



Haringey Council

Agenda item:

Overview and Scrutiny Committee 12 January 2009

Report Title: **BUDGET SCRUTINY – PRE BUSINESS PLAN REVIEW DOCUMENTS**

Report authorised by:

Cllr Gideon Bull, Chair of the Overview and Scrutiny Committee

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Wards(s) affected: **ALL**

Report for: **Non Key**

1. Purpose of the report

1.1 To report on the issues raised by the Overview and Scrutiny Committee on departmental Pre Business Plans and Cabinet budget proposals.

2. Introduction by Cabinet Member (if necessary) N/A

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

3.1 The report is part of the budget setting process and as such has links to all council priorities and strategies.

4. Recommendations

4.1 That the Cabinet consider the recommendations contained in this report made by the Overview and Scrutiny Committee, as part of the Council's budget making process.

5. Reason for recommendation(s)

5.1 The report is part of the statutory budget making process.

6. Other options considered

N/A

7. Summary

7.1 The report contains the results from detailed scrutiny of Pre Business Plan Review documents and proposals for budgetary savings and investments for 2009/10. The detailed work has been completed by the Overview and Scrutiny Committee and the report is a reflection of the issues raised.

8. Chief Financial Officer Comments

8.1 Scrutiny of the Cabinet's budget proposals is an important aspect of the overall budget preparation process. The comments and recommendations of the Overview and Scrutiny Committee will be considered by the Cabinet before the final Council budget for 2009/10 is approved

9. Head of Legal Services Comments

9.1 The Council is under a statutory duty to set a balanced budget having regard to the report of its Chief Financial Officer as to the robustness of the estimates and the adequacy of the financial reserves. This must be preceded by robust and comprehensive financial planning.

10. Equalities & Community Cohesion Comments

10.1 These are contained within the pre-business plan review documents

11. Consultation

11.1 This is part of the consultation of the business and financial planning process

13. Use of appendices /Tables and photographs N/A

14. Local Government (Access to Information) Act 1985

The background papers relating to this report are:

Financial Strategy 2009/10 to 2011/12, report of Director of Finance
Pre Business Plan Reviews 2009/10

Chief Financial Officer & Director of Corporate Resources reports to O&S Committee and minutes for meetings on 8th, 15th and 18th December 2008, and 5 January 2009.

Copies are available on request, from Helen Jones, Members Services (non cabinet Committees), on telephone 020 8489 2615.

15. BACKGROUND

Pre-Business Plan Reports 2009/10 were released by the Cabinet in early November 2008. The Cabinet Portfolio holders were invited to Overview and Scrutiny Committee to explain the rationale behind, and to justify their proposals. The proposals were in respect of investment and efficiency proposals in relation to both Capital and Revenue expenditure for the three year planning period 2009/10 to 2011/12.

As part of the scrutiny process some issues have been identified that the Committee wishes to bring to the attention of the Cabinet. This report identifies items which the Committee considered and where it wished to make comment on the proposals, or where the Committee would like the Cabinet to consider its recommendations.

It is not the role of the Overview and Scrutiny Committee to develop an alternative budget to that proposed by the Cabinet.

16. GENERAL ISSUES IDENTIFIED

In carrying out the budget scrutiny exercise the Committee has assimilated a large amount of budgetary information and there are issues and risks that have become apparent as a result.

The Government grant settlement for the next financial year was once again an "at floor" settlement. The Committee strongly recommended that the council produce accurate demographic and deprivation evidence to justify lobbying the Government for more money.

Recommendation 1

That the Cabinet continue to press the case for a more favourable settlement for Haringey with appropriate Government Ministers, and to seek the support of local MPs in doing so.

The effects of the global economic downturn are not yet fully known, however the "credit crunch" is likely to affect some of the Council forecasts on income generation as well as demand for and the shape of Council services. The Committee looks forward to receiving a report on the issues affecting the Council from the Cabinet Portfolio holder for Resources, which is due to be presented at its February meeting.

Part of the Government's strategy to combat the global recession has been to reduce Value Added Tax to 15%. While the Committee noted that the Council is reimbursed all VAT paid out it was obliged to include VAT as an element of fees and charges made. The Committee wished the decrease to VAT be passed in full to its customers.

Recommendation 2

That the full 2.5% reduction in VAT be passed on to customers in respect of fees and charges made by the Council.

The Committee noted that the Capital budget bids had no revenue cost benefits detailed. The Committee was assured that all projects must have a full business case review which detailed service benefits and any cost benefits although they were not always shown in the papers before the Committee. The Committee requested that in future any service or revenue cost benefits accruing be reported with the Capital bid.

Recommendation 3

That any service or revenue cost benefits accruing be reported with the other Capital bid supporting information.

Experience from previous economic downturns has shown that it has resulted in a serious impact on the employment of local people. Haringey seems to be one of the first areas to feel the effect of recession and one of the last areas to stage a recovery. It is likely that the current downturn will be no different, in fact job seeker allowance rates in Northumberland Park Ward have already reached very high comparative levels of 16.5%, the highest in London. The Council is a major purchaser and provider of services both through direct employment and through the contracts that it lets. Two of the biggest capital projects in Haringey are HfH's Decent Homes Project and Education's Building Schools for the Future. The Committee are therefore of the opinion that the Council should do all it can to persuade companies providing it with goods or services to maximise the number of local people employed on contracts the council lets and for those companies to offer training and development opportunities for local people and to establish modern apprenticeship opportunities for local people.

Recommendation 4

That the Council do all it can to persuade companies providing it with goods or services to employ local people on contracts the council lets and for those companies to offer training and development opportunities for local people and to establish modern apprenticeship opportunities for local people.

As the national economy moves into recession, it is likely that Haringey's income streams (council charge, land charges, rents, s106 agreements, parking income etc) will become vulnerable to declines. It is important that close monitoring and reporting procedures are adhered to, to allow Lead Members and officers the opportunity to respond to changes in income.

REVENUE BUDGETS

17. LEADER OF THE COUNCIL - PORTFOLIO AREA

- efficiencies

All savings proposals were noted.

- investments

Concern was expressed on whether income targets for land charges were sustainable in the current economic climate and assurance was sought from the Cabinet that they were achievable and realistic projections of income to be constantly monitored.

18. ADULT SOCIAL CARE AND WELLBEING – PORTFOLIO AREA

- efficiencies

The Committee were concerned that savings from the review for transport for vulnerable adults had already been identified, even though scrutiny had not completