £000	2010-11 Net Expenditure £000
<b>Continuing services:</b>			
Central Services	25,087	(23,460)	1,627
Cultural, Environmental and Planning Services	46,536	(9,202)	37,334
Children's & Education Services	341,710	(204,710)	137,009
Highways, Roads and Transport Services	31,793	(13,791)	18,002
Housing Services HRA	145,062	(25,690)	119,372
Housing Services General Fund	139,569	(127,049)	12,520

<sup>1</sup> Harrow Council 2010-11 Comprehensive Income and Expenditure Statement

Adult Social Care	83,254	(20,216)	63,038
Corporate & Democratic Core costs	11,777	(1,253)	10,524
Non-distributed costs	(68,249)	(114)	(68,363)
<b>NET COST OF SERVICES</b>	<b>756,539</b>	<b>(425,476)</b>	<b>331,063</b>

2.6 In February 2012 the Council took the decision to freeze the Council tax for the second year running. Harrow Council received a Government grant in 2011 equivalent to the value of a 2.5 per cent rise in Council Tax (based on 2011-12) to be able to make this decision. This grant will be paid each year until 2015. For 2012-13 the Government again provided a grant, but only for one year.

2.7 The decision to freeze the Council Tax for a second year will result in an erosion of Harrow's income base. Harrow estimate that by the time the Grant for 2012-13 runs out, there are likely to be gaps in the Council's funding of:-

§	2013-14	£6.7m
§	2014-15	£4.3m

2.8 Such gaps are not only influenced by Council Tax but also the outstanding gaps in the Council's Medium Term Financial Plan (MTFP).

2.9 During the current financial year Harrow will continue to focus on identifying ways to increase the efficiency with which it can provide services, and on reducing costs. As part of that approach the Council will continue to develop its approach to commissioning services to identify organisations that are best placed to deliver. This move is likely to introduce new working relationships with a range of different partners.

2.10 For 2012-2013 the Council's revised revenue budget is £173.1m. In 2010/11 the Council underspent on its budget by £3.3m. The third quarter budget monitoring report for 2011-12 showed an under-spend of £0.190m. There was a perceived risk that this position would deteriorate, so Harrow had a Protocol in place to ensure that the budget is delivered in year, and to enable an under-spend (2011/12) to meet current year( 2012/13) and future redundancy costs.

2.11 The Council implemented a 3 year savings programme 'Better Deal for Residents: Shaping Harrow for the Future' aiming to position the Council as a more efficient and effective organisation that can live within its means. Phase 2 of that Transformational Programme identified £31.4m of savings.

2.12 In the period 2007-08 to 2009-10, savings actually totalled £38m. In the previous year's Medium Term Financial Strategy (MTFS) the Council identified £19m of savings for 2011-12, with a further £12.3m for future years. Over the three years of the 2012-13 MTFS now proposed, the Council identified an additional £18.6m of savings. Achieving savings on this scale is considered challenging because:-

- § Harrow is considered a relatively low spending, high performing, low grant Council;
- § Large parts of the budget are outside the Council's direct control;



- § Considerable savings have been made in previous years making it increasingly difficult to identify new areas for efficiencies and reductions;
  - § Demand for services and expectations from Central Government are growing and government reforms on other services may impact significantly on the Council;
  - § The Local Government Settlement entails significant reductions in funding.
- 2.13 Externalities also exert pressures on the budget, for example: the number of benefit claimants increased from 16,600 to 20,400 from April 2008 to date, an increase of 23%; and demographic changes are leading to an increase in demand for services for the elderly. Inflation is running at approximately 4.8%.
- 2.14 Harrow Council's stated aspiration is to be "a high-performing, low cost Council". In support of this aspiration, the Council is currently embarking on a thorough review of all of its services. A number of different options for service delivery are being pursued, and are set out in the 2012-13 budget and in the Corporate Plan:-
- § Sharing and collaborating with other boroughs and other partners;
  - § Exploring alternative ways to deliver services;
  - § Designing services so that they are more targeted;
  - § Continuing to make access to services more convenient for customers;
  - § Adopting a more commercial approach to Council business ;and
  - § Harnessing the opportunities for future investment and regeneration in the Borough.
- 2.15 Examples of specific options include service sharing with other London Boroughs such as the West London Alliance, and a joint venture with the NHS. The proposals form the programme of activity for a second phase of transformation. Further options have been identified, not included in the Budget, and are being actively explored. The 2012-13 Budget is balanced.
- 2.16 We believe that financial management across the public sector currently presents a huge challenge. This is partly because of the range of different activities, each of which will have their own pressures and risks. However, it is also because of the inevitable pressure on central government funding and limitations on local tax raising freedom.
- 2.17 The Current Harrow Administration priorities are set out in the Corporate Plan for 2012-13:-
- § Keeping neighbourhoods clean, green and safe;
  - § Supporting and protecting people who are most in need;
  - § United and involved communities: a Council that listens and leads; and
  - § Supporting our town centre, our local shopping centres and businesses.
- 2.18 In 2011 the Municipal Journal awarded Harrow Best Achieving Council in the Country status.

### 3. Key Findings

- 3.1 This Section outlines our Key Findings and supports the Action Plan at Appendix 1. It is anticipated that Harrow Council may address some of the issues raised, as appropriate within plans for the continuing development of Financial Management within the organisation.

#### Structure of the Model

- 3.2 The 38 statements in the CIPFA Model are organised in a matrix of Financial Management Styles and Dimensions.
- 3.3 The styles of financial management are intended to be progressive, with a general expectation that organisations are likely to firstly establish the building blocks of control and adherence to regulations through the “Securing Stewardship” style. This leads on to financial management contributing towards “Supporting Performance” by assisting decision-making and supporting the delivery of organisational objectives. “Enabling Transformation” would then be likely to represent the next stage, with financial management supporting the change agenda, innovation and re-engineering of systems and processes, where appropriate.
- 3.4 The Dimensions reflect the different elements that need to be combined to ensure effective Financial Management and comprise Leadership, People, Processes and Stakeholders. Further details of the CIPFA Model are shown in Appendix 2.

#### Applying the CIPFA Financial Model

- 3.5 In applying the CIPFA Model we have gathered evidence from three main sources:-
- § Electronic survey of staff;
  - § Interviews; and
  - § Document Review.
- 3.6 Information from these different sources has been brought together to give an assessment for each of the best practice Statements relevant to the Department. Further details of the methodology used are shown in Appendix 3.

#### Summary of CIPFA Financial Model Scores

- 3.7 The matrix below summarises CIPFA Finance Advisory’s assessment of Harrow’s Financial Management arrangements against the best practice CIPFA Financial Management Model, with each area being awarded a score from 0-4 which is converted to a RAG rating. In terms of high level representation we have used a “traffic light” approach as follows:-

Colour	Score
Red	0.0 – 1.9
Amber	2.0 – 2.9
Green	3.0 – 4.0

- 3.8 It should be noted that this represents CIPFA Finance Advisory’s independent view, taking into account the Interviews, Document Review and Electronic Survey. The matrix is based upon CIPFA Finance Advisory’s scores for each statement converted to a RAG Rating, which are summarised in this section. It would be our view that a comparative assessment of scoring with other public bodies would be unhelpful at this stage due to the differing range of operating environments and complexities involved.

#### Best Practice Matrix

- 3.9 Using the matrix, the key findings of the review can be summarised across the 3 financial management styles and 4 management dimensions as follows:-

**Table 4 – Actual Scoring – Best Practice Matrix**

Financial Management Styles	Management Dimensions			
	Leadership	People	Processes	Stakeholders
Securing Stewardship	Amber	Amber	Amber	Green
Supporting Performance	Amber	Red	Amber	Amber
Enabling Transformation	Red	Red	Red	Amber

#### Styles of Financial Management

- 3.10 The results show that, for Harrow, “Securing Stewardship” is clearly the strongest financial management style with the best (or equal best) scores in all cases. This is as you would expect for a well-established organisation such as Harrow which operates in a sector that is heavily regulated. It demonstrates that the building blocks for sound financial management are already in place, such as governance, financial reporting and probity/propriety. This financial management style also reflects the more traditional role of financial management and is one that is generally strongest.

- 3.11 The scores for “Supporting Performance” and “Enabling Transformation” are both lower in total than “Securing Stewardship”. The pattern of scoring reflects the progressive nature of the financial management styles, whereby Harrow still has work to do in areas of VfM, and financial management competencies throughout the operational parts of the organisation. We recognise that it is difficult to make the transition from Stewardship to Transformation, while at the same maintaining the strength of Stewardship, as the very attributes that deliver such strength in governance issues can act as inhibitors to Transformation in some cases.

### Management Dimensions

- 3.12 From the best practice matrix, the “Stakeholder” Dimension is clearly the strongest, illustrating the outward focus of the Council on transparency and service to its “customers”, as well as a very balanced performance on financial management. The scores for “Processes” and “Leadership” Dimensions score equally. As is frequently the case however, in the organisations we review, the “People” Dimension was found to be the weakest of the management dimensions. We expand on the reasons for these scores below.

### Leadership Management Dimension

<b>Stewardship</b>	<b>L1</b>	The organisation has an effective framework of financial accountability that is clearly understood and applied throughout, from the <i>Board</i> through executive and non-executive directors to front line service <i>Managers</i> .	
	<b>L2</b>	The organisation’s leadership allocates resources to different activities in order to achieve its objectives and monitors the organisation’s financial and activity performance.	

- 3.13 At a high level the main components of an effective framework of financial management for this Statement at the stewardship level, are met by the overall framework for corporate governance, including financial accountability, which is set out in the Council’s Constitution, as is the case for all local authorities. Not all staff are convinced that individuals actually use this guidance in their day to day work or know where it can be found. In addition not all staff believe that the spirit of the “One Council” initiative, to encourage greater consistency across Harrow, is being followed equally by all Directorates.
- 3.14 The Governance, Audit and Risk Management Committee (GARM) comprising elected Members, regularly receives reports on Audit (both Internal Audit and External Audit), Risk, Insurance, and Treasury Management. The Committee monitor the extent of the implementation of both internal and external audit recommendations, and thus overall acts to provide assurance on the financial and accounting systems.
- 3.15 A key question that supports the first statement in the model is as follows - *“Is the Chief Financial Officer a member of the Leadership Team, reporting directly to the Chief Executive and with direct access to the Council and Audit Committee”*. At Harrow the current Section 151 Officer, also the Corporate Director of Resources, is a qualified accountant and a full member of the Corporate Strategic Board (CSB) giving finance a voice at the “top table” and clearly meeting best practice standards.

- 3.16 A report is presented to Harrow Council in February each year as part of the approval process for the Annual Budget. The report includes a Corporate Plan for 2012-13, and a Medium Term Financial Strategy (MTFS) (both approved in February 2012) supporting financial planning for the period 2012 to 2013, and beyond to 2014-15. Harrow will need to improve its linkage between performance and the financial position. Additionally in our opinion the Corporate Plan does not represent a Medium Term Plan, does not contain sufficient financial detail for the 3 years, and does not accord with commonly regarded best practice sense of 4 – 5 years Medium Term Plan.
- 3.17 A new regime is operating to encourage Directorates to examine spend against budget and to improve their forecasting and control. This position is not necessarily uniformly reflected across the Service Directorates. We received evidence that monthly reconciliations of expenditure, part of the monitoring process, are not being fully carried out in accordance with internal procedures thus potentially diluting overall control on spend and importing an element of risk.
- 3.18 Processes exist to adjust budgets in year. Decisions to change resources allocations during the year are not always explained to staff. The Corporate Plan aims to demonstrate strategic resources allocation to meet the Council's aims and objectives. Many staff however do not agree that the Corporate Plan demonstrates this adequately. Given that for the budget is largely based on historical figures, we feel it is unlikely that the Medium Term Financial Strategy can fully reflect realistic estimates of funding for defined levels of service to meet demand and strategic objectives.

<b>Performance</b>	<b>L3</b>	The organisation integrates its business and financial planning so that it aligns resources to meet current and future business objectives and priorities. Performance management is conducted through measures of service delivery and clear understanding of the costs incurred.	
	<b>L4</b>	The organisation has a developed financial management strategy to underpin long term financial health.	
	<b>L5</b>	The organisation uses financial management expertise in its strategic decision-making and its performance management based on an appraisal of the financial environment and cost drivers.	

- 3.19 Scores in relation to strategic financial planning are largely linked to preparing the strategic Corporate Plan and Medium Term Financial Strategy. Harrow applies criteria for reviewing and justifying its activities, including the impact on people most in need, the risks involved and alternative agents of delivery.
- 3.20 Harrow recently introduced a Lean initiative to identify savings. Applying Lean does not necessarily by itself lead to a deeper understanding of underlying service delivery costs. Some Directorates, such as the former Adults & Housing, do carry out extensive reviews of the impact of key external cost drivers. Some areas in Harrow link outputs and outcomes with costs; for other areas the link is not so clear. Without a deep understanding of costs in all areas of the organisation clearly linked to performance, it is difficult to give a view on the implications of policy choices, for example for variations in demand or provision, on expenditure.

- 3.22 Reports from various stakeholder consultative forums feed the information in the Corporate Plan. The extent to which there is collaboration with delivery partners is less clear. Integrated reporting should bring information on financial performance, activity levels, outcomes and risk together.
- 3.23 Statement L4 seeks to address the issue of financial management strategy over the medium to long term, through the actions of management and the development of appropriate policies. The commitment of senior management to the financial strategy is indicated by the degree of involvement in setting up the MTFS and the degree of monitoring which takes place. In terms of policies, the Financial Regulations provide the management responsibilities, while Accounting policies are largely set for the whole of Local Government and there is little flexibility here.
- 3.24 The Council needs to maintain an overview of the consistency of application of these policies, and that compliance is monitored. We found inconsistent approaches to preparation and monitoring of budgets.
- 3.25 Finance Staff are involved in their business area's strategic planning and decision reporting. We believe that Finance Staff have the skills and expertise to make the important financial contribution necessary to strategic decision making. What is less clear is the extent to which these skills are actually used. Our evidence suggests that Finance Business Partners should be more involved in developing plans for new policy areas.
- 3.26 To some extent the issue is cultural, and dictated on one side by the views of some managers concerning the lack of communication skills and business knowledge of finance staff, and, on the other, by the views of finance staff regarding the lack of financial knowledge amongst managers. We find this situation replicated in other similar organisations.
- 3.27 There is evidence of a lack of uniformity across service areas in getting to grips with costing and other financial management information. Some managers clearly value the advice and challenge that Finance bring, so that they understand the financial implications and VfM of policy options; others are not so convinced.

<b>Transformation</b>	<b>L6</b>	The organisation develops and manages employees pay and benefits strategically.	
	<b>L7</b>	The organisation's leadership integrates financial management into its strategies to meet future business needs. Its financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.	

- 3.28 Employee costs make up the largest single component of cost within some public sector organisations. In relation to the statements about the strategic management of employee costs, Harrow, like other local government organisations, is constrained by prevailing terms and conditions of employment, and management flexibility is limited.

- 3.29 Harrow's workforce strategy outlines current staffing profiles which pose future challenges. The Workforce Strategy does not include supporting financial analysis. Until the implications of transformation projects are more fully analysed and understood in terms of staff numbers, overall staff profile, together with the costs required to fund the proposed structure, the link between remuneration and strategic planning is not clear.
- 3.30 On integration of financial management into strategies to meet future business needs, our evidence indicates a mixed performance at Harrow. Some staff seem to doubt that some senior managers fully understand the implications of some of the changes being introduced.
- 3.31 Discussions of future demands for services and how they may change are driving Harrow's examination of various partnering initiatives with other Local Authorities, which may change the way services are obtained for Harrow citizens. Harrow is exploring the potential for new technology to introduce efficiencies.

### People Management Dimension

- 3.32 The People dimension traditionally scores lowest of the four management dimensions in the typical CIPFA Financial Model Assessment exercise and at Harrow Council there was to be no exception to this trend.

<b>Stewardship</b>	<b>P1</b>	The organisation identifies its need for financial competencies and puts arrangements in place to meet them.	
	<b>P2</b>	The organisation has access to sufficient financial skills to meet its business needs.	

- 3.33 This statement deals primarily with the general need that organisations have for financial skills at all levels. Many public bodies now formalise this need through a competency framework, defining the integrated knowledge, skills, judgment, and attributes that individuals need to perform a job effectively. A financial management competency framework is not currently in operation at Harrow.
- 3.34 In other organisations we have looked at, competency frameworks have been influential in raising the profile of financial management requirements and establishing that financial management skills are part of the core requirements for all managerial posts. Indeed, these skills are essential if Budget Holders/Managers are to fulfil their accountability responsibilities. A competency framework needs to be developed which extends through Budget Holders and Budget Managers throughout the organisation. It is extremely difficult to identify skill gaps and training needs. Our evidence pointed to gaps in training of some non-finance staff, and the need for further refresher training on a range of financial management issues. This is a somewhat disappointing finding against the background of training for managers in Budget Holders' roles and responsibilities in 2009.
- 3.35 Our work suggests that Harrow has a capable core Finance Team that has significant levels of experience and technical skills - some team members having substantial length of service within Finance at Harrow. There needs to be been a fundamental review of training needs,

career development plans and a competency framework for financial staff currently in place. In our opinion this places Harrow in a weak position. Without thoroughly understanding the competencies that exist, the willingness for staff to develop and grow, and the corresponding opportunities to support such growth Harrow will find it difficult to respond quickly and appropriately to new situations.

- 3.36 The ability to provide professional challenge to the financial implications of operational decision making is critical in providing optimal financial management support. This includes the 'added value' finance services of forecasting, project appraisals, business plans, cost-benefit analysis and VfM. Due to the level of dependency that exists, with time spent on transaction processing and budget management, we do not believe that the Finance Team can achieve that.
- 3.37 A key feature of this dependency is that many Budget Managers appear to place heavy reliance on the finance function through the Business Partnering Model, to manage their budgets for them. This level of dependency is not, in our view, appropriate and reduces the ability of the finance function to provide those added value services. Further work is required to rebalance the relationship.
- 3.38 From our evidence, Budget Managers firmly believe that core Finance Staff have appropriate skills to support them in financial matters. However our evidence also shows that Finance Staff believe the financial competencies of existing Budget Managers (to enable cost effective delivery) are only partly sufficient for this role.
- 3.39 The Harrow 'Workforce Strategy' does not specifically address the finance community, but does contain general objectives to attract good recruits. Specific job roles such as Treasury Management and Procurement require defined financial expertise and knowledge, and in Harrow such roles are filled by appropriately professionally trained and experienced staff, albeit in some cases interim staff. We have some concerns about the length of time some staff in Finance remain in one post without skill refreshment. Without staff enrichment programmes, skills can become stale.
- 3.40 A Training scheme or defined career pathway for Finance and Accounts staff within Harrow needs to be developed. Staff believe that there is an absence of central training budgets to update staff and reinforce processes. Continuing Professional Development is driven by individuals' need to meet professional body requirements rather than by the Council's recognition of the value of such activity.
- 3.41 Our interviews suggest that some staff will welcome the opportunity, and have the capacity, to uprate skills and expertise while restructuring offers the possibility of an alternative route to strengthening the skill set to meets the requirements that will allow Harrow to develop a transformational capability.
- 3.42 Our evidence indicates that CCAB qualified Finance staff generally demonstrate the necessary technical finance skills to do their job, though we are not so convinced about staff carrying out a more basic Accounting role. Staff in core Finance functions are judged by contributors as promoting financial policies and procedures to Managers. Our evidence suggests that compliance with policies and procedures varies across the Service Directorates.



<b>Performance</b>	<b>P3</b>	Managers understand they are responsible for delivering services cost effectively and are held accountable for doing so.	
	<b>P4</b>	Finance staff analyse financial issues and contribute interpretation, insight, advice, options, expertise and solutions to support decision makers and <i>Managers</i> .	

- 3.42 One of the questions in the Model asks whether all managers are held to account for performance and financial outcomes with meaningful consequences for their appraisal.
- 3.43 Our evidence would suggest that managers are aware of the general need for accountability, and to demonstrate VfM from their actions, although the degree of actual accountability demonstrated is somewhat less than this awareness would suggest. There is no clear mechanism which requires managers to fully account for delivering their services in such a way. Harrow needs to build accountability and ownership of Budget Managers – particularly at lower levels.
- 3.44 For Service Directors and their Budget Managers we found that the main focus was on the delivery of operational targets but, within that, there was a need to avoid budget over-spends or significant under-spends. Harrow introduced a Business Partnering approach whereby individual named Finance individuals are partnered with a specific Service Directorate. In theory this should allow the Business Partners to focus on challenge, interpretation of data and advice. Finance Business Partners build their knowledge and understanding of a specific Service business to provide tailored advice and challenge to respond more specifically to the Directorate needs.
- 3.45 In reality Finance Staff believe they spend a significant proportion of their time “hand holding” some budget managers in terms of developing forecasts and carrying out relatively straightforward tasks, rather than being free to focus on interpretation and advice. Problems with SAP exacerbate the situation.
- 3.46 Despite improvements arising from Business Partnering, evidence suggests that traditional budget behaviours still exist, with Budget Holders/Managers comfortable with spending up to their respective budget limits in the belief that unspent resources will be lost. If not tackled, such sub optimal budget behaviours will inevitably produce poor decisions, optimism bias, overspending avoidance, and unregulated profiling of expenditure. We believe that variations in the level of ownership and accountability for effective Harrow wide financial management are directly related to these weaknesses. The lack of real consequences for poor financial management performance within the appraisal process is, in our considered opinion, a key factor that can inhibit “good” budget behaviours.
- 3.47 It is a basic function of finance staff to support managers by providing a proactive challenge in the decision making process. If this is carried out effectively a culture can develop where managers will have a sense of VfM, and challenge decisions and assumptions themselves. Holding managers to account for VfM and the positioning of the finance function are equally critical in this regard. In this respect, clear communication, guidance, training and ownership

are key to success. Such a change requires a cultural shift which needs to be driven from the top down.

<b>Transformation</b>	<b>P5</b>	Financial literacy is diffused throughout the organisation so that decision takers understand and manage the financial implications of their decisions.	
	<b>P6</b>	The organisation develops and sustains its financial management capacity to help shape and support its transformational programme.	

- 3.48 Reports to the Council/Committees contain significant amounts of detailed performance information, though the level of detail of financial information is much less pronounced and sometimes falls short of what we see in other organisations. Staff generally believe that outside of Finance and the specialist roles, financial management literacy is fairly limited.
- 3.49 Sustaining the culture of financial awareness is important, but has to be done alongside many other things. One way of embedding financial awareness is through regular briefings of the senior Directors and Members on emerging financial issues which should be reflected in strategic planning. We would expect that such briefings need more robust financial analysis.
- 3.50 When Managers and Finance staff work closely together at all levels, financial awareness improves. Our evidence is suggestive of a good working relationship in some areas of Harrow, though we found a significant variation across the organisation in how Managers and Finance work together. There seems to be some sharply divided opinion amongst some specific individuals in both “camps”. This strongly suggests that there are some specific silos of behavioural activity which will need to be addressed – we understand that Harrow is trying to address this issue.
- 3.51 The Statements here move to the transformation level, and here the role for finance staff is quite outward looking - from the finance function but also from the organisation itself to gather best practice.
- 3.52 Questions here address whether Finance has developed rounder, more commercial expertise, and appropriate commercial acumen and negotiating skills. We found that many staff in Finance generally had been in Harrow for some considerable time, and that although some had moved around the organisation their experience was quite narrow; individuals tended to stick in one spot, perhaps longer than in other similar organisations. Commercial skills are not particularly in evidence.
- 3.53 We found that there are some frameworks for Harrow to learn best practice and to share it but there is more that could be done in this respect. And in order to sustain learning and best practice the Finance function itself needs to be adapted and shaped to meet new challenges.
- 3.54 Whilst the Finance core function has capability and performs well it is, in our opinion, not presently well placed to drive transformational change. We believe that Financial Management has still some way to go in this respect and, in particular, to improve their added value in delivering the above objectives beyond the basic monitoring and overall strategic roles currently undertaken. We are of the considered opinion that the Finance Function is

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eminently capable of making this transition but is hindered in so doing by capacity issues as well as the undue reliance placed upon it by the non-finance community. This reliance limits their ability to deliver higher level adding value activities that will be critical to the Department's ability to meet the change agenda ahead. In essence, given the level of support and dependency we believe that the Finance Function is precluded from fully supporting and driving transformational change.

### Processes Management Dimension

<b>Stewardship</b>	<b>PR1</b>	The organisation identifies and manages its significant business risks. The organisation is risk aware rather than risk averse.	
	<b>PR2</b>	The organisation has arrangements in place to maintain an effective system of internal control.	
	<b>PR3</b>	The organisation operates proper and effective internal audit.	
	<b>PR4</b>	The organisation operates and maintains accurate, timely and efficient transactional financial services (e.g. creditor payments, income collection, payroll, and pensions' administration).	
	<b>PR5</b>	The organisation's treasury management is risk based. It manages its investments and cash flows, its banking, money market and capital market transactions, to control the risks associated with these activities effectively; and pursue optimum performance consistent with these risks.	
	<b>PR6</b>	The organisation operates financial information systems that meet users' needs.	
	<b>PR7</b>	The organisation's financial accounting and reporting meet professional and regulatory standards.	
	<b>PR8</b>	Budgets are robustly calculated.	
	<b>PR9</b>	The organisation actively manages budgets, with monitoring and forecasting that is insightful, ensures 'no surprises' and leads to responsive action.	
	<b>PR10</b>	The organisation maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action.	
	<b>PR11</b>	Collaborative arrangements to deliver services are accountable for their funding and service performance.	

3.55 For the Stewardship style of financial management, the score combines eleven individual statements dealing with the more basic requirements for financial management. Here the main contributors to a good score overall are areas that are heavily prescribed for the sector as a whole. These include financial accounting and reporting, and the fixed assets that the latter disclose.

3.56 Cabinet, acting in conjunction with GARM Committee, and the Lead Member are responsible for the agreement and approval of risk management policies and plans and have ultimate responsibility for it. In accordance with best practice, this committee is made up mostly of non-executive board members. The Risk Management Strategy includes the detailed responsibilities of managers with respect to Risk. An annual Risk Appetite Statement is produced separately, prepared in line with best professional practice in corporate governance

as reviewed by the Financial Reporting Council [FRC] further to the requirements of the UK Corporate Governance Code [2010]. While all the basic components of risk management seemed to be in place, we found that risk management itself did not seem to be well embedded and with more to do perhaps in the form of refresher training or similar.

- 3.57 Harrow Council sets out in its Statement on Internal Control (included in the annual accounts) the elements of its risk and control framework and the steps that it takes to ensure its effectiveness. The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government*'. Responsibility for assisting the authority in developing an appropriate overall control environment and effective internal controls lies with the Corporate Director of Resources and the Assistant Chief Executive.
- 3.58 Underpinning the process to ensure effectiveness is the work of Internal Audit on key controls and Annual Assurance Statements. Senior management self-assess their governance arrangements annually as part of the Management Assurance exercise, as an indication of how well staff implemented the Council's policies and procedures during the financial year. The 2010-11 Management Assurance exercise confirmed that 77% of the areas of assurance covered by the process were working well across the Council.
- 3.59 An important question supporting the statement 'the organisation operates proper and effective internal audit' includes the question – "Does internal audit have adequate resources and suitably qualified staff including a professionally qualified Head of Internal Audit, and skills in IT and contract audit, to deliver its work programme." Our evidence challenges an affirmative position on most of these requirements, essentially the Head of Internal Audit, is not professionally qualified; the Internal Audit of key financial systems are being carried out by Auditors who have not been professionally trained in accounting although we have been advised that such staff possess extensive external experience. We also had some difficulty in securing assurance on the strength of the assessment of Risk Scoring that should be fundamental to Internal Audit Planning. On organisational impact we understand that the Internal Audit Team is well regarded within the organisation with Team Members having significant operational experience.
- 3.60 Effective control is also achieved through accessible, up to date, effective guidance and policies that Staff can refer to regularly. We found that access to items such as the Financial Regulations, and manuals or guidance for using the financial system (SAP) was not sufficiently clear. The latter point is particularly unhelpful given the level of complaints about SAP.
- 3.61 Harrow's strength in this area is in demonstrating that it is able to manage the overall budgetary position in a volatile environment, while at a lower level work is still required to consolidate actions taken to strengthen budget ownership and accountability.

Performance	PR12	The organisation's medium-term financial planning process underpins its strategic priorities.	
	PR13	The organisation systematically pursues opportunities to reduce costs and improve value for money in its operations.	

	<b>PR14</b>	The organisation systematically pursues opportunities for improved value for money and cost savings through its procurement and commissioning.	
	<b>PR15</b>	The organisation pursues value for money through active management of its fixed assets.	
	<b>PR16</b>	The organisation works with other bodies to drive better service performance and/or reduce costs.	

- 3.61 For the Performance style of Process financial management, there are five statements with a broad theme of VfM. Scores here are remarkably consistent, and similar to those of other organisations.
- 3.62 Statement PR12 builds upon the issues dealt with at L2 and PR8.
- 3.63 The 2012-13 Corporate Plan and MTFs are mentioned earlier in this Section of this report; here it is appropriate to comment on the content of the Budget report as an aid to planning. The Report to Cabinet includes a brief resume of some of the likely changes in key cost drivers such as demand for Adult services, to provide a backdrop for the following statement of the Council Tax strategy and the implications for Harrow. We are pleased to see the link with the Corporate Plan through the statement of Council Priorities here.
- 3.64 The MTFs provides a summary budget statement for the three years from 2012-13 to 2014-15. In our opinion the financial detail provided to support the Corporate Plan should be more detailed. It is our opinion that 3 years is too short a period for such a plan, and a longer period would give confidence and help in planning by partners and other stakeholders.
- 3.65 The scenario outlined by the Budget report is clearly challenging for the Council, particularly as it prides itself on being a caring authority. A balanced budget for 2012/13 has been achieved though obviously after some considerable discussion and quite close to the required deadline. It is unlikely however that this scenario will ease in the short term, and some hard decisions will need to be taken, and new ways of providing services for minimum costs identified. This scenario will demand some new skills in finance to ensure that all opportunities can be grasped to keep costs under control and to ensure innovative approaches to service delivery can be exploited.
- 3.66 PR 13 looks at the approaches and techniques used by Harrow to identify where savings may be made as well as driving through those improvements. Several initiatives for reducing costs have already been mentioned, such as the introduction of Lean. Some areas, such as Housing have already realised savings and reinvested to improve the service provided. And Harrow has introduced specialist staff, in areas such as Housing and Procurement, to refresh the skills available in-house, and to pursue opportunities to reduce costs and improve VfM. Harrow is also a member of a number of CIPFA Benchmarking Clubs. These include:-

- § Adoption Benchmarking Club
- § Children Looked After Benchmarking Club
- § Corporate Services – VFM - Finance

- 3.67 Whilst providing a helpful service perspective and investigative tool, the range of indicators provided are not sufficient on their own to demonstrate overall VfM of the services delivered. Further analysis is required particularly of costs and quality of services aligned to corresponding indicators of performance.
- 3.68 While it is evident that at the senior level of management at Harrow there is an appreciation of the need to demonstrate VfM in overall service delivery. Harrow needs to further strengthen this understanding particularly at lower levels of management.
- 3.69 A review of the Council's total procurement activity was carried out in 2009 and developed in a business case approved by CSB in August 2010. The focus of the business case is the requirement for Harrow's Procurement activities to deliver savings from the supply chain, thereby limiting any need to reduce services to the community. A previous review of Procurement by PwC in 2009 recommended a significant increase in commercial/procurement capabilities and capacities in the Council. The central procurement team of 6 has been complemented by 6 interims; 2 were recruited in 2010/11, with a further 4 in 2011-12.
- 3.70 The Interim Head of Procurement arrived in September 2010 and developed an action plan for Procurement. We understand that the Head of Procurement has identified £4.4 m savings against the initial target of £3.5 m. We understand that there have been difficulties in reaching an agreement on how to take some of these savings out of detailed budgets in the context of existing MTFS savings proposals.
- 3.71 A number of initiatives have commenced to strengthen the Procurement process and significant changes have been made including better contract management and capacity building projects are underway such as "Preparation for Council wide training for all those involved in procurement activity – creation of licensed practitioners". A Strategic Procurement Board (SPB) provides oversight of Harrow commercial activities.
- 3.72 Our review suggests that the procurement activities in Harrow look to be moving towards a much re-invigorated function, with a lot of further potential ahead. It is essential however that all senior management buy into the project, appropriate staff take part in the proposed training programme and relevant updates to SAP, specifically for procurement purposes, are brought into Harrow to sustain the improvements achieved so far.
- 3.73 PR 15 considers the management of assets to achieve VfM. The economic challenges of the last few years, the review of the present Administration's priorities, changes in Central Government policies (and in particular the methodology of deciding and providing funding streams) require all local authorities to look in detail at their assets (and how best to use them) and the services being provided. Harrow prepared a draft Asset Management Strategy for 2011-14 in January 2012. This strategy pulls together into one place all the asset opportunities presently being investigated and under consideration by the Council for the next five year period and summarises risks and targets. Our evidence in this area points mostly to planned VfM initiatives – expectational rather than delivering immediate or secured payback.

- 3.74 Optimising VfM to deliver and secure long term benefits demands clear positive management interventions rather than simply re-profiling activities
- 3.75 One of the Key Objectives in the 2011-14 Asset Management Strategy is to ensure continual review of the condition and maintenance requirements of the Council's property. Although the Medium Term Financial Strategy does not include targets for the value of asset disposals, rationalisations of services, co-location with other services and sharing services across boroughs, identified in the Corporate Plan, will introduce opportunities to identify and dispose of surplus assets and these are already being recognised.
- 3.76 Statement PR16 takes the issue of managing relationships with other organisations, raised at PR11, and develops it further to look at improvements in performance and/or reductions in cost. In this respect Harrow has supported partner bodies such as schools, and the PCT, and evaluates outputs and outcomes of existing partnership.
- 3.77 However, whilst there are examples of effective collaborative relationships that drive good financial impacts we did detect some challenges with the organisational resourcing of the management of Property overall – HRA and General Fund. For example, Harrow has a small housing stock of some 4,966 properties (as at 31.3.11), yet responsibility for all the related activities is spread across three Directorates, and this necessarily introduces some element of duplication of processes. Harrow has identified the need to restructure this element of its work, but this has yet to be taken forward. Interview evidence points to some internal cultural issues that need yet to be addressed to smooth the transition to a more efficient and effective business model here.

<b>Transformation</b>	<b>PR17</b>	The organisation's financial management processes support organisational change.	
	<b>PR18</b>	The organisation works with other bodies to deliver services that better meet the needs of users and customers, balancing quality and cost.	
	<b>PR19</b>	The organisation re-engineers its financial processes.	

- 3.78 For the Transformation style of financial management, there are three statements with similar scores. The statements relate to financial management processes supporting organisational change, re-engineering those processes and working with other bodies to better meet the needs of end users.
- 3.79 Harrow is currently considering new business models for a range of activities and recognises the need to bring in expertise in the form of interim managers to address particular skill needs. The financial regulations are fairly silent on the subject of new activities and innovative financial management approaches with respect to internal controls that need to be addressed. Harrow now needs to address inefficiencies in the application of SAP; to capitalise fully on benefits from proposed new business models, the shortcomings in SAP will need to be addressed.



- 3.80 Achieving Transformational capability is difficult for Public Bodies to achieve. Spending taxpayers' money wisely requires robust stewardship and Governance arrangements – and this is the case at Harrow. However, the ability to effect transformational change is particularly difficult, especially in the short term, without sacrificing the inbuilt strengths achieved in securing strong stewardship.
- 3.81 Statement PR18 takes forward the concept of collaborative working dealt with earlier, but in the context of transformational change. The relatively low RAG Rating for this Statement reflects the early nature of the transformation work in these areas, with benefits yet to be realised. Harrow is exploring collaborative working with the West London Alliance of Local Authorities, and has just agreed a collaborative approach between its legal services department and those at Barnet Council which is anticipated will yield significant savings – we understand that staff from Barnet will be subject to a TUPE transfer from 2 June 2012.
- 3.82 Work is on-going for the 2012-13 Corporate Plan to identify areas for early intervention, and preventative strategies such as Children's Centres, Public Health and Personal Budgets.
- 3.83 The emphasis here is on fundamental reshaping of processes - looking at the required outcomes rather than the present structures for delivery of the processes.
- 3.84 Earlier we referred to Harrow's Lean initiative and we found evidence that this work had yielded significant savings from identified efficiencies. Procurement in Harrow Council is being transformed, and significant initial savings have been identified. This work has the potential to bring VfM through to a wide range of areas within Harrow, particularly as new market opportunities arise.
- 3.85 Finance as an activity has moved towards self-service to reduce transaction costs and provide direct access to budget management screens and other tools to improve individual and functional accountabilities. Moving towards more of a self-service activity allows Finance to release staff to focus more on added-value activities and provide greater opportunities for finance to fully utilise their skills. Not all Directors are yet convinced with the notion that self-service fits comfortably with their role and responsibilities.

#### **Stakeholders Management Dimension**

- 3.86 The CIPFA Financial Management Model combines a number of stakeholder elements here including the views of external stakeholders on VfM, financial integrity and their ability to influence decisions on resource allocation.



<b>Stewardship</b>	<b>S1</b>	External stakeholders have confidence in the integrity of the organisation's financial conduct.	
<b>Stewardship</b>	<b>S2</b>	The organisation can demonstrate customers and users of its public facing financial services are treated consistently.	
<b>Performance</b>	<b>S3</b>	External Stakeholders have confidence that the organisation delivers value for money.	
<b>Performance</b>	<b>S4</b>	The organisation can demonstrate its public facing financial services are socially inclusive and track public satisfaction.	
<b>Transformation</b>	<b>S5</b>	Customers and stakeholders can bring influence to bear on key financial management policies, including resource allocation and tax decisions.	
<b>Transformation</b>	<b>S6</b>	The organisation's public facing financial services focus on their customers and users, and recognise and respond to their individual needs.	

- 3.87 Harrow scores well within the Stewardship style of financial management. External stakeholders receive assurance in relation to financial integrity from a number of processes and publications. Confidence amongst stakeholders in Harrow's Financial Management is determined to a significant degree by how well the Council discharges its public accountability duties. Harrow Council seeks to engage with the Public and other Stakeholders through a dedicated Consultation Event which allows contributors to provide feedback on Council performance.
- 3.88 The Council now has in place a suite of governance mechanisms, some public-facing, others internal. Such mechanisms should all now be publically delivering levels of required reassurance. The work developing the Council's Risk Management arrangements now provides a visible degree of assurance to the Council itself.
- 3.89 Again Harrow performs well under Statement S2 which encompasses aspects such as the standards of service customers can expect, reports on service performance available externally, clarity of communications, and collation of customer feedback from surveys. Various processes exist to report externally on service performance. The Overview and Scrutiny Committee recommended that the relationship between financial and performance externally reported should be improved.
- 3.90 Performance information on public-facing financial services is collected and monitored monthly in some Directorates, and there are formal quarterly reviews. Our evidence also supports the idea that satisfaction surveys, complaints and other customer feedback is used to improve performance.
- 3.91 For the Performance style of financial management, the RAG Rating is somewhat lower than at the Stewardship level and a little lower than other organisations. Providing assurance to external stakeholders in relation to VfM is a challenge for Harrow because of the complex range of organisations and services dealt with, and its various partnership arrangements.
- 3.92 The External Auditor's (Deloitte) are required to issue a VfM conclusion within their report on the financial statements. Deloitte issued an unqualified VfM opinion and were satisfied that in all significant respects the Council has put in place proper arrangements to secure

economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

- 3.93 Like other Local Authorities, Harrow produces a leaflet included with its annual Council Tax communication in which it explains how the Council will apply the monies raised in local taxes. In addition it seeks feedback via the residents' panel, and interview evidence suggests it builds this into its planning approach for service provision within Directorates.
- 3.94 The Council systematically surveys client groups and engages directly with a Panel of Harrow residents who are invited to provide feedback on Financial Services service delivery. Harrow Officers monitor complaints, and there are provisions for liaison meetings with leaseholders and other groups, that are applied to drive improvements. We understand that Revenue and Benefits staff are provided with extensive Training and the level of service performance reflects the competency of staff. This statement also largely relates to equal opportunities issues in the delivery of financial services and there is evidence of a positive commitment to ensuring equality of access to services. User requirements are met in accordance with the Commission for Racial Equality Guidelines. The Council carries out Impact Assessments and monitors the diversity aspect of questions asked of claimants.
- 3.95 For the Transformational style of financial management, the RAG Rating is slightly higher than that for Performance in contrast to most other organisations. This Statement covers aspects such as obtaining Stakeholder views on spending priorities.
- 3.96 The participative process in Harrow appears effective, accessible and relevant. There is positive evidence that Harrow works hard in gathering views on spending priorities through consultative processes with Stakeholders.
- 3.97 Harrow's rating on Statement S6 is strong, which encompasses aspects such as analysing the customer experience, accessibility of services to suit the customer, and maximising use of electronic services for customers. Customers are provided with a choice of service access channels to obtain the service they require e.g. telephone, internet, in person, and this is combined with a strategy to reduce costs for the customer e.g. the use of Direct Debit payments.

## **4. Concluding Comments**

### **Survey Completion**

- 4.1. The survey completion rate for this roll out of the CIPFA Financial Management Model was 59 per cent, which was only a little above the minimum level of evidence we need of 50 per cent, with 117 out of 198 participants submitting data/evidence.

### **Interviews**

- 4.2. The roll out of the CIPFA Financial Management Model relies heavily on interviews to cover specialist areas (such as internal audit) and to probe further into areas covered by the electronic survey. Generally commitment to these interviews by staff at Harrow Council was excellent. We were able to complete all the scheduled interviews which we have not always been able to do.

### **Scoring**

- 4.3. Our final assessment of the financial management arrangements at Harrow was similar to a number of the other organisations we have worked with. In practice, our assessment in places differed from the electronic survey itself (in some cases higher, in some lower) but this is often the case as, for example, survey respondents may not all be aware of all aspects of the high level activities and processes influencing the Leadership scores, or aware of the degree of interaction with key Stakeholders such as Councillors and the External Auditors (Deloitte).

### **Finally**

- 4.4. It would be our considered opinion that Harrow Council has managed to recover well from a number of financial difficulties in recent years including an overspend on the 2010 Capital Programme and low level of usable Reserves from 2006-07. In many areas of Financial Management the direction of travel is now the right one - within Financial Management operations the Business Partnering approach is working particularly well and there are some obvious technical strengths within the core Finance Function – indeed, our evidence points to a hard-working and competent core Finance Function being in place at Harrow.
- 4.5. Whilst solid progress has been made within financial management in the last year there is much more to do. Although our evidence further points to the financial management arrangements being generally sound there are issues involving accountability and ownership over financial management within the non-finance community. This latter issue may negatively impact on financial management capability and decision making at a time when Harrow is seeking to address the impact of significant fiscal retrenchment. There is also a specific need to further embed VfM within the prevailing culture for Harrow to continue to meet the demands of doing more for less. In practice, it is yet to fully embrace the more advanced styles of financial management that will help it meet such challenges. However, given the level of ambition that has been set by the Chief Executive and the self- challenging

and continuous improvement culture so evident within the organisation, we are confident that Harrow can successfully meet these challenges.

- 4.6. We would also like to take this opportunity to record our sincere gratitude to the many members of Harrow Council's staff who have provided extremely valuable support in the course of our work through liaison, interview or survey participation.

**Schedule of Suggested Improvements from the Review of Financial Management at Harrow Council using the CIPFA Financial Management Model**

Theme	Required Action(s)	Benefit
<b>1. Financial Management Strategy (Harrow Wide)</b>	<ul style="list-style-type: none"> <li>§ Producing a 4 – 5 year Medium Term Financial Plan containing detailed financial data for the first 3 year – including longer term scenario planning</li> <li>§ Strengthening the linkage between reporting of Target outcomes and related Resource Utilisation/Financial Performance</li> <li>§ Building more precision in the alignment of budgets with Business needs</li> <li>§ Strengthening the linkage between Medium Term Financial Planning and Outcome Targets</li> </ul>	<p>Greater understanding across the Council of the resource requirements and constraints</p> <p>Better understanding of the outcomes to be delivered with the resources devoted to individual service areas.</p> <p>Improved reporting ability linking spend with outcomes</p>
<b>2. Culture – Ownership/ Accountability and VfM (Harrow Wide)</b>	<ul style="list-style-type: none"> <li>§ Building universal acceptance of ownership and accountability for budgets amongst Budget Holders and Budget Managers across Harrow;</li> <li>§ Achieving a consistent approach to the appraisal of Budget Holders re: Resource Management</li> <li>§ Introducing monitoring and control measures to identify and promptly address budget behavioural issues such as: optimism bias, overspending avoidance, dramatic year-end fluctuations and unregulated profiling of expenditure</li> <li>§ Ensuring managers demonstrate VfM (economy, efficiency and effectiveness) in their decision making for utilising budgets to achieve performance targets</li> <li>§ Requiring Budget Holders to demonstrate positive actions taken to secure savings rather than limiting their response to revised budgetary constraints by recalibrating the level of activity and re-profiling delivery</li> </ul>	<p>The movement towards the Finance function becoming more of a “true” business partner and less of a traditional score keeper/regulator will naturally improve ownership issues. This along with the development of operational managers FM skills should lead to a more mature approach being taken in resources management.</p> <p>A more effective working relationship between finance and operational managers should lead to better overall decision making and reduce the risk of managers spending up to budget levels to avoid having budgets reduced in the future.</p> <p>By creating a closer relationship between Finance and Budget Holders and addressing the development needs of both the movement to a culture of ownership and responsibility will develop.</p>

Theme	Required Action(s)	Benefit
	<ul style="list-style-type: none"> <li>§ Creating Budgets based on a full understanding of cost drivers and costs across Harrow</li> <li>§ Challenging Budget Holders transparently and consistently to deliver VFM (i.e. Economy, Efficiency and Effectiveness)</li> </ul>	
<b>3. Financial Management Competencies for finance and non-finance staff (Harrow Wide)</b>	<ul style="list-style-type: none"> <li>§ Developing and implementing formal and comprehensive financial management competency framework for finance and non-finance staff</li> <li>§ Taking action at Corporate Leadership Group level to demonstrate support for the importance of financial management skills and build recognition of that importance amongst Budget Holders and their staff</li> <li>§ Building statements of required financial competencies into all job descriptions for finance and non-finance staff and obtain evidence of testing of these competencies during the selection process</li> <li>§ Developing/updating the appraisal process to ensure staff include financial management objective(s) in annual statement of objectives, appraisal against objectives is evidenced during the year, and incentives and penalties for failure to meet objectives are contained in Finance Regulations/HR Procedures</li> <li>§ Assessing extent of variation in current levels of financial management competency of operational staff against level of competency required</li> <li>§ Identifying Financial Management competence gaps and dealing with these on a timely basis</li> <li>§ Prioritising actions to identify and address key skill gaps to provide increasingly critical value added activities</li> <li>§ Developing and implement a cohesive training programme for non-finance staff</li> </ul>	<p>By formalising the operational managers' required Financial Management competencies and appraising their performance against the competencies in these areas it will be clearer to the Budget Holders what is expected of them.</p> <p>Budget Holders will also be clearer about the gaps in understanding and the skills needed to build profile of appropriate financial awareness or other training. Overall setting specific competencies for each Post allows the Department to follow, and demonstrate, a more consistent approach to performance assessment across different groups of staff.</p>
<b>4. Financial Management Information Systems (Harrow)</b>	<ul style="list-style-type: none"> <li>§ Producing a Standard suite of Reports</li> <li>§ Appraising options and taking action to reduce the current significant level of manual manipulation of base data required for reporting</li> </ul>	<p>The objective s here include :-</p> <ol style="list-style-type: none"> <li>1. Minimising wasted/duplicated effort/ resources;</li> <li>2. Tackling undue reliance on the Business Partnering/Core Finance relationship;</li> </ol>

Theme	Required Action(s)	Benefit
<b>Wide)</b>	<ul style="list-style-type: none"> <li>§ Improving quality of in year information for forecasting purposes</li> <li>§ Leading integration programme with other systems</li> <li>§ Introducing consolidated real time information – complete picture currently difficult to achieve quickly</li> <li>§ Taking steps to help managers make much better use of the SAP system to reduce undue reliance on Finance staff</li> </ul>	<ul style="list-style-type: none"> <li>3. Improved internal control – minimisation of effort;</li> <li>4. More efficient system utilisation;</li> <li>5. Budget Holder accountability enhanced; and</li> <li>6. Better precision on forecasting.</li> </ul>
<b>5. Finance Function Service Standards and Performance Management (Core Finance)</b>	<ul style="list-style-type: none"> <li>§ Introducing formal Service Standards and agreeing them with internal customers</li> <li>§ Implementing formal Performance Monitoring of the Finance function with internal customers</li> <li>§ Utilising Service Standards as valuable benchmark to gain deeper understanding of cost drivers and their sensitivities to demand</li> <li>§ Improving clarity of statement of roles and responsibilities</li> <li>§ Actively use statement of roles and responsibilities to regulate relationship between Finance and Non-Finance Community</li> </ul>	<p>Provides understanding of quality and quantity/responsiveness of services that internal customers can expect which should clarify role of finance.</p> <p>In clarifying role non-finance users should attain better understanding of how finance can be integrated into their own work and potential for finance to add value to the operational activity.</p> <p>Performance indicators/measures and targets should be used to demonstrate VfM of finance function and progress in move towards more added value output by financial managers.</p> <p>Monitoring progress at a senior level strengthens message that finance matters. Benchmarking will aid understanding of internal usage and comparative costs of financial services across different groups.</p> <p>Over time senior management can review change in usage of finance function and take decisions for further refinement in the function itself (perhaps nature, volume and location)</p>
<b>6. Positioning of Finance – Challenge and Added Value (Core Finance)</b>	<ul style="list-style-type: none"> <li>§ Identifying key drivers on Finance Team in supporting Budget Holders and take actions to reinforce roles and responsibilities of Budget Holders and reduce over-reliance</li> <li>§ Appraise extent of Finance staff time tied up in reshaping existing data (e.g. using Excel spreadsheets) and providing reactive tactical short term financial solutions, identifying options to address this constraint on Finance</li> <li>§ Reducing finance staff focus on detailed work to provide added value financial support such as Financial strategy/Affordability/Business case modelling</li> <li>§ Taking steps to strengthen influencing and negotiation skills of Finance staff to address perception that they cannot provide value added input to policy or development issues</li> </ul>	<p>Improvement of finance status, skills and ability to challenge, to achieve greater VfM for the Council.</p>

Theme	Required Action(s)	Benefit
	<ul style="list-style-type: none"> <li>§ Assessing, and where appropriate addressing, capacity of Finance to meet concerns that they are able go beyond 'number crunching'</li> <li>§ Introducing a programme of career and skill development for the core Finance Team to address lack of experience of innovative business models and new ways of working that is currently limiting their capacity to contribute towards Transformational change</li> <li>§ Uprating skills and expertise of permanent staff to reduce reliance on interim staff and associated issues of lack of continuity</li> <li>§ Restructuring may offer opportunities to rebalance the skill set</li> <li>§ Ensuring recruitment process is cross referenced to competency framework (when developed) and require evidence that recruited staff meet required experience and skills</li> </ul>	
<b>7. Accounting processes (Core Finance)</b>	<ul style="list-style-type: none"> <li>§ Implementing more stringent regime of regular monitoring of reconciliations of accounts</li> </ul>	More reliable financial information and reduced risk of fraud or error.
<b>8. Internal Audit (Core Finance)</b>	<ul style="list-style-type: none"> <li>§ Ensuring Internal Audit has access to adequate resources and suitably qualified staff:-</li> <li>§ Head of Internal Audit is professionally qualified</li> <li>§ Providing CCAB qualified resource(s) to assess key Financial Systems</li> <li>§ Obtaining additional resources to address issues arising from changes in Finance and introduction of new ways of working</li> <li>§ Strengthening the status and robustness of the Internal Audit plan in line with best practice by:-</li> <li>§ Clarifying the risk based foundation methodology underpinning the creation and management of the Internal Audit plan within the plan</li> <li>§ Including a statement of skills required/reconciliation of audit time to proposed audit tasks within the plan</li> <li>Identifying areas where compliance with recommendations are variable and raise non-compliance as part of the appraisal process</li> </ul>	Provision of an Internal Audit service that fully meets recognised Best Practice.



### CIPFA Financial Management Model

The CIPFA Model was originally released in July 2004 and describes a model for best practice in financial management within the public sector. An updated version of the model was launched in June 2007, in order to take into account changes to the public sector environment and a further update – Version 3 – was launched in July 2011. Version 3 was specifically developed to incorporate the very latest Best Practice initiatives as well as the emerging Financial Management issues associated with the current financial environment. The Model recognises that using money well leads to more and better front-line services and that effective financial management in the public sector now requires financial responsibilities to be more widely diffused throughout the whole of the organisation.

Budget holders/managers therefore need to be financially literate and finance professionals need to contribute through challenge, interpretation and advice. Good financial management is no longer just about accounting for expenditure and demonstrating probity, but finance must be placed in the wider organisational context, in terms of how it supports the delivery of the organisation's strategic objectives.

The CIPFA Model is structured around 3 styles of financial management:

**Securing Stewardship** – an emphasis on control, probity, meeting regulatory requirements and accountability.

**Supporting Performance** – responsive to customers, efficient and effective, and with a commitment to improving performance.

**Enabling Transformation** – strategic and customer-led, future orientated, proactive in managing change and risk, outcome focused and receptive to new ideas.

The styles are intended to be progressive and it is expected that all 3 styles will be present in an organisation exhibiting best practice financial management characteristics. For example, stewardship alone is not sufficient to enable an organisation to drive performance and to develop its transformational capacity and, conversely, performance or transformation programmes that are not founded in a robust approach to controlling and accounting for resources are unlikely to succeed.

The Model is also organised by 4 management dimensions. These cover both “hard edged” attributes that can be costed or measured, as well as “softer” features such as communications, motivation, behaviour and cultural change. These are:

**Leadership** – focuses upon strategic direction and business management, and the impact on financial management of the vision and involvement of the organisation's Board members and senior managers.

**People** – includes both the competencies and the engagement of staff. This aspect generally faces inward to the organisation.

**Processes** – examines the organisation's ability to design, manage, control and improve

its financial processes to support its policy and strategy.

**Stakeholders** – deals with the relationships between the organisation and those with an interest in its financial health, whether Treasury, inspectors, auditors, taxpayers, suppliers, customers or partners. It also deals with customer relationships within the organisation, between finance services and its internal users.

A matrix approach is therefore used in the Model, combining the 3 styles of financial management and 4 management dimensions. The organisation's current financial management position is assessed through comparing its arrangements against 38 statements of best practice as listed in full in Appendix 1, with a set of supporting questions sitting behind each statement.

Each statement is scored from 0-4 with half point increments, which we then turn into a "RAG" rating to establish an overall picture of strengths and weaknesses in terms of financial management. The table below shows how the 38 statements fit into the Best Practice Matrix.

**Table 1 – Management Styles/Dimensions Matrix**

Financial Management Styles	Management Dimensions			
	Leadership	People	Processes	Stakeholders
Securing Stewardship	L1 - L2	P1 - P2	PR1 - PR11	S1 - S2
Supporting Performance	L3 - L6	P3 - P4	PR12 - PR16	S3 - S4
Enabling Transformation	L7	P5 - P6	PR17 - PR19	S5 - S6

The methodology used to undertake the Review of Financial Management within Harrow Council is described in Appendix 3 below.

## Methodology

### Introduction

The Review of Financial Management at Harrow Council took place between February and March 2012. The high level stages involved in the Review are set out in further detail below.

### Application of Best Practice Statements

Engagement Sessions were held with a cross section of Operational and Finance officials from all areas of Harrow Council. These sessions were held in the Council Offices in Harrow and addressed the methodology, timescales and approach required. This included how contributors should approach their relevant best practice statements and supporting questions, allocating scores as outlined in Paragraph 2.7 above, from 0-4 in increments of 0.5 to the statements as shown below:-

**Table 2 – How Far Does the Best Practice Statement Apply?**

Score	How Far Does the Best Practice Statement Apply?
0 / 0.5 / 1	Hardly
1.5 / 2	Somewhat
2.5 / 3	Mostly
3.5 / 4	Strongly

Contributors were categorised by attribute into four Web Based Survey Groups as follows:-

**Table 3 – Web Based Survey Groups**

Group	Survey Groups	Survey
SG1	Strategic Finance	21
SG2	Operational Finance	23
SG3	Directors/Heads of Service	18
SG4	Budget Holders/Operational Managers	114
SG5	Elected Members/External Stakeholders	22
	Totals	198

A selection of the most relevant Statements and Questions for each of the Survey Groups were determined and tailored accordingly. This “culling” process produces the most relevant application of the Best Practice Statements designed to extract the optimal information from each specialised Survey Group. Benefits include relevancy and the minimisation of time exposure for participants and allowed a categorisation of evidence capture between:-

- § Document Review/Evidence
- § Interviews
- § Electronic Survey

### **Document Review/Evidence**

An integral aspect of our Review was the assessment of a number of key documents for Harrow Council (including material specifically made available to us as part of this process as well as publicly available material). This served two main purposes; to enable CIPFA Finance Advisory to familiarise itself with the structure, processes and culture of Harrow Council, and to confirm factual information relating to the best practice statements and supporting questions e.g. whether or not a specific policy was in existence.

### **Interviews**

Interviews with 35 contributors were used to supplement the Document Review as well as substantiating the evidence generated from the web based survey. A list of all 35 interviewees is provided in Appendix 4.

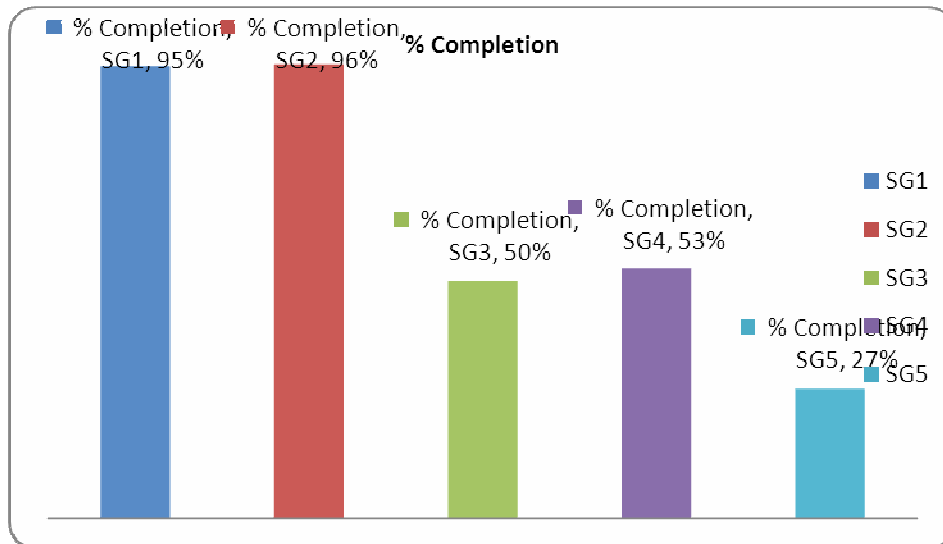
### **Web Based Survey**

A powerful component of the CIPFA Model is its electronic survey functionality, which is hosted on a secure website. Contributors complete the electronic survey and submit their results on line over a prescribed period of time. In addition to scoring the statements, contributors were given the facility to record observations and evidence which provide valuable insight as well as substantiating their scoring.

Across a wide spectrum of Financial Management the survey was used to test best practice statements against the actual prevailing conditions and practice within Harrow. Such scope would include e.g. the robustness of budget setting, the integration of business and financial planning, financial management competencies, the extent to which finance supports strategic decision making etc.

### **Completion**

The overall response rate for the survey was 59 per cent - 117 out of 198 participants submitting data/evidence. The response rate was a little better than our minimum target of 50 per cent. Response rates for each of the Survey Groups are set out in the table below:-



In terms of high level representation of the scores we have used a “traffic light” (RAG Rating) approach as follows:

Colour	Score
Red	0.0 – 1.9
Amber	2.0 – 2.9
Green	3.0 – 4.0

As well as highlighting Survey Group Scoring our CIPFA Finance Advisory independent assessment of the score for each best practice statement, taking into account the range of evidence gathered from all sources during the review. The key findings of the Review are set out in Section 5.

## Interviewees/Meetings

The following people were consulted during the process.

Name	Organisation
Bill Stephenson	Harrow Council - Leader, and Finance Portfolio Holder
Sue Anderson	Harrow Council - Councillor
Susan Hall	Harrow Council - Councillor
Graham Henson	Harrow Council - Councillor
Barry Macleod-Cullinane	Harrow Council - Councillor
Sachin Shah	Harrow Council - Councillor
Michael Lockwood	Harrow Council – Chief Executive
Julie Alderson	Harrow Council – Finance Directorate
Russell Beech	Harrow Council – Children’s
George Bruce	Harrow Council – Finance Directorate
Alex Dewsnap	Harrow Council – Assistant Chief Executive
Susan Dixson	Harrow Council – Assistant Chief Executive
Catherine Doran	Harrow Council – Children’s
Donna Edwards	Harrow Council – Finance Directorate
John Edwards	Harrow Council – Communities and Environment
Bernie Flaherty	Harrow Council – Adults and Housing
David Harrington	Harrow Council – Assistant Chief Executive
Richard Hawtin	Harrow Council – Finance Directorate
Jerry Hickman	Harrow Council – Communities and Environment
Kanta Hirani	Harrow Council – Finance Directorate
Jennifer Hydari	Harrow Council – Finance Directorate
David Lewis	Harrow Council – Communities and Environment
Paul Najsarek	Harrow Council – Adults and Housing
Hilary Obryne	Harrow Council - Children’s
Lynne Pennington	Harrow Council – Adults and Housing
Visva Sathasivam	Harrow Council – Adults and Housing
Fern Silverio	Harrow Council – Finance Directorate

Les Simpson	Harrow Council – Place Shaping
Emma Stabler	Harrow Council – Finance Directorate
Derek Stewart	Harrow Council – Adults and Housing
Steve Tingle	Harrow Council – Finance Directorate
Peter Tolley	Harrow Council - Children's
David Ward	Harrow Council – Assistant Chief Executive
Karen Watling	Harrow Council – Finance Directorate
Tom Whiting	Harrow Council – Assistant Chief Executive

## Harro Council - Glossary

AAT	Association of Accounting Technicians
AGS	Annual Governance Statement
AMP	Corporate Asset Management Plan
BVACOP	Best Value Accounting Code of Practice 2010-11
ALB	Arms-Length Bodies
CCAB	Consultative Committee of Accountancy Bodies
CRSG	Corporate Risk Steering Group
CSB	Corporate Strategic Board
CIPFA	Chartered Institute of Public Finance and Accountancy
CLG	Corporate Leadership Group
CPD	Continuing Professional Development
ERP	Enterprise Resource Planning
FBP	Finance Business Partner
FEC	Full Economic Cost
FRC	Finance reporting council
GARM	Governance, Audit Risk Management Committee
IASB	International Accounting Standards Board
IIA	Institute of Internal Auditors
IFRS	International Financial Reporting Standards
MTFS	Medium Term Financial Strategy
SECTA	Sector Treasury Services
SPB	Strategic Procurement Board
SIC	Statement on Internal Control
SLA	Service Level Agreement
TMG	Treasury Management Group
VfM	Value for Money



## **REPORT FOR: OVERVIEW AND SCRUTINY COMMITTEE**

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<b>Date of Meeting:</b>	4 <sup>th</sup> June, 2013
<b>Subject:</b>	Debt Recovery Process
<b>Responsible Officer:</b>	Fern Silverio, Head of Collections & Housing Benefits
<b>Scrutiny Lead Member area:</b>	Cllr Jerry Miles – Policy Lead Corporate Resources Cllr Kam Chana – Performance Lead Corporate Resources
<b>Exempt:</b>	No
<b>Enclosures:</b>	<b>Appendix A</b> – Draft Corporate definition of vulnerability for all debt collection across the Council <b>Appendix B</b> – Help Scheme mapping and Stakeholder matrix <b>Appendix C</b> – Localisation of Council Tax EqIA

### **Section 1 – Summary and Recommendations**

This report sets out the following information for members:

- Current debt collection levels for all debt collection across the Council
- Current debt collection levels for people affected by the changes to Council Tax Benefits and an update on the awareness activities that have been put in place to ensure as many people as possible are informed of how the changes affect them and the support that is available
- An update on progress of the review of the Corporate Debt Collection Policy

#### **Recommendations:**

The following recommendations are put to Members:

- Members note the content of the report

## **Section 2 – Report**

### **Introductory paragraph**

The Welfare Reform Act 2012 introduces extensive changes to the benefits system which include the following:

- § The Localisation of Council Tax Benefit
- § Benefit Cap
- § Size Criteria
- § Universal Credit
- § Personal Independent Payments (PIPs)

The majority of these changes are being rolled out from April 2013 onwards and will reduce the benefit income for working age households within Harrow by approximately £8 million over the next financial year.

Members of the Overview and Scrutiny Challenge Panel recognised, at an early stage, the impact of the recession could make it very difficult for some residents to be able to pay their bills and result in an increase in debt for the household. The impact of the changes within the welfare reforms will bring additional burdens for many residents as they start to see their benefits reduce over the next few months.

This report provides members with information relating to the current debt collection levels for all debt collection services across the Council particularly in light of the implementation of the initial welfare reform changes. This report also provides members with an update on the activity that has been carried out to date to address the concerns raised at the Challenge Panel on the 7<sup>th</sup> November, 2011 regarding recognition of vulnerability across all debt collection processes within the Council.

### **Background**

The Council recognised that a corporate approach was required to understand impacts of the welfare reforms for both residents living in Harrow and the delivery of Council Services and therefore developed a Welfare Reform Governance Structure. This structure includes an Officer and Member Steering Group, Officer Programme Board and most recently a multi-agency Community Reference Group.

This structure has ensured that the implementation of the welfare reforms is co-ordinated across all services, feedback influences the development and review of policies and mitigations are put in place to help reduce the impacts of these changes.

All activity taken forward in relation to the Welfare Reforms is reported through this governance structure and therefore the review of both the Council Tax Debt Collection Policy and the review of the Corporate Debt Collection Policy are included as work streams.

## **Council Tax Debt Collection**

As a result of the introduction of the new Council Tax Support Scheme in April 2013, and the savings that had to be made due to the 10% reduction in funding, all Council Tax Support claimants will now have to pay something or more towards their Council Tax bill than they did previously when receiving Council Tax Benefits.

The scheme was developed taking into consideration the feedback from an extensive public consultation and through working in partnership with a multi agency Steering Group. Through both these activities concern was raised regarding the ability of people on low income being able to manage their incomes as a result of changes within the welfare reforms and the impact this could have on the accrual of debt.

Members also recognised these concerns and in particular were concerned that collecting monies from people who had previously received 100% Council Tax Benefit could be difficult and therefore pose a risk to Council Tax collection. Therefore Cabinet, at the meeting held in December, 2012, agreed a lower Council Tax debt collection rate for those people (approximately 7000) who previously received 100% support towards their Council Tax bill. The lower Council Tax collection rate, for this specific group of people, factored into the overall budget is 70%, which is a 28.5% reduction on the collection rate expected for all other Council Tax payers.

A decision was taken through working with the multi agency Steering Group to set up a Debt Collection Sub Group. This group includes membership from CAB, Harrow Association of Disabled People (HAD), Harrow Mencap, the Landlords Association, Harrow Law Centre, Age UK, Newlyn's and Chandler's Bailiffs, Councillors and representation from all Council Services. The group agreed that it would focus on reviewing the Council Tax Debt Collection Policy to ensure that processes were put in place to recognise that there were new Council Tax payers who may find it very difficult to pay their Council Tax and then to feed into the review of the Corporate Debt Collection Policy.

### **Review of Council Tax Debt Collection Policy**

The Debt Collection Sub Group meets on a monthly basis and has worked with the Council to develop and deliver the following activity:

#### **Awareness Campaign**

At the earliest stages the group felt that an effective awareness and engagement campaign should be taken forward to ensure that all people who claimed Council Tax Support were aware that they would have to pay something or more towards their Council Tax from April 2013 as this would avoid debt accruing at the earliest stage. The awareness campaign that has been developed includes the following activity:

- Posters, leaflets, articles in the local papers and council publications telling people about the changes

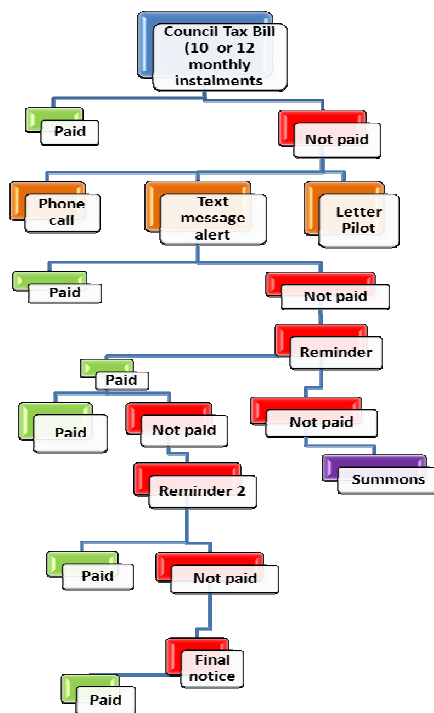
- Posters inside buses in Harrow
- Personalised leaflets with booklets telling people about the changes and what they need to do were sent to all 11,000 working age Council Tax Benefit claimants
- Surgeries held in libraries and Access Harrow
- Information with the Council Tax Bill
- Telephone Awareness Campaign – a team of graduates employed through the Xcite programme have been trained to telephone all 7000 Council Tax Benefit claimants who no longer receive 100% Council Tax Support and advise them of the changes, tell them how they can pay their Council Tax and signpost to support if required

## Review of Council Tax Debt Collection Processes

The group have discussed Council Tax Debt Collection in detail and agreed the following in relation to this collection process:

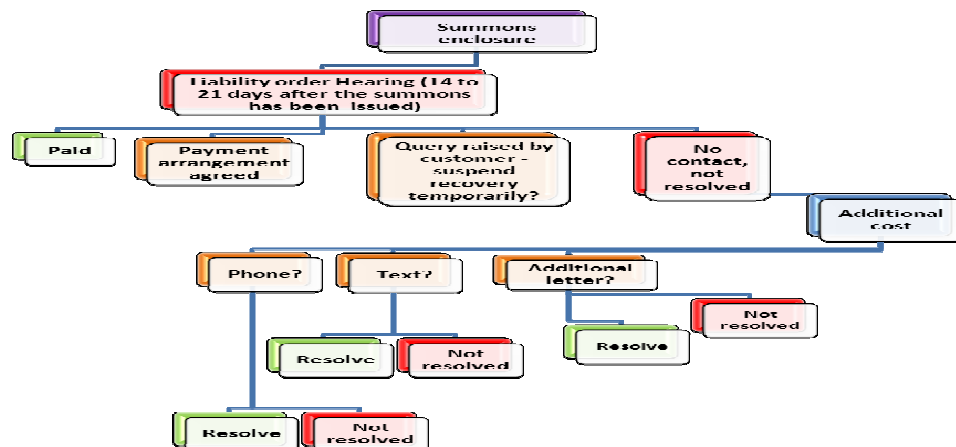
**Short term allowances** – have been put in place whilst awareness is taking place for the claimants who previously received 100% Council Tax Benefit Support. These allowances have included the following:

- Additional letters, text message alerts and telephone calls delivered before the initial reminder letters are sent – all three mechanisms to be monitored to identify which is most effective. The Council Tax collection process for these claimants is being delivered as follows whilst the awareness activity is being taken forward :



- Commitment not to take this group of claimants to court whilst the awareness activity is being carried out

- Additional letters, text message alerts and telephone calls put in place following Court Summons where payment has not be made:



- The Bailiffs have been represented on the sub group and they have been keen to recognise the additional pressures that people will be facing and agreed with the sub group that they would take forward the following additional activity free of charge:
  - o Additional letter sent when the case is first sent over to the Bailiffs
  - o Offer to discuss payment of debt at a Bailiff Surgery held in an independent location e.g. library
  - o Additional letter and phone call
- In relation to vulnerability the Sub Group identified the importance of staff being able to identify customers who may have extreme mental health illness and be able to effectively deal with their call, specifically in relation to Council Tax debt. As a result telephone awareness training has been commissioned from Mind for Council Tax Debt Collection staff and Access Harrow staff.

**Longer term processes** - to ensure the most vulnerable residents are identified and the appropriate action taken forward a draft Corporate Definition of Vulnerability Criteria has been developed and is included at Appendix A. Further detail is included at page 7 under Recommendation 1 of this report. Where a person is identified as vulnerable contact will be made with the relevant service/support worker to identify the best way forward to collect the debt outstanding to the Council. A Corporate Data Sharing agreement is in the process of development and will be shared with members as soon as completed.

The outcome of all of this activity is being monitored and will be reported back to the Debt Collection Sub Group and through the Welfare Reform Governance structure.

The Debt Collection group have also been reviewing the Corporate Debt Collection Policy and an update and progress is included at page 7 of this report

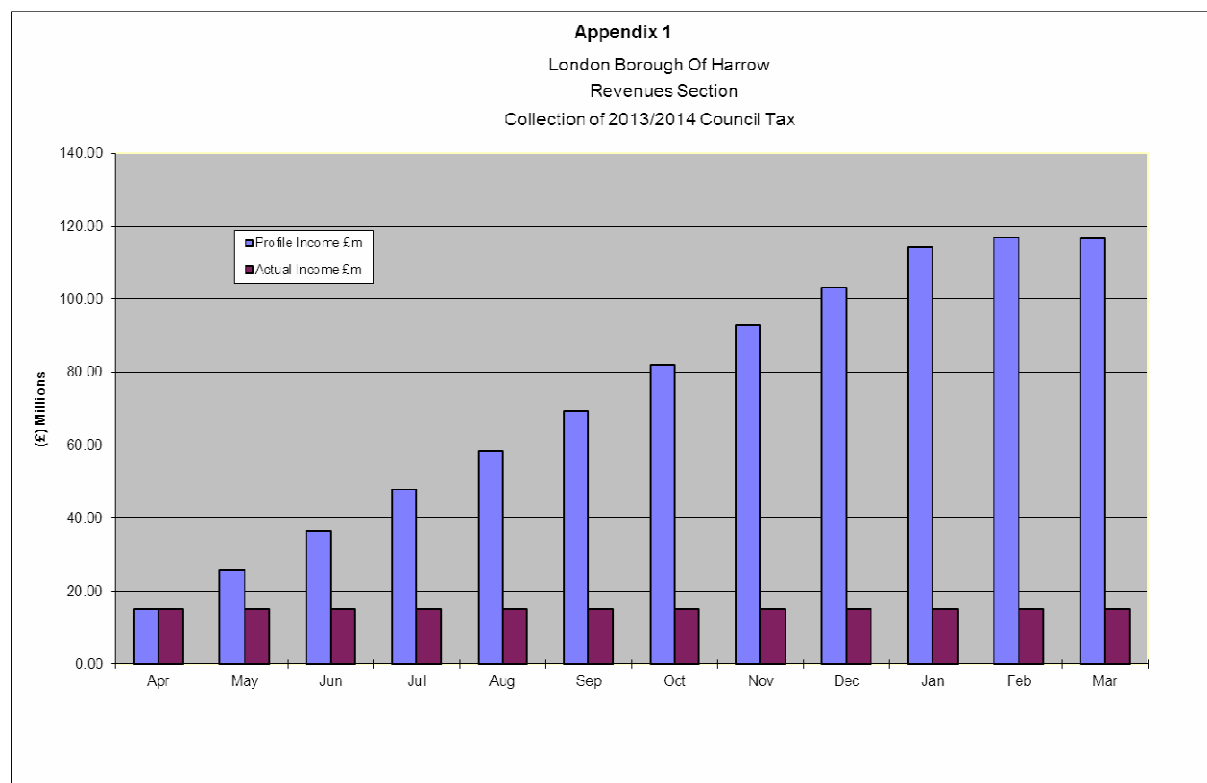
## Council Tax Collection – current situation

Council Tax Collection for the first month of the financial year reached 12.52% which was 0.12% above profile.

It is early days yet and we are currently monitoring the 18,380 CTS cases (which includes both pensioners and the working age including the 7,000 previously 100% rebated cases which this year will have to pay at least 10% or 22.5% of their council tax depending which category of our scheme they fall under). Early monitoring has shown that out of the 18,380, 425 have paid their liability in full, 3,833 have paid their first instalment by DD. However 4950 have made no payment whatsoever to date.

Out of the possible £8.5m that these cases add up to, £490k has been collected against a possible £708k due (£8.5m divided by 12 monthly instalments) which is 69% of the expected amount due for April. – However it is early days and the figure is distorted by the 425 tax payers who have paid the whole years liability in full.

As a proactive measure, staff have also attempted to telephone as many of the CTS non payers (4950) as possible, to advise and engage them and to ensure payments are made in the future. Longer term our debt steering group is working on new processes to be adopted to communicate and engage defaulters to ensure payments are made or warning of the repercussions.



## **Adult Social Care**

Since our last report to Scrutiny the Social Care Team has consulted internally and with the multi-agency Adults Steering Group on a Recovery Policy, implemented new procedures for escalating collection of outstanding monies and set up Officer Panels to review individual cases before key recovery escalation stages.

The new processes and policy align to a more corporate approach to debt collection but also retain a safeguarding element which ensures senior staff are able to make decisions on recovery based on individual circumstances. The policy will also ensure, where appropriate, the least distressful recovery method will be applied, e.g. if a customer is asset rich but income poor we would look to put a charge on any property owned rather than push recovery through the Courts which could be distressing for the vulnerable person.

The Adults Team has also participated in the development of the Data Sharing Agreement with Legal and is also, like the other areas, preparing to implement procedures and internal flags to identify vulnerability which can be shared across the Council should a debtor owe multiple debts.

## **Sundry Debts**

With regards to sundry debts the section currently has low levels of outstanding debt with predominantly the large proportion of debt being made up of PCT and West Waste which generally gets paid. Smaller debts which include the collection of Adult Social Care debts is on target although higher collection rates could be achieved once the new processes are fully rolled out. However this needs to dovetail with the changes occurring in the Adult Social Care Team and the new Debt Panels.

## **Housing**

### **Rent Collection and arrears recovery**

The Housing Service has continued to proactively pursue its rent collection and arrears recovery, particularly in light of preparing for the potential impact of Welfare Reform. It has been working closely with corporate colleagues and is represented on a range of forums seeking to mitigate the impact of the changes.

The rent arrears figure for housing as at 31st March 2013 stood at its lowest reported, £365,000. To further maximise payment opportunities the service has now implemented a 3rd direct debit date.

The service has also been working closely with those tenants most likely to be affected by the initial Welfare Reform and commissioned the CAB to carry out a project identifying the key issues for tenants in the forthcoming 12-18 months. Phase 1 of the project was completed in April 2013. The key highlights suggested that approximately 90% of tenants have bank accounts and would like direct payment of rent to continue but very few wished to

accept the offer of support with budgeting skills. The findings will now be used to develop further recommendations.

The service is continuing its journey of "Getting Closer to the Customer" and has been able to take advantage of HRA finance reforms to invest resources in the income management team by way of additional staff able to focus on specific specialist customer needs.

## **Review of the Corporate Debt Collection Policy**

Officers from all debt collection services across the council have been meeting to review the Corporate Debt Collection Policy in light of the recommendations from the Overview and Scrutiny Challenge Panel. A report will be put to a future meeting of the Overview and Scrutiny panel later in the summer with the outcomes of the review however in the interim this report details progress to members.

### **Recommendation 1 – The central debt recovery service should develop a process for the identification of vulnerable residents and reviewing their cases at appropriate stages in the central debt recovery process**

The activity explained below is in addition to the ongoing activity that is outlined in the Appendix to the previous report to Overview and Scrutiny dated 8<sup>th</sup> March, 2012. An overview of ongoing activity includes:

- Ongoing meetings with Access Harrow and the Citizens Advice Bureau to review collection processes. In addition both of these services/agencies have been involved in the Debt Collection Sub Group.
- Adoption of the LGO Guidance to Local Authorities regarding bankruptcy and additional steps included specific to the collection of debt for Harrow Council services
- Partnership working with Housing identifying multiple debts and agreeing best way forward for collection

Within the last few months Officers from all services have been meeting to take forward the recommendations from Overview and Scrutiny and as a result of this activity a draft corporate definition of vulnerability has been developed and is attached at Appendix A. This definition has been developed through feedback from all appropriate services and the multi-agency Community Reference Group and is to be discussed at the next meeting of the Welfare Reform Officer Programme Board and the Member and Officer Steering Group in June. Membership of the Community Reference Group includes the following internal and external services/organisations: Childrens, Housing, Economic Development, Adults, Council Tax and Housing Benefits, Access Harrow, Communications, Unions, The Harrow Law Centre, Age UK Harrow, Harrow Mencap, Mind in Harrow, Harrow Carers, Harrow Equalities Centre, Citizens Advice Bureau (CAB), Capable Communities, The Landlords Association, Jobcentre Plus, CNWL, Harrow Association of Somalie Voluntary Organisations (HASVO) and Harrow Association of Disabled People (HAD).

If a person is defined as vulnerable under the criteria listed in the definition their case will be highlighted on the appropriate IT system/s. This will notify



the service that they need to look into the person's individual circumstances and/or contact the relevant professional support worker before any further action is taken. Each case will be looked at individually and dependant on the circumstances the following options will be considered:

- Ensuring the person has access to all relevant benefits, discounts or other entitlements
- Referral to other sources of advice
- Payment arrangements for the debt
- Allowing longer to pay
- A temporary arrangement with lower repayment than would normally be agreed
- Postponing enforcement action

There are always likely to be cases where a resident has not been identified as vulnerable and therefore will not be picked up as part of this process. To minimise these risks Officers are working closely with the Community Reference Group to develop mechanisms that will allow partner agencies to share this information with us to ensure a person is supported through the collection of their debt.

Through the Welfare Reform Governance Structure a Corporate Data Sharing Agreement is being developed, this document will be shared with members as soon as it is completed. All services have defined the information they require to be able to identify vulnerability and provide an understanding of where residents may have multiple debts across Council services. As yet the data cannot be shared on one IT system however this issue is being looked into and in the meantime arrangements are being made to share this data in the most effective way possible. Further detail will be provided to members within the future report on debt collection.

In housing there are already comprehensive processes in place that ensure that tenants with rent or service charge arrears have personal contact before an application is made for a possession order. These ensure that vulnerabilities are fully taken in to account and that where appropriate a referral can be made for the tenant or leaseholder to receive independent money advice. In cases of charges for major works which can be substantial a number of options to pay are in place and low interest loans are being offered to support those who are struggling to make payments. In both cases a pre court protocol ensures that all cases have been assessed as individuals and all personal circumstances taken in to account before proceeding to court to ask for possession or other orders.

This does not mean to say that further improvements are not possible. We are currently working with colleagues across departments to further share information and vulnerability flags which will in future further improve decision making and give a holistic view of customer circumstances.

**Recommendation 2 - The integration of all debt recovery services with the central recovery service should be implemented but not until:**

- **The central service has been able to introduce a process for identification of vulnerable residents as above**

- **The housing service has been able to clarify its own strategic approach to debt recovery for implementation by the central service**

The review of the integration of all debt recovery services has not looked at the development of a central recovery service however is now in the process of aligning debt collection processes to ensure that customers with multiple debts will be dealt with in a consistent and transparent manner. A meeting is being held with Legal at the end of May to understand the statutory requirements for all types of debt collection and once this is understood the processes will be aligned. Current IT systems also are not conducive to being integrated to provide a single view of the customer which even with centralisation, would still require centralised staff to use multiple systems to manage debt collection. It is anticipated that going forward and with the high update of the 'My Harrow Account' by Harrow residents that through this medium visibility of multiple debts will be facilitated. However this does depend on take up and on the residents linking their multiple services which they may use. However in the meantime, as explained above, work is being carried out to ensure we have a corporate vulnerability criteria and effective data sharing agreement that will support the integration of debt recovery policies.

It is also worth noting that as part of the Finance Team restructure there are now Finance Partners whose role is to support the specific areas dealing with the recovery of debt. This will support further generic processes and sharing of data to assist with the increase of higher collection rates in the future. Specifically around sundry debts, small balances are likely to proliferate as more focus will be given to fees and charges and the need to collect a high percentage of any that are raised as this will in future become much more important in the overall Council's budget.

There are some specific legislative requirements in relation to seeking possession through the courts for Council tenants or seeking an order in relation to leasehold service charge that require officers to have detailed knowledge of housing law as well as best practice and the regulators requirements to operate. It should also be noted that with co-regulation our tenants have a right to determine income recovery processes in housing.

**Recommendation 3 – The council should improve communication processes within the organisation and with external agencies in order to facilitate a greater understanding of the level and impact of debt within the community. Lessons learnt, processes and procedures should be shared.**

The Welfare Reform structure has been developed to ensure the Council's response to the changes within the welfare reforms is co-ordinated across all services delivered by the Council. A separate internal officer working group is also meeting to develop the corporate vulnerability criteria and align debt collection processes. This group reports into the welfare reform governance structure.

The multi-agency Community Reference Group plays a key part in this governance structure. Members of this group are working closely with the

Council to help ensure that the Council is listening to feedback from the community which in turn feeds into the development of Council Policies. This group has set up a Debt Collection Sub Group which is helping to take this activity forward and will monitor the outcomes as changes beginning to take place.

Housing has an SLA with CAB to provide comprehensive money advice to tenants and leaseholders that are experiencing difficulties in paying their rent or service charges. We are also developing a comprehensive financial inclusion strategy to support tenants and leaseholders with low incomes to both maximise income and enable them to access low cost banking services

**Recommendation 4 – The council should show how it will improve how it signposts residents who are experiencing financial/debt difficulties to sources of advice and advocacy in the borough.**

The Harrow Help Scheme is being developed as a direct consequence of welfare reforms however given the wider economic challenges this scheme should help provide advice and support for all residents living in Harrow. The Scheme will bring together a directory of advice and support services across Harrow and develop these into an interactive web tool that will support both individuals and support services to signpost people to advice and support that is tailored to the individual. The scheme, initially a pilot, is being developed in partnership with representatives from the Community Reference Group and therefore their knowledge, experience and feedback will be incorporated into the scheme. Initial mapping of the Help Scheme was carried out with the Community Reference Group and is attached at Appendix B. This information also provides Members with a Stakeholder Matrix showing the level of involvement to date from sources of advice and advocacy in the borough.

The Scheme also brings together discretionary pots of funding to support people who are impacted by the welfare reforms which in turn will support people who are likely to be experiencing financial difficulties. Currently these pots of funding include:

- **Discretionary Housing Payment (DHP)** – Government funding to support people who have been impacted by the welfare reforms with their housing costs. This policy is currently being developed and will be put to members at Cabinet in July 2013
- **Housing Revenue Account (HRA) Hardship Fund** - A pot of funding that has been provided through the HRA to support council tenants in times of need. This policy is currently being developed and will be put to members at Cabinet in July 2013 alongside the DHP policy.
- **Emergency Relief Scheme (ERS)** – As a result of the changes to the Social Fund within the Welfare Reforms funding has been provided to Councils to provide ‘welfare provision’. Harrow’s pilot Emergency Relief Scheme was agreed at Cabinet in March 2013 and became operational on April 1<sup>st</sup>, 2013.

- **Xcite Funding** - Funding has been provided through the Excite Programme to provide transport for people accessing training/interviews for new jobs.
- **Hardship Fund for Community Projects** – A £100k Hardship Fund has been made available to fund community projects that help the community to help themselves. This funding will be aligned with the Small Grants Commissioning process.

The Council will work closely with the Community Reference Group to monitor the development and operation of the pilot Help Scheme.

Housing's SLA with CAB is under continuous review and the service has been both expanded and retargeted in light of the specific difficulties tenants and leaseholders who are referred experience. The Housing Service has also now commissioned a phase 2 of the CAB project to take forward the key recommendations arising from the findings of phase 1.

## Equalities Implications

The review of the Debt Collection policy falls within a programme of mitigations that are being taken forward to support people affected by the changes of the Welfare Reforms.

The Welfare Reforms will impact residents living in Harrow as the total amount of benefit received in the borough will be reduced by approximately £8 million however this could increase as we do not understand whether there will be any further impacts through the introduction of Universal Credit and Personal Independent Payments. The breakdown to date of the numbers affected is included within the table below:

When	What	Who	How many affected	Total forecast loss
1.4.13	Council Tax Support	Working age households claiming Council Tax Support	11,200	£3.8m
1.4.13	Size Criteria	Working age households living in Council and Housing Association properties	628	£700,000
6.13 to 9.13	Benefit Cap	Working age households not in receipt of certain benefits e.g. Working Tax Credit and Disability Living Allowance	600	£3.5m
10.13 roll out	Universal Credit	All working age households claiming benefits	Not known	Not known
6.13 roll out	Personal Ind. Payments	Working age Disability Living Allowance recipients	Forecast 560,000 nationally	Not known

Through the activity carried out to develop the Local Council Tax Support Scheme an EqIA was developed and presented to Cabinet on the 13<sup>th</sup> December, 2012. This EqIA shows the impact of localisation of Council Tax Support on the nine protected characteristics and is attached at Appendix C.

Housing has been working with CAB to support tenants affected by welfare reforms. CAB has been visiting a sample of tenants to raise awareness, give advice and talk through options available. The report from this activity is being brought together and will provide a profile of those tenants interviewed.

This report will cover the nine protected characteristics and will be tabled to members at the meeting on the 4<sup>th</sup> June, 2013.

As can be noted by the table the welfare reforms have not yet all been implemented and we are not clear on how they may impact residents. Therefore it is difficult to provide a detailed analysis of the impact of all the changes however work is being carried out to get an understanding of the cumulative impacts and this will be fed into an EqIA that will support the future report to members at Scrutiny.

All changes that are taken forward will be monitored closely through the welfare reform governance structure to understand their effectiveness. This will be through a quarterly dashboard that will monitor the overall impacts of welfare reform and the economy.

In relation to debt collection, services are in the process of investigating how, and where possible, the information to monitor the nine protected characteristics can be brought together. Feedback from both complaints and the external agencies that we are working with will provide quantitative and qualitative data which will support monitoring.

### **Section 3 - Statutory Officer Clearance**

Name: Simon George	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 28 May 2013		
Name: Sarah Wilson	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 23 May 2013		

### **Section 4 - Contact Details and Background Papers**

Contact: Fern Silverio  
Head of Service- Collections & Housing Benefits  
[fern.silverio@harrow.gov.uk](mailto:fern.silverio@harrow.gov.uk)  
Tel. 0208 736 6818

**Background Papers: None**

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## **Draft Corporate Debt Collection definition of vulnerability**

### **Introduction**

Harrow Council recognises that some people require additional support to be able to manage their financial affairs and their circumstances may make them vulnerable. This note defines who the Council will consider as vulnerable and how this will be reflected in our approach to debt collection.

When managing the collection of debt the fact that someone is vulnerable does not mean that they will not be required to pay their debt. Each case will be looked at individually and, dependant on their circumstances the following will be options considered:

- Ensuring the person has access to all relevant benefits, discounts or other entitlements
- Referral to other sources of advice
- Payment arrangements for the debt
- Allowing longer to pay
- A temporary arrangement with lower repayment than would normally be agreed
- Postponing enforcement action

If a person is considered to be vulnerable, under the criteria listed below, their case will be highlighted on the appropriate IT system/s. This will notify all services that they need to look into the individuals circumstances, and/or contact the relevant professional support worker before any further action is taken.

### **Vulnerable Groups**

A person may be considered vulnerable on a temporary or permanent basis, All Council Services will ensure records are kept updated to ensure appropriate advice and support is given. The following list identifies the groups of people that may be considered vulnerable:

#### **People with a Physical and/or Sensory Disability**

A person who has a physical disability is not necessarily vulnerable for the purposes of debt collection, however they will be considered vulnerable if their disability prevents them from managing their financial affairs affectively and need support.

#### **Mental Illness**

The person has a mental health need and it prevents them from managing their financial affairs affectively and need support.

#### **LearningDisability**

A person who has a learning disability will be considered vulnerable in respect of debt collection if they are unable to manage their financial affairs effectively and need support.

## **Draft Corporate Debt Collection definition of vulnerability**

### **Serious Illness**

A person who has a long term serious illness or who is terminally ill, or a member of their close family, may be considered vulnerable if this affects their ability to manage their financial affairs effectively and they require support.

### **Language Difficulties**

A person who does not understand either written or spoken English, especially where they do not have the support from family who can speak or read English

### **People with Literacy Issues**

A person with literacy issues who does not understand written communications, especially where they do not have the support from family could be considered as vulnerable.

### **Elderly Persons**

An elderly person, may be considered vulnerable for the purposes of debt collection. This will be in cases where they are frail, ill and living on a limited income or where they have recently suffered the death of a partner who has previously managed their family finance.

### **Families with children**

A family with children may be vulnerable if they have complex needs and are unable to manage their financial affairs effectively without support. Where the family's needs are so complex that they are allocated a Social Worker or lead professional, the family would be considered as vulnerable.

### **Young people leaving care**

Young people leaving care and may be unable to manage their financial affairs without support and would be considered as vulnerable.

### **Homelessness**

A person who is homeless or about to be made homeless and is unable to manage their financial circumstances would be considered as vulnerable.

### **Bereavement**

A person who has suffered a recent bereavement of a close relative could be considered vulnerable if they are unable to manage their financial affairs effectively without support.

### **Fleeing violence**

A person who has recently been the victim of violence or hate crime could be considered vulnerable if they are unable to manage their financial affairs effectively without support.

### **Prisoners and Detainees**

Prisoners and detainees who have a debt to the Council and are detained will be considered as vulnerable.



## **Draft Corporate Debt Collection definition of vulnerability**

### **Non-European Economic Area (EEA) and Refugees**

A person who is a non EEA national or refugee may be considered as vulnerable if they are unable to manage their financial affairs effectively without support.

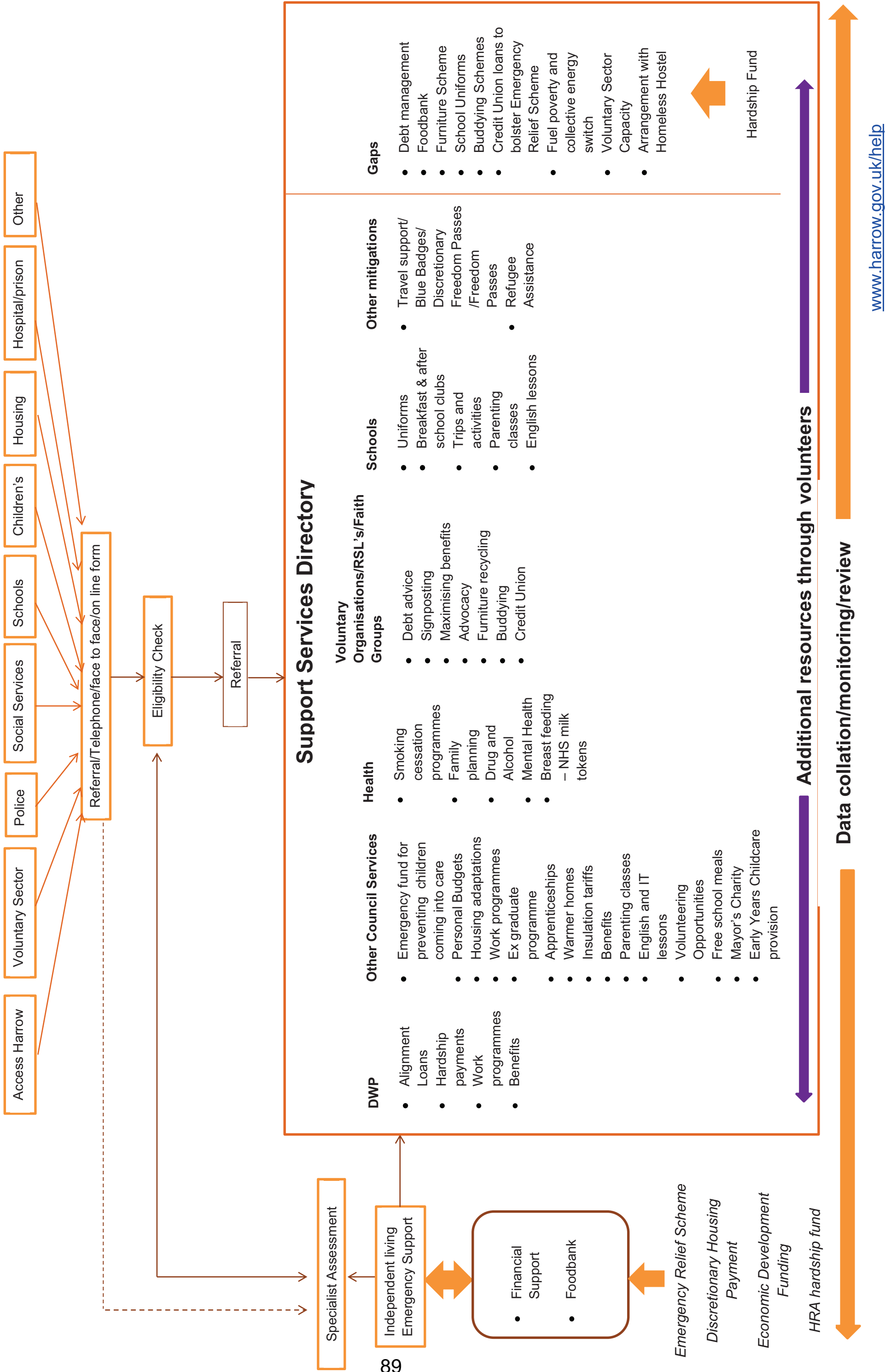
This list is not exhaustive. If somebody is highlighted to the Council as vulnerable, either from internal or external communications their individual circumstances will be considered.

It is acknowledged that there may be instances where vulnerability may not be identified however the Council is working in partnership with external agencies to ensure these instances are minimised.

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The Harrow Help Scheme



**STAKEHOLDER MATRIX**

Stakeholders the Council has links with in relation to the provision of Advice and Support Services within the Help Scheme to date – 3.5.13		In relation to the priorities we have identified where are the gaps?
<b>Council services</b>	<ul style="list-style-type: none"> <li>– Children's</li> <li>– Economic Development</li> <li>– Community Health and Wellbeing</li> <li>– Housing</li> <li>– Revenues</li> <li>– Public Health</li> </ul>	
<b>DWP</b>	<ul style="list-style-type: none"> <li>– Jobcentre Plus</li> </ul>	
<b>Voluntary Organisations/Community and Faith Groups</b>	<ul style="list-style-type: none"> <li>– Citizens Advice Bureau (CAB)</li> <li>– Christians Against Poverty (CAP)</li> <li>– Harrow Association of Disabled People (HAD)</li> <li>– Harrow Mencap</li> <li>– Mind in Harrow</li> <li>– Harrow Carers</li> <li>– Harrow Association of Somalie Organisations (HASVO)</li> <li>– The Womens Centre</li> </ul>	
<b>Schools</b>	<ul style="list-style-type: none"> <li>– Termly Heads Meeting</li> <li>– Norbury Primary School</li> <li>– Harrow College</li> <li>– Harrow School</li> </ul>	
<b>Health</b>	<ul style="list-style-type: none"> <li>– Public Health</li> <li>– Health and Wellbeing Board</li> <li>– CCG</li> <li>– GP Clusters</li> </ul>	
<b>Other</b>	<ul style="list-style-type: none"> <li>– Registered Social Landlords</li> <li>– Harrow Foodbank</li> </ul>	

## TEMPLATE 2 - Full Equality Impact Assessment (EqIA)

In order to carry out this assessment, it is important that you have completed the EqIA E-learning Module and read the Corporate Guidelines on EqIAs. Please refer to these to assist you in completing this form and assessment.

What are the proposals being assessed? ( <b>Note:</b> 'proposal' includes a new policy, policy review, service, function, strategy, project, procedure, restructure)	A new localised Council Tax support scheme in place of the existing national Council Tax Benefit scheme.
Which Directorate / Service has the responsibility for this?	Collections and Housing Benefits
Name and job title of lead officer	<a href="#">Fern Silverio, Divisional Director, Collections and Housing Benefits</a> Sheila Seymour-Howell, Project Member <a href="mailto:Sheila.seymour-howell@harrow.gov.uk">Sheila.seymour-howell@harrow.gov.uk</a> Tel: 020 8424 1806 Ext 2806 Bernie Beckett, Consultation Project Manager <a href="mailto:BBeckett@harrow.gov.uk">BBeckett@harrow.gov.uk</a> Tel: 020 8424 7640 Ext 7640
Name & contact details of the other persons involved in the EqIA:	A multi-agency group has been developed to oversee the development of the Equality Impact Assessment. This group has membership from the Voluntary Sector including CAB, Mind in Harrow, Harrow Mencap, Harrow Carers, Harrow Association of Disabled People (HAD), Age UK, HASVO, Harrow Equalities Centre, Landlords Association, Tenants and Residents Association, Councillors, Unions, Representatives from Harrow Council Services.
Date of assessment:	EqIA was opened on the 7 <sup>th</sup> February, 2012. The document has been monitored and updated on a regular basis by a multi-agency Steering Group. The current document is at Version 22

### Stage 1: Overview

<p>1. What are the aims, objectives, and desired outcomes of your proposals?</p> <p>(Explain proposals e.g. reduction / removal of service, deletion of posts, changing criteria etc)</p>	<p>The Welfare Reform Act received Royal Assent on 8<sup>th</sup> March 2012, abolishing the current system for Council Tax Benefit. The Local Government Finance Act received Royal Assent on the 31<sup>st</sup> October, 2012 and includes legislation to give Local Authorities the responsibility for the development of localised Schemes for providing support for Council Tax with 90% of the funding that is currently provided.</p> <p>The timescales are very tight with implementation of a new scheme required in April 2013. The grant settlement is expected to be provided on the 17<sup>th</sup> December, 2012 and therefore the schemes have initially been shaped using estimated grant allocation provided by the Department of Communities and Local Government (DCLG).</p> <p>Harrow Council's aim is to implement a localised Council Tax Reduction Scheme that initially covers the first two years of delivery – 2013/14 and 2014/15 in Harrow within budget and on time, whilst mitigating any future financial risk. Within Harrow and thereafter in this Equality Impact Assessment this scheme is to be known as a Council Tax Support Scheme.</p> <p>§ Within the Act Council Tax Support claimants who are pensioners will be protected by draft prescribed requirements regulations. Local Authorities must develop approaches to meet their local needs but should consider the impact on the most vulnerable when designing their schemes</p> <p>A multi- agency Steering Group has been developed to work with the council to ensure the scheme is developed to reflect the needs of the local community.</p> <p>Following a steer from the Leadership Group and CSB, and subsequent confirmation from the Portfolio Holder, it was agreed that savings cannot be found from elsewhere within the Council. A new scheme will therefore be developed that manages the funding gap of approximately £3.8m in the year 2013-2014 and approximately £5.1m in the year 2014-2015. These savings figures have increased since consultation following receipt of expected grant figures for Council Tax Support from Department of Communities and Local Government.</p>
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	<p>The consultation was based on the following principles:</p> <ul style="list-style-type: none"> <li>○ The scheme design will be developed within the statutory framework</li> <li>○ The scheme will be developed to meet the resources made available from the Government</li> <li>○ The scheme will provide support to the most vulnerable groups in Harrow within the funding available</li> <li>○ The scheme will encourage people into work and will not provide any disincentives to work</li> </ul> <p>The consultation materials gave examples of the main rules within Council Tax Benefit that could be changed to meet these principles. The consultation booklet and survey are an appendix to the Cabinet Report.</p> <p>As a result of the consultation three model schemes are being put to Cabinet for consideration and their details are included within the Cabinet Report. Council Tax Support Schemes 1 and 2 have been shaped through feedback from the consultation activity and both sit within the resources available to deliver Council Tax Support. Scheme 3 has been developed following the announcement from the DCLG that a transitional fund is available providing Local Authorities implement a scheme to meet with the Governments criteria and would require an overspend if implemented.</p>
<p><b>2. What factors / forces could prevent you from achieving these aims, objectives and outcomes?</b></p>	<ul style="list-style-type: none"> <li>- Not being able to meet the timescales that have been proposed by the Government</li> <li>- New Scheme not adopted by 31 January 2013 as required by the Government.</li> <li>- IT not in place by 31<sup>st</sup> January, 2013</li> <li>- Lack of funding and resources to support implementation.</li> <li>- The Council is taking the risk that there will be an increase in claimants in the next two years. . .</li> <li>- Risk of challenge</li> </ul>
<p><b>3. Who are the customers? Who will be affected by this proposal? For example who are the external/internal customers, communities, partners, stakeholders, the workforce etc.</b></p>	<p>The Department of Communities and Local Government have developed an EqIA on the proposals and this document highlights the following customers that may be affected by the proposal:</p> <ul style="list-style-type: none"> <li>- Working age claimants</li> <li>- The existence of other vulnerable groups amongst working age claimants e.g. carers or disabled</li> <li>- Low income claimants</li> </ul>

	<p>- Local Authorities</p> <p>The following customers/stakeholders within Harrow were identified initially through modelling of Council Tax Benefit data and activity carried out with the Steering Group:</p> <ul style="list-style-type: none"> <li>- Existing Council Tax Benefit claimants</li> <li>- Future Council Tax Benefit claimants</li> <li>- Workforce – Housing Benefit, Council Tax Teams and Access Harrow</li> <li>- Other Council Services</li> <li>- Voluntary Organisations supporting vulnerable people</li> <li>- Precepting Authorities (GLA, Police, Fire)</li> <li>- Council Tax payers</li> <li>- Residents (if funding has to be found elsewhere could affect other services)</li> <li>- Families with children</li> <li>- Lone parents</li> <li>- Carers</li> <li>- Part time and full time workers and are claiming Council Tax Benefits</li> <li>- People who are disabled and are claiming Council Tax Benefits</li> <li>- Single people and couples without children</li> <li>- People with mental health issues</li> <li>- People who are on a low income and do not have a good education and therefore unable to earn more</li> <li>- young people leaving care</li> <li>- low paid workers</li> </ul> <p>Harrow Council's Housing and Council Tax Benefits Department has the overall responsibility for developing and delivering the scheme</p> <p>Council Tax Department</p> <p>Harrow's partners are the precepting authorities – police, fire, Greater London Authority (GLA)</p>
<p>4. Is the responsibility shared with another department, authority or organisation? If so:</p> <ul style="list-style-type: none"> <li>• Who are the partners?</li> <li>• Who has the overall responsibility?</li> </ul>	



<p><b>4a.</b> How are/will they be involved in this assessment?</p>	<p>The Local Government Finance Bill states that precepting authorities must be consulted before the draft scheme is published and therefore meetings were held with representatives to agree how this consultation was taken forward. In line with Government advice the formal consultation was carried out with the GLA before the public consultation started on the 11<sup>th</sup> June, 2012. The GLA provided their formal response to the consultation which has been included as an appendix to the Cabinet Report.</p> <p>Representatives from the GLA and Harrow Council are included in the pan London Council Tax Reduction Working Group hosted by London Councils. This group is working together to understand the proposals and how they can be implemented across London.</p> <p>The precepting authorities including GLA, Police and Fire Services are members of Harrow's Consultation Steering Group that has been developed to oversee the consultation ensuring it is open, transparent and feedback shapes the new scheme. The representatives have agreed to remain on the distribution list and will attend meetings where specifically requested due to limited resources. The GLA are also part of the West London Council's Council Tax Support workshop hosted by Harrow Council and as a result meet with West London Authorities on a monthly basis.</p> <p>Harrow Service Managers also attend London Council's Benefit Managers and pan London Council Tax Support meetings.</p> <p>The Council Tax Section were given the opportunity to give their view through the consultation process and the Divisional Director of Benefits and Collections is a member of the Steering Group.</p> <p>The Multi Agency Sub Group, with membership from the Steering Group, has met monthly to update the Equality Impact Assessments for the changes to Council Tax Benefits.</p>
<p><b>Stage 2: Monitoring / Collecting Evidence / Data</b> (The data quoted in this section was derived from analysis of Council Tax Benefit caseload as at 1/9/12)</p> <p><b>5.</b> What information is available to assess the impact of your proposals? Include the actual data, statistics and evidence (including full references)</p>	

<p>was reviewed to determine the potential impact on each equality group (protected characteristic). This can include results from consultations and the involvement tracker, customer satisfaction surveys, focus groups, research interviews, staff surveys, workforce profiles, service users profiles, local and national research, evaluations etc</p> <p>(Where possible include data on the nine protected characteristics. Where you have gaps, you may need to include this as an action to address in the action plan)</p>	
Age (including carers of young/older people)	<p>63% of the current Council Tax Benefit caseload are working age (all data is to be audited before final report and will be included as an end note to ensure clarity)</p> <p>Analysis of current Council Tax Benefit caseload for working age customers shows 3.89% are aged 18-24, 19.69% between 25-34, 34.76% between 35-44, 29.62% between 45-54 and 12.04% are 55-60.</p> <p>67% of the caseload are families with children (of the 67%, 68% are from smaller families and 32% are larger families (3+ children))</p>
Disability (including carers of disabled people)	Analysis of current Council Tax Benefit caseload for working age customers shows that 15.4% are disabled (as per definition of Group A) and 1.6% are carers (shown as receiving Carers Allowance within current caseload)
Gender Reassignment	This information is not currently collected within the current IT system. Efforts were made to capture this information through the consultation activity however completion of the monitoring elements of the form was not consistent and therefore the information could not be relied upon.
Marriage / Civil Partnership	Data is provided for 'couples, analysis of current Council Tax Benefit caseload for working age customers shows that 37.79% are couples. Efforts were made to capture further information specifically regarding marriage/civil partnerships through the consultation activity however completion of the monitoring elements of the form was not consistent and therefore the information could not be relied upon.
Pregnancy and Maternity	This information is not currently collected as the IT system and claim forms need updating. Efforts were made to capture this information through the consultation activity however completion of the monitoring

	elements of the form was not consistent and therefore the information could not be relied upon.
Race	This information is not currently collected as the data is incomplete. Efforts were made to capture this information through the consultation activity however completion of the monitoring elements of the form was not consistent and therefore the information could not be relied upon.
Religion and Belief	This information is not currently collected as the IT system and claim forms need to be updated. Efforts were made to capture this information through the consultation activity however completion of the monitoring elements of the form was not consistent and therefore the information could not be relied upon.
Sex / Gender	Analysis of current Council Tax Benefit caseload for working age customers shows that, of the person making the claim, 42% are male and 58% are female. Where there is a couple claiming the sex of the claimant has been used in these statistics. 34% of people claiming Council Tax Benefit are lone parents, of these 96% are female.
Sexual Orientation	This information is not currently collected as the IT system and claim forms need to be updated. Efforts were made to capture this information through the consultation activity however completion of the monitoring elements of the form was not consistent and therefore the information could not be relied upon.
6. If you have insufficient data on any of the protected characteristics, is there any other (local, regional, national research, reports, media) data sources that can inform this assessment?  Include this data (facts, figures, evidence, key findings) in this section.	<p>The following EqIAs have been developed on a national basis:</p> <p>Department of Communities and Local Government (DCLG) – Local Finance Bill (updated version released June 2012): Localising Council Tax - identifies the impacts of the proposals on a national basis. This EqIA does identify the net impact the overall policy may have on the following groups:</p> <ul style="list-style-type: none"> <li>- Working age council tax benefit claimants</li> <li>- Council tax payers</li> <li>- Any recipients of local services that may be reduced in order to meet any funding shortfall.</li> </ul> <p>Race Equality Foundation – Housing benefit and welfare reform: impact of all</p>

the proposed changes for Welfare Reform on black and minority ethnic communities. This EqlA identifies the proposals for Housing benefit and welfare reform will impact Black and Ethnic Minority groups as they are disproportionately represented in low-income working and non-working households. .

Department of Work and Pensions (DWP) – Impact assessment for the Household Benefit Cap – identifies the impacts on the proposal to restrict the total amount of welfare a household can receive to meet with the average take-home pay of working households. Whilst Council Tax Benefit is excluded from these proposals, the impacts of these proposals will identify with those that will be impacted by the Localisation of Council Tax Support. This EqlA identifies the net impact of the overall policy on the following groups:

- Families who are both out of work and are either
- Larger than average, in the most part with three or more children and are therefore receiving larger than average Child Tax Credit payments and Child Benefit payments; or
- Situated in high rent areas and thereby receiving large Housing Benefit payments; or
- Both of these factors combined.

- Harrow is identified as having approximately 700 households that will be affected by this policy in the year 2013/14.

- The Steering Group are working to integrate the Health Impact Assessment (Appendix 2) and the Equality Impact Assessment and a draft template has been produced that is at Appendix 1. This activity is in progress and further work will be required to identify relevant data to help inform both Impact Assessments.

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		The consultation included both quantitative and qualitative activity to bridge gaps.		
			Yes	To be carried out
				No
<p><b>NOTE:</b> If you have not undertaken any consultation as yet, you should consider whether you need to. For example, if you have insufficient data/information for any of the protected characteristics and you are <b>unable</b> to assess the potential impact, you may want to consult with them on your proposals as how they will affect them. Any proposed consultation needs to be <b>completed before progressing</b> with the rest of the EqIA.</p> <p><b>Guidance on consultation/community involvement toolkit can be accessed via the link below</b>  <a href="http://harrowhub/info/200195/consultation/169/community_involvement_toolkit">http://harrowhub/info/200195/consultation/169/community_involvement_toolkit</a></p>				
Who was consulted?	What consultation methods were used?	What do the results show about the impact on different equality groups (protected characteristics)?	What action are you going to take as a result of the consultation? This may include revising your proposals, steps to mitigate any adverse impact. (Also Include these in the Improvement Action Plan at Stage 5)	
<p>The Steering Group (multi agency partnership) brought together a calendar of activity which ensured all key stakeholders were given the opportunity to give their view and shape the new Council Tax Support scheme. Regular reviews were carried out throughout the consultation process to ensure gaps in the consultation were bridged by further activity.</p>	<p>The consultation included the following activity:</p> <ul style="list-style-type: none"> <li>• Telephone survey with 1010 residents including 310 Council Tax Benefit claimants</li> <li>• Written survey with members of Harrow Council's Residents Panel – 1130 were distributed and 616 (55%) completed surveys returned.</li> <li>• Consultation booklet and survey circulated widely</li> </ul>	<p>The proposals for the development of the Council Tax Support Scheme in Harrow have been shaped as a result of the feedback collected throughout the consultation. The detailed feedback reports are attached as appendices to the Cabinet Report.</p> <p>The adverse impacts have been summarised below:</p> <p><b>Feedback from the telephone survey</b> – focussed solely on vulnerability asking residents for their views on which and to what extent different groups in the population might be affected by the changes. The results of this survey were weighted in line with the population statistics for Harrow.</p> <p>Respondents were asked to identify the groups they felt would be most</p>		

<p>All residents within Harrow have been made aware of the consultation and various levels of activity have taken place to ensure all groups identified in Section 3 have been given the opportunity to give their view.</p>	<p>across Harrow with the opportunity to respond by telephone, email and freepost. The consultation booklet was also provided in easy read – 346 surveys were returned</p> <ul style="list-style-type: none"> <li>• Specific web pages that gave the opportunity to complete the survey on line – 152 were completed on line</li> <li>• Facebook and Twitter</li> <li>• 71 Road shows, 'Go to' days, Events, workshops, face to face meetings which included specific events/ workshops/ Meetings and discussion groups. Over 4000 people were spoken to.</li> <li>• Letters sent out over an 8 week period inviting residents to these events</li> </ul> <p>All engagement mechanisms used (bar the telephone survey that focussed only on identifying and impacts on vulnerable groups) asked the same questions to ensure consistency.</p> <p>The feedback has been collated, written up and analysed and a meeting of the Steering Group has been held to discuss the feedback and draft schemes that</p>	<p>impacted by the changes – these responses are listed under 'Unprompted'. Respondents were also provided with a list of groups of people that have been identified as being affected by the changes through the data modelling and their responses are listed under 'prompted'.</p> <p>The groups identified through both of these questions in order of impact are:</p> <table> <tr> <th>Unprompted</th> <th>Prompted</th> </tr> <tr> <td>Household including</td> <td>People who are registered disabled</td> </tr> <tr> <td>Somebody who is registered</td> <td>Lone parents</td> </tr> <tr> <td>Disabled</td> <td>Carers</td> </tr> <tr> <td>People on a low income</td> <td>Families with children</td> </tr> <tr> <td>Unemployed</td> <td>Part time workers</td> </tr> <tr> <td>Lone parents</td> <td></td> </tr> </table> <p>There was a recognition that all Council Tax Benefit claimants would be impacted by the changes as they are likely to have to pay more towards their Council Tax.</p> <p>People were generally consistent in their responses regardless of the demographic group of the respondent.</p> <p><b>Feedback from the Residents Panel survey</b> - A written postal survey was carried out with members of Harrow's Residents Panel. The survey was consistent with the questionnaire used on the web and in hard copy within the Consultation Booklet and therefore asked questions both on the groups that may be impacted by the change and specific questions relating to the different ways the rules could be changed to make the required savings.</p> <p>The Residents Panel was recruited to be as representative of the boroughs population as possible however the respondents, in the main, were white British (65.1%), male (54.7%) and over 55 (approx. 70%). Only</p>	Unprompted	Prompted	Household including	People who are registered disabled	Somebody who is registered	Lone parents	Disabled	Carers	People on a low income	Families with children	Unemployed	Part time workers	Lone parents	
Unprompted	Prompted															
Household including	People who are registered disabled															
Somebody who is registered	Lone parents															
Disabled	Carers															
People on a low income	Families with children															
Unemployed	Part time workers															
Lone parents																

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	have been shaped following the outcomes of the consultation.	<p>6.1% of the Residents Panel have reported that they receive Council Tax Benefit.</p> <p>When asked about the impact of the changes on groups the following were mentioned:</p> <table><tr><td><b>Unprompted</b></td><td><b>Prompted</b></td></tr><tr><td>Disabled people</td><td>People who are disabled</td></tr><tr><td>Single parents</td><td>Carers</td></tr><tr><td>Carers</td><td>Lone parents</td></tr><tr><td>Elderly people</td><td>Families with children</td></tr><tr><td>Low paid workers</td><td>Single people and couples without children</td></tr><tr><td></td><td>Children</td></tr><tr><td></td><td>Part time and full time workers</td></tr></table> <p><b>Feedback from the survey (web and hard copy) -</b> The survey was included both within the Consultation Booklet and also available on the Consultation website for completion online. People were given the opportunity to respond either by freepost, telephone or the consultation email address. The questions were consistent with those included in the Residents Survey</p> <p>When asked about the impact of the changes on groups the following were mentioned:</p> <table><tr><td><b>Unprompted</b></td><td><b>Prompted</b></td></tr><tr><td>People with a disability</td><td>People with a disability</td></tr><tr><td>Lone parents</td><td>Lone parents</td></tr><tr><td>People on a low income</td><td>Families with children</td></tr><tr><td>Pensioners</td><td>Carers</td></tr><tr><td>Carers</td><td>Part time/full time workers</td></tr><tr><td></td><td>Children</td></tr><tr><td></td><td>Single/couples without children</td></tr></table>	<b>Unprompted</b>	<b>Prompted</b>	Disabled people	People who are disabled	Single parents	Carers	Carers	Lone parents	Elderly people	Families with children	Low paid workers	Single people and couples without children		Children		Part time and full time workers	<b>Unprompted</b>	<b>Prompted</b>	People with a disability	People with a disability	Lone parents	Lone parents	People on a low income	Families with children	Pensioners	Carers	Carers	Part time/full time workers		Children		Single/couples without children
<b>Unprompted</b>	<b>Prompted</b>																																	
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Pensioners	Carers																																	
Carers	Part time/full time workers																																	
	Children																																	
	Single/couples without children																																	

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**Feedback from the face to face activity**

The face to face activity gave the opportunity to discuss the changes in detail to understand the impacts of the changes.

Many groups agreed that there would be groups in the community who would be affected more than other groups. The majority highlighted people with disabilities as being a group that will be impacted by many changes. Other impacted groups included lone parents, carers, large families and people with mental health issues.

**Formal response from Harrow Association of Disabled People (HAD)**

HAD raised concern that disabled people will be disproportionately affected by having to pay more council tax because of the cumulative effects of the Welfare Reforms. The full response is available as an appendix to the Cabinet Report.

**Formal response from Harrow Mencap**

Harrow Mencap's response was collated from a focus group as well as the Charity's experience of working with families, carers and users of their services. Their key concerns related to the adverse impact that people with disabilities experience because of the cumulative effects of the Welfare Reforms particularly as they felt that people with disabilities are more likely to live in poverty. The full response is available as an appendix to the Cabinet Report.

**Formal response from the Greater London Authority – a formal**

response has been received from the Greater London Authority. This contains no feedback in relation to equalities however the full document is attached to the Cabinet Report.



(The data quoted in this section (unless otherwise stated) was derived from analysis of Council Tax Benefit caseload as at 1/9/12)				
8. What does your information tell you about the impact on different groups? Consider whether the evidence shows potential for differential impact, if so state whether this is an adverse or positive impact? How likely is this to happen? How you will mitigate/remove any adverse impact?				
Protected Characteristic	Positive	Adverse	Explain what this impact is, how likely it is to happen and the extent of impact if it was to occur.	What measures can you take to eliminate or reduce the adverse impact(s)? E.g. consultation, research, implement equality monitoring etc. (Also Include these in the Improvement Action Plan at Stage 5)
Age (including carers of young/older people)			<p>The Government have protected Council Tax Benefit claimants who are pensioners from the changes to Council Tax Benefit and therefore these proposals will impact all working age claimants. There are currently 10,882 working age claimants and all will be on a low income as Council Tax is a means tested benefit and uses the Government's needs allowance which is dependent upon family circumstances.</p> <p>Through all three proposed schemes working age Council Tax Support claimants will be required to pay more or something towards their Council Tax in the future.</p>	<p>All of the three schemes continue to not take Child Benefit and Child Maintenance into account as income when assessing for Council Tax Support to mitigate the impact of the changes upon families with children.</p> <p><b>Awareness Campaign</b> - includes activity to reach all Council Tax Benefit claimants especially targeting the group of people who receive 100% Council Tax Benefit. This will include the following:</p> <ul style="list-style-type: none"> <li>- Guidance booklet for Voluntary Organisations and staff</li> <li>- Training sessions for relevant departments. Staff and Voluntary Organisations</li> <li>- Initial letter with booklet that will be sent to all Council Tax claimants detailing the support that is available</li> <li>- Information sessions for claimants at Access Harrow</li> <li>- Articles/inserts in local press, Harrow People, Homing In and all other appropriate newsletters etc.</li> <li>- Help pages being developed by Communications on the Web</li> <li>- Information in Council Tax Bills</li> </ul>
			<p>It was recognised by the majority of people that responded to the consultation that these changes would impact 'low income' working age families with children. All families that receive Council Tax Benefit are on a low income and therefore all Council Tax Benefit claimants have been highlighted across the board.</p> <p>Currently 64% of Council Tax Benefit working age</p>	

			<p>claimants receive 100% Council Tax Benefits, all of whom will have to pay something towards their Council Tax under all the proposed schemes.</p> <p>The level of contribution could be seen as low however in relation to this group's overall income the increase could be a substantial percentage.</p>	<ul style="list-style-type: none"> <li>- Envelope highlighting changes to ensure opened</li> <li>- Posters on inside of bus routes in Harrow</li> <li>- Messages sent out via social media</li> </ul> <p><b>Hardship fund</b> to be developed with criteria to support the most vulnerable.</p> <p><b>Collection policy</b> to be reviewed to mitigate the risk of non collection</p> <p><b>The new operating model within Children &amp; Families</b> Services will deliver improved co-ordination of services, earlier identification of problems and swift effective early help.</p> <p><b>Housing</b> delivering 1:1 support with families who are hardest hit by the benefit caps.</p> <p><b>Work programmes</b> specifically targeted at Council Tax Support claimants</p> <p><b>Working alongside the mitigations workstream</b> within the Welfare Reform Project Group. The proposed mitigations include the following:</p> <ul style="list-style-type: none"> <li>- Debt and financial advice including benefit check</li> <li>- Development of a foodbank in Harrow</li> <li>- Co-ordination of second hand school uniform schemes</li> <li>- Recycled and reuse of furniture</li> </ul>
			<p>67% of Council Tax Benefit claimants are working age families with children of which:</p> <ul style="list-style-type: none"> <li>- 68% are smaller families (2 children and under)</li> <li>- 32% are larger families (3+ children)</li> </ul> <p>Within this protected characteristic the consultation has identified that the changes to Council Tax Benefit could have a particularly high impact on working age large families including lone parents because large families are more likely to live in larger properties which fall into higher Council Tax banding and to be cumulatively impacted by the overall Welfare Reforms. More information is given under cumulative impacts.</p> <p>Children's Services have also identified that young children could be disproportionately affected by these changes because poverty levels would increase in those families with children. Where there is a risk of unemployment evidence shows families are at higher risk of turning to substance/alcohol misuse.</p>	

			Children's Services have also identified that care leavers who could be moving from supported living arrangements into their own accommodation could be adversely affected by having to pay more towards their Council Tax. There are approximately 30 care leavers annually that accessed Council Tax Benefits through their move into independent accommodation.	
105 sability cluding carers of disabled people)			<p>15.42% of people currently claiming Council Tax Benefit are shown as having a known disability (this will not include some disabled people on passported benefits as this information has not been required when completing an assessment for Council Tax Benefit however will be input within the new Support Scheme).</p> <p>All the surveys received a response rate of at least 15% from people with disabilities however both the web and telephone surveys received response rates of over 25%.</p> <p>The face to face activity included events/discussion groups with users of Harrow Advisory Disability Services, Harrow Mencap, MIND in Harrow and Bentley Day Centre. Discussion groups were also held with the Deaf Drop in sessions and all Neighbourhood Resource Centres where people with disabilities also participated in much of the face to face activity held.</p> <p>There was a strong feeling within some of the activity that the Government should not be targeting vulnerable people and should be making</p>	<p>Children's Services have also identified that care leavers who could be moving from supported living arrangements into their own accommodation could be adversely affected by having to pay more towards their Council Tax. There are approximately 30 care leavers annually that accessed Council Tax Benefits through their move into independent accommodation.</p>
			<p>Within Council Tax regulations there are already protections in the form of discounts and exemptions. These include:</p> <ul style="list-style-type: none"> <li>§ People who have a severe mental health disability that appears to be permanent. This includes people with Alzheimer's disease, strokes and other similar illnesses. IF all the residents in the household fall into this category the property could be exempt from Council Tax otherwise some charge will still be levied.</li> <li>§ People with disabilities whose homes have been adapted for their use may be entitled to a disabled band reduction. This means that their Council Tax will be calculated as if their property is one band lower than it would normally be.</li> </ul> <p>Model Scheme 1 helps to reduce the effects of the changes by giving additional support to people with disabilities by having a higher level cap on the Council Tax liability (90% instead of 81.5% for all others). Criteria for the protected group is included within the Cabinet Report.</p> <p>All three schemes will mitigate the impact of the changes on people with disabilities by:</p>	<p>Within Council Tax regulations there are already protections in the form of discounts and exemptions. These include:</p> <ul style="list-style-type: none"> <li>§ People who have a severe mental health disability that appears to be permanent. This includes people with Alzheimer's disease, strokes and other similar illnesses. IF all the residents in the household fall into this category the property could be exempt from Council Tax otherwise some charge will still be levied.</li> <li>§ People with disabilities whose homes have been adapted for their use may be entitled to a disabled band reduction. This means that their Council Tax will be calculated as if their property is one band lower than it would normally be.</li> </ul> <p>Model Scheme 1 helps to reduce the effects of the changes by giving additional support to people with disabilities by having a higher level cap on the Council Tax liability (90% instead of 81.5% for all others). Criteria for the protected group is included within the Cabinet Report.</p> <p>All three schemes will mitigate the impact of the changes on people with disabilities by:</p>

			<p>the savings elsewhere.</p> <p>Within the consultation the majority of respondents highlighted people with disabilities as the group they felt would be impacted the most because of the cumulative impacts of the welfare reforms and because they felt that people with a disability are more likely to find it more difficult to access employment due to their illness/employer prejudice/accessibility to work programmes.</p> <p>Both Harrow Mencap and Harrow Association of Disabled People provided feedback relating to the disproportionate effect these changes would have on people with disabilities because of other changes which include changes to work related benefits, having to contribute to all care costs, loss of concessionary travel especially if DLA was taken into account as income. They also raised concern regarding the potential loss of DLA through the new PIP Scheme which would then have an impact on the amount of Council Tax Support if the household no longer fell into the protected category. Both organisations state that people with disabilities are less likely to be able to equally access good education and employment.</p>	<p>- continuing to not take Disability Living Allowance into account when assessing income for Council Tax Support</p> <p>continuing to take no non dependant deductions where the claimant or partner is receiving care component of Disability Living Allowance</p> <p><b>Awareness Campaign</b> - includes activity to reach all Council Tax Benefit claimants especially targeting the group of people who receive 100% Council Tax Benefit. This will include the following:</p> <ul style="list-style-type: none"> <li>- Guidance booklet for Voluntary Organisations and staff</li> <li>- Training sessions for relevant departments. Staff and Voluntary Organisations</li> <li>- Initial letter with booklet that will be sent to all Council Tax claimants detailing the support that is available</li> <li>- Information sessions for claimants at Access Harrow</li> <li>- Articles/inserts in local press, Harrow People, Homing In and all other appropriate newsletters etc.</li> <li>- Help pages being developed by Communications on the Web</li> <li>- Information in Council Tax Bills</li> <li>- Envelope highlighting changes to ensure opened</li> </ul>
			<p>Approximately 1.6% of Council Tax Benefit Claimants are carers (shown as receiving Carers Allowance within current caseload)</p> <p>Through all the survey activity at least 4% of people that responded stated they were a carer however through the hard copy survey we received 25% who stated they were carers.</p>	

			<p>The face to face activity was held through events, meetings and discussion groups with carers at all the Neighbourhood Resource Centres, Harrow Mencap event, Carers Revival Meetings and the CNWL Carers event.</p> <p>Throughout the majority of the consultation activity feedback suggested that carers were identified as one of the groups who would be highly impacted because of the proposed changes. People felt they would be impacted because they had limited household income and limited employment options because of their caring duties. People also felt that carers already have extra outgoings as a result of their caring duties. There was a strong feeling, particularly in the face to face activity, that carers save the Government and Local Authorities money because they are providing the care for those in need however receive little or no help to carry out this responsibility.</p>	<ul style="list-style-type: none"> <li>- Posters on inside of bus routes in Harrow</li> <li>- Messages sent out via social media</li> </ul> <p><b>Hardship fund</b> to be developed with criteria to support the most vulnerable.</p> <p><b>Collection policy</b> to be reviewed.</p> <p><b>Work programmes</b> specifically targeted at Council Tax Support claimants</p> <p><b>Working alongside the mitigations workstream</b> within the Welfare Reform Project Group. The proposed mitigations include the following:</p> <ul style="list-style-type: none"> <li>- Debt and financial advice including benefit check</li> <li>- Development of a foodbank in Harrow</li> <li>- Co-ordination of second hand school uniform schemes</li> <li>- Recycled and reuse of furniture</li> </ul>	
			<p>Households claiming Council Tax benefit who have non dependants who are disabled or are carers could be liable for a decrease in their Council Tax Benefit due to the proposed changes to the non-dependant deductions. This would have an effect on the non- dependants, who would be expected to contribute more towards the household's Council Tax bill.</p>		
Gender Reassignment			No information to suggest specific adverse or positive impact	Request has been put to the current IT provider for Council Tax Benefits to update their system to monitor all nine protected characteristics.	
Marriage and			No information to suggest specific adverse or		

Civil Partnership			positive impact		Request has been put to the current IT provider for Council Tax Benefits to update their system to monitor all nine protected characteristics.
Pregnancy and Maternity			No information to suggest specific adverse or positive impact		<p><b>Awareness Campaign</b> - includes activity to reach all Council Tax Benefit claimants especially targeting the group of people who receive 100% Council Tax Benefit. This will include the following:</p> <ul style="list-style-type: none"> <li>- Guidance booklet for Voluntary Organisations and staff</li> <li>- Training sessions for relevant departments. Staff and Voluntary Organisations</li> <li>- Initial letter with booklet that will be sent to all Council Tax claimants detailing the support that is available</li> <li>- Information sessions for claimants at Access Harrow</li> <li>- Articles/inserts in local press, Harrow People, Homing In and all other appropriate newsletters etc.</li> <li>- Help pages being developed by Communications on the Web</li> <li>- Information in Council Tax Bills</li> <li>- Envelope highlighting changes to ensure opened</li> <li>- Posters on inside of bus routes in Harrow</li> <li>- Messages sent out via social media</li> </ul> <p>We will work with the Voluntary Sector to ensure all materials are accessible to those whom English is a second language.</p>
			<p>Monitoring information is not currently collected on this specific characteristic in relation to claimants of Council Tax Benefits however the monitoring information was included on the telephone survey/residents panel/web and hard copy surveys. Many people did not complete this element of the information however the numbers of those that completed this information are as follows:</p> <p><b>Telephone Survey</b></p> <ul style="list-style-type: none"> <li>- Asian or Asian British – 34%</li> <li>- Black or Black British – 8%</li> <li>- Mixed background – 3%</li> <li>- White or White British – 51%</li> <li>- Other background – 2%</li> <li>- Refused – 3%</li> </ul> <p><b>Residents Panel</b></p> <ul style="list-style-type: none"> <li>- Asian or Asian British – 19%</li> <li>- Black or Black British – 3.2%</li> <li>- Mixed background – 2%</li> <li>- White or White British – 68.5%</li> <li>- Other background – 1.5%</li> <li>- Refused to say – 6%</li> </ul> <p><b>Hard copy survey</b></p> <ul style="list-style-type: none"> <li>- Asian or Asian British – 35%</li> <li>- Black or Black British – 13%</li> <li>- Mixed background – 3%</li> </ul>		

		<div data-bbox="67 82 191 1579"> <ul style="list-style-type: none"> <li>- White or White British – 33%</li> <li>- Other background – 3%</li> <li>- Refused to say – 0%</li> </ul> </div> <div data-bbox="223 82 478 1579"> <p><b>Web</b></p> <ul style="list-style-type: none"> <li>- Asian or Asian British – 28%</li> <li>- Black or Black British – 5%</li> <li>- Mixed background – 3%</li> <li>- White or White British – 65%</li> <li>- Other background – 5%</li> <li>- Refused to say – 0%</li> </ul> </div> <div data-bbox="510 82 670 1579"> <p>Overall the responses to the surveys reflect the diverse population within Harrow which is approximately 46.6% White British and 53.4% Black, Asian and other minority ethnic groups.</p> </div> <div data-bbox="702 82 1005 1579"> <p>Face to face activity with specific communities included events/meetings/discussion groups held with Harrow Elders, Hayaan project (Somalian Elders), Afro Caribbean Association, Afghan events, Harrow Women's Centre, Tamil Association drop in, Afghan Payaan AGM, Harrow Women's Association (meeting of Asian women)</p> </div> <div data-bbox="1037 82 1327 1579"> <p>There has also been concern raised that many large families of low income may be of ethnic origin and therefore may be adversely affected by the changes because of the cumulative impact of all the welfare reform changes. We do not have the monitoring information to be able to substantiate this however families with children have been highlighted both in the 'Age' protected</p> </div>
<p><b>Hardship fund</b> to be developed with criteria to support the most vulnerable.</p>	<p><b>Collection policy</b> to be reviewed. <b>Work programmes</b> specifically targeted at Council Tax Support claimants</p>	<p><b>Working alongside the mitigations workstream</b> within the Welfare Reform Project Group. The proposed mitigations include the following:</p> <ul style="list-style-type: none"> <li>- Debt and financial advice including benefit check</li> <li>- Development of a foodbank in Harrow</li> <li>- Co-ordination of second hand school uniform schemes</li> <li>- Recycled and reuse of furniture</li> </ul>

			characteristic and cumulative impacts and therefore have been considered within both proposed schemes.  Some claimants may be impacted through language barriers and therefore Awareness Campaign needs to consider this.	
Religion or Belief			No information to suggest specific adverse or positive impact	Request has been put to the current IT provider for Council Tax Benefits to update their system to monitor all nine protected characteristics.
			There are 42% male and 58% female Council Tax Benefit claimants. Where there is a couple claiming the sex of the claimant has been used in these statistics.  Within the consultation the following information has been captured:  Overall there were more responses from women than men, the only exception being the Residents Panel survey where 55% of the responses were from men.  34% of people claiming Council Tax Benefit are lone parents.  96% of lone parents that are currently claiming Council Tax Benefit are women and therefore there is an impact for this protected characteristic. All surveys highlighted lone parents as one of the adversely impacted groups and the reasons given were because lone parents may have limited ability to be able to access work and do not have other means of accessing money to pay their	<p>All of the three schemes continue to not take Child Benefit and Child Maintenance into account as income when assessing for Council Tax Support to mitigate the impact of the changes upon lone parents.</p> <p><b>Awareness Campaign</b> - includes activity to reach all Council Tax Benefit claimants especially targeting the group of people who receive 100% Council Tax Benefit. This will include the following:</p> <ul style="list-style-type: none"> <li>- Guidance booklet for Voluntary Organisations and staff</li> <li>- Training sessions for relevant departments. Staff and Voluntary Organisations</li> <li>- Initial letter with booklet that will be sent to all Council Tax claimants detailing the support that is available</li> <li>- Information sessions for claimants at Access Harrow</li> <li>- Articles/inserts in local press, Harrow People, Homing In and all other appropriate</li> </ul>



			<p>Council Tax.</p>
			<p>newsletters etc.</p> <ul style="list-style-type: none"> <li>- Help pages being developed by Communications on the Web</li> <li>- Information in Council Tax Bills</li> <li>- Envelope highlighting changes to ensure opened</li> <li>- Posters on inside of bus routes in Harrow</li> <li>- Messages sent out via social media</li> <li>- Online benefits calculator</li> </ul> <p>All materials will be made available in other languages as required</p> <p><b>Hardship fund</b> to be developed with criteria to support the most vulnerable.</p> <p><b>Collection policy</b> to be reviewed.</p> <p><b>Work programmes</b> specifically targeted at Council Tax Support claimants</p> <p><b>Working alongside the mitigations workstream</b> within the Welfare Reform Project Group. The proposed mitigations include the following:</p> <ul style="list-style-type: none"> <li>- Debt and financial advice including benefit check</li> <li>- Development of a foodbank in Harrow</li> <li>- Co-ordination of second hand school uniform schemes</li> <li>- Recycled and reuse of furniture</li> </ul> <p><b>The council will work with the voluntary sector</b> to ensure that the awareness campaign is inclusive</p>

				<p><b>Request has been put to the current IT provider</b> for Council Tax Benefits to update their system to monitor all nine protected characteristics.</p> <p><b>Housing delivering 1:1 support</b> with families who are hardest hit by the benefit caps.</p> <p><b>The new operating model within Children &amp; Families</b> Services will deliver improved co-ordination of services, earlier identification of problems and swift effective early help.</p>	<p>Request has been put to the current IT provider for Council Tax Benefits to update their system to monitor all nine protected characteristics.</p>
Sexual Orientation			No information to suggest specific adverse or positive impact	<p>The Government's analysis does not show the effects of other changes to parts of the local government finance or welfare system.</p> <p>There is likely to be a cumulative impact as the Welfare Reform Act 2012 proposes to make major changes to the Benefits system. This project is a workstream of the Welfare Reform Project Board where Harrow Council services and partners are working together to identify the impacts of all the proposed changes. These will be identified and any mitigating factors recorded and included within this EqIA.</p> <p><b>Technical Reforms for Council Tax</b> – Changes under the Local Government Finance Act 2012 allow Councils to charge full Council Tax on second homes and to abolish Class A and C exemptions. This could result in higher costs for Landlords which may be passed on to tenants who could also be affected by the changes to Council Tax Benefits.</p> <p><b>Community Health and Wellbeing (Adults)</b> – possibility of a cumulative impact as a result of the introduction of the Contributions Policy. A snapshot of Adult Social Care client data was taken on the 12<sup>th</sup> October</p>	

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**9. Cumulative impact** – Are you aware of any cumulative impact? For example, when conducting a major review of services. This would mean ensuring that you have sufficient relevant information to understand the cumulative effect of all of the decisions.

**Example:**  
A local authority is making changes to four different policies. These are funding and delivering social care, day care, and respite for carers and community transport. Small changes in each of these policies may disadvantage disabled people, but the cumulative effect of changes to these areas could have a significant effect on disabled people's participation in public life. The actual and potential effect on equality of all these proposals, and appropriate mitigating measures, will need to be considered to ensure that inequalities between different equality groups, particularly in this instance for disabled

(The data quoted in this section was derived from analysis by the Corporate Performance Team using a snapshot of data from the Council Tax Benefit and Housing Benefit caseload data at June 2012

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**9. Cumulative impact** – Are you aware of any cumulative impact? For example, when conducting a major review of services. This would mean ensuring that you have sufficient relevant information to understand the cumulative effect of all of the decisions.

**Example:**

*A local authority is making changes to four different policies. These are funding and delivering social care, day care, and respite for carers and community transport. Small changes in each of these policies may disadvantage disabled people, but the cumulative effect of changes to these areas could have a significant effect on disabled people's participation in public life. The actual and potential effect on equality of all these proposals, and appropriate mitigating measures, will need to be considered to ensure that inequalities between different equality groups, particularly in this instance for disabled*

people, have been identified and do not continue or widen. This may include making a decision to spread the effects of the policy elsewhere to lessen the concentration in any one area.

and this information has been used to inform the data. There has been difficulty in matching the data and therefore these figures are approximate.

Within the snapshot there are 4001 clients of Adult Social Care. Of this number there are approximately 1,266 who are in community based settings and in a household receiving Council Tax Benefit however approximately 75% of these are pensioners. The remaining 25% working age Adult Social Care clients are living in a household that is receiving Council Tax Benefit and therefore could be affected by the changes. Approximately 1.8% of Adult Social Care users who are community based, receiving CTB and making a contribution towards their care. These changes could affect access to care if care users are unable to make a contribution because of lack of money.

Over 50% of these Adult Social Care users that are impacted by the changes to Council Tax Benefits live in social housing so could be affected by multiple benefit impacts.

The Council is looking at ensuring increased Council Tax charges are taken into account when assessing for contribution towards Adult Social Care.

**Duty to prevent homelessness** - Impact of Council Tax Benefit changes could contribute to Harrow's homelessness duties if Council Tax Benefit Claimants are made homeless

- Because of additional financial pressure due to multiple changes
- Because of recovery of Council Tax Benefit arrears or inability to pay rent because prioritise Council Tax payment.

Groups identified as being most likely to be impacted by these changes could be:

- Large families
- Ethnic minority families; and
- Lone parents

<p>The mitigations for the wider welfare reforms are being developed through the Welfare Reform Project Board which include representation from all Directorates. The mitigations include:</p> <ul style="list-style-type: none"> <li>- Government funding via Discretionary Housing Payment (DHP)</li> <li>- New welfare provision following abolition of Social Fund</li> <li>- Hardship fund to be provided as a direct result of the consultation</li> </ul>			
<p><b>10.</b> How do your proposals contribute towards the requirements of the Public Sector Equality Duty (PSED), which requires the Council to have due regard to eliminate discrimination, harassment and victimisation, advance equality of opportunity and foster good relations between different groups.</p> <p>(Include all the positive actions of your proposals, for example literature will be available in large print, Braille and community languages, flexible working hours for parents/carers, IT equipment will be DDA compliant etc)</p>			
<p>Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010</p>	<p>Advance equality of opportunity between people from different groups</p>	<p>Foster good relations between people from different groups</p>	<p>Are there any actions can you take to meet the PSED requirements? (List these here and include them in the Improvement Action Plan at Stage 5)</p>
<p>11. Policy decision was taken by the Portfolio Holder to design a scheme that met the funding available from the Government for the Localisation of Council Tax Support to protect other service budgets.</p>	<p>Modelling has been carried out to ensure the schemes protect the most vulnerable whilst balancing the need to make savings to avoid cuts in other services.</p>	<p>Extent of consultation with different groups and inclusion of the Voluntary Sector within the Steering Group has ensured wide opportunity to respond and much commonality in relation to concerns about who would be most affected regardless of whether respondents came from that protected group or not.</p> <p>Discussions are being held with the Steering Group in relation to their ongoing involvement in the wider implementation of the</p>	<p>Please see Action Plan that has been developed at Stage 5 which includes all mitigations.</p>

		Welfare Reforms. As part of this ongoing role the Steering Group have advised that they want to be involved in the ongoing monitoring of Council Tax Support.							
<b>11.</b> Is there any evidence or concern that your proposals may result in a protected group being disadvantaged (please refer to the Corporate Guidelines for guidance on the definitions of discrimination, harassment and victimisation and other prohibited conduct under the Equality Act)?									
	Age (including carers)	Disability (including carers)	Gender Reassignment	Marriage and Civil Partnership	Pregnancy and Maternity	Race	Religion and Belief	Sex	Sexual Orientation
Yes	x	x				x		x	
No			x	x	x		x		x
If you have answered "yes" to any of the above, set out what justification there may be for this in Q12a below - link this to the aims of the proposal and whether the disadvantage is proportionate to the need to meet these aims. (You are encouraged to seek legal advice, if you are concerned that the proposal may breach the equality legislation or you are unsure whether there is objective justification for the proposal)									
If the analysis shows the potential for serious adverse impact or disadvantage (or potential discrimination) but you have identified a potential justification for this, this information must be presented to the decision maker for a final decision to be made on whether the disadvantage is proportionate to achieve the aims of the proposal.									
If there are adverse effects that are not justified and cannot be mitigated, you should not proceed with the proposal. (select outcome 4)									
If the analysis shows unlawful conduct under the equalities legislation, you should not proceed with the proposal. (select outcome 4)									
<b>Stage 4: Decision</b>									
<b>12.</b> Please indicate which of the following statements best describes the outcome of your EqIA ( tick one box only)									
<b>Outcome 1</b> – No change required: when the EqIA has not identified any potential for unlawful conduct or adverse impact and all opportunities to enhance equality are being addressed.									
<b>Outcome 2</b> – Minor adjustments to remove / mitigate adverse impact or enhance equality have been identified by the EqIA. <i>List the actions you propose to take to address this in the Improvement Action Plan at Stage 5</i>									
<b>Outcome 3</b> – Continue with proposals despite having identified potential for adverse impact or missed opportunities to enhance equality. In this case, the justification needs to be included in the EqIA and should be in line with the PSED to have 'due regard'. In some cases, compelling reasons will be needed. You should also consider whether there are sufficient plans to reduce the adverse impact and/or plans to monitor the impact. <b>(explain this in 12a below)</b>									
<b>Outcome 4</b> – Stop and rethink: when there is potential for serious adverse impact or disadvantage to one or more protected groups.									

(You are encouraged to seek Legal Advice about the potential for unlawful conduct under equalities legislation)	
<b>12a.</b> If your EqIA is assessed as <b>outcome 3</b> , explain your justification with full reasoning to continue with your proposals.	N/A

<b>Stage 5: Making Adjustments (Improvement Action Plan)</b>				
<b>13.</b> List below any actions you plan to take as a result of this impact assessment. This should include any actions identified throughout the EqIA.				
Area of potential adverse impact e.g. Race, Disability	Action proposed	Desired Outcome	Target Date	Lead Officer
Age - All working age Council Tax Benefit Claimants/families with children/lone parents/children	Develop Council Tax Support Schemes that take account of feedback from consultation and meet the principles for the scheme including to continue to not take Child Benefit into account when assessing for Council Tax Support.	<ul style="list-style-type: none"> <li>- Minimising the impact for working age families with children Council Tax Support claimants</li> <li>- Providing some protection for families with children/lone parents/children</li> <li>- Scheme implemented within the resources available from the Government therefore avoiding additional reductions in</li> </ul>	31.1.13	Fern Silverio
				Schemes developed and being put to December Cabinet alongside this EqIA

		other services	1.12.12 – 30.4.13	Nicola Rae/Bernie Beckett	Communications and Awareness Campaign finalised.
	<p>An awareness campaign is to be developed to ensure all Council Tax Benefit claimants understand why the changes are taking place and what it means for the individual. This will include signposting and information on support available. All of this information will be developed to be inclusive to all Council Tax Benefit claimants.</p> <p>There will be an opportunity for people to carry out a benefit check including for CTS using an online calculator.</p> <p>The Awareness Campaign will include a feedback report.</p>	<ul style="list-style-type: none"> <li>- Raise awareness of the changes</li> <li>- Feedback to residents how their views have shaped the new scheme</li> <li>- Manage expectations to ensure that all Council Tax Benefit claimants understand they will have to pay towards their Council Tax Bill</li> </ul>			
	<p>Hardship Fund is being developed, this will be used to help those experiencing genuine hardship as a result of the changes to Council Tax</p>	<ul style="list-style-type: none"> <li>- Hardship fund developed with clear criteria that supports the most vulnerable</li> <li>- Policy developed</li> </ul>	31.3.13	Jenny Townsley/Bernie Beckett	Multi agency sub group set up to take forward development of Hardship Fund as part of overall mitigations for wider

	Support pay their Council Tax bills		that aligns with other mitigations from welfare reforms			welfare reforms
	An action plan is being developed to include all mitigations developed by both the Steering Group and Welfare Reform Project Board.	-	Impact minimised for groups affected by Welfare Reforms	Ongoing	Welfare Reform Project Board	Action plan currently being developed
	Ability to monitor all nine protected characteristics for equality monitoring which will require upgrade of IT system and update of claim form	-	Ability to adhere to equality requirements for monitoring service delivery	31.3.13	Jenny Townsley/Susan Hopkins	Request has been put to the current IT provider for Council Tax Benefits to update their system to monitor all nine protected characteristics.  User group is meeting to update claims form – date to be confirmed
	Disability  Model Scheme 1 has been developed to help reduce the effects of the changes by giving additional support to people with disabilities by having a higher level cap on the Council Tax liability (90% instead of 81.5% for all others). Criteria for this group is	-	Minimising the impact for people with disabilities who are Council Tax Benefit claimants - Scheme implemented within the	31.1.13	Fern Silverio	- Schemes developed and being put to December Cabinet alongside this EqlA



	included within the Cabinet Report. All three schemes have continued to disregard DLA when assessing for Council Tax Support and do not take non dependant deductions where the claimant or partner is receiving DLA care component and the disability premiums will remain.	resources available from the Government therefore avoiding additional reductions in other services	Ongoing	Mark Billington	Currently in operation
	People with disabilities are able to access elements within work programmes and can also volunteer for Work Choice which is run by CTEC	- Providing the opportunity for people to be able to access work programmes			-
	Awareness Plan/Hardship Fund/Mitigations Action Plan/Monitoring – all as above in Age				
Race	All as age				
Sex	All as age				

## Stage 6 - Monitoring

The full impact of the decision may only be known after the proposals have been implemented, it is therefore important to ensure effective monitoring measures are in place to assess the impact.

<p><b>14.</b> How will you monitor the impact of the proposals once they have been implemented? How often will you do this? <i>(Also Include in Improvement Action Plan at Stage 5)</i></p>	Proposing to monitor through the following mechanisms: - Complaints - Appeals - Applications to the Hardship Fund/Welfare Assistance Scheme - Level of arrears		
<p><b>15.</b> Do you currently monitor this function / service? Do you know who your service users the service?</p>	Yes	x	No
<p><b>16.</b> What monitoring measures need to be introduced to ensure effective monitoring of your proposals? <i>(Also Include in Improvement Action Plan at Stage 5)</i></p>	- Collection of monitoring information relating to nine protected characteristics in relation to four areas of monitoring as above.		
<p><b>17.</b> How will the results of any monitoring be analysed, reported and publicised? <i>(Also Include in Improvement Action Plan at Stage 5)</i></p>	- Monitoring reports will be developed and put to the multi-agency Steering Group for discussion on a quarterly basis.		
<p><b>18.</b> Have you received any complaints or compliments about the policy, service, function, project or proposals being assessed? If so, provide details.</p>	- the GLA have complimented the extensive consultation process used to inform the policy		

## Stage 7 – Reporting outcomes

The completed EqIA must be attached to all committee reports and a summary of the key findings included in the relevant section within them.

EqIA's will also be published on the Council's website and made available to members of the public on request.

A summary of the impacts is provided in the table below. Officers are recommending that Scheme 1 is adopted as the Council Tax Support scheme because:

- It meets the principles of the scheme
- Maintains the existing protections in relation to disregarding DLA and Child Benefit; and
- Minimises the effect of the cap for people with disabilities

**Table 4**

Protected Characteristic	Impacted group
Age	<p>§ All working age claimants will be required to contribute towards their Council Tax Bill</p> <p>§ 7,001 working age claimants currently receive 100% Council Tax Benefit – all will be required to contribute towards their Council Tax Bill</p> <p>§ Working age large families will be adversely impacted due to the cumulative impact of Welfare Reforms</p> <p>§ Working age lone parents will be adversely impacted as they have a limited ability to be able to access work and they also could have a lack of support.</p> <p>§ Children could be adversely impacted due to increased poverty levels</p> <p>§ Young people leaving care who are moving into their own accommodation</p> <p>§ Non-dependants would be expected to contribute more towards the households Council Tax bill</p>
Disability	<p>§ People with disabilities due to cumulative impacts of Welfare Reforms and difficulties in accessing employment</p> <p>§ Carers because likely to have extra outgoings and less likely to be able to access full time employment</p>
Race	<p>§ Large families may be of ethnic origin and therefore may be affected by the changes</p>
Gender	<p>§ Lone parents are more likely to be women and for those claiming Council Tax Benefit 96% are female lone parents.</p>
No specific adverse effect has been identified for the following groups:	
<p>§ Pregnancy and maternity</p> <p>§ Gender reassignment</p> <p>§ Religion or belief</p> <p>§ Sexual orientation</p>	

## 19. Summary of the assessment

**NOTE:** This section can also be used in your reports, however you must ensure the full EqIA is available as a background paper for the decision makers (Cabinet, Interview and Scrutiny, CSB etc)

What are the key impacts – both adverse and positive?

Are there any particular groups affected more than others?

Do you suggest proceeding with your proposals although an adverse impact has been identified? If yes, what are your justifications for this?

What course of action are you advising as a result of this EqIA?

<p><b>20.</b> How will the impact assessment be publicised? E.g. Council website, intranet, forums, groups etc</p>	<p>The impact assessment will be publicised on the Council website and through the Steering Group.</p>		
<p><b>Stage 8 - Organisational sign Off (to be completed by Chair of Departmental Equalities Task Group)</b>  <b>The completed EqIA needs to be sent to the chair of your Departmental Equalities Task Group (DETG) to be signed off.</b></p>			
<p><b>21.</b> Which group or committee considered, reviewed and agreed the EqIA and the Improvement Action Plan?</p>			
<p>Signed: (Lead officer completing EqIA)</p>		<p>Signed: (Chair of DETG)</p>	
<p>Date:</p>		<p>Date:</p>	

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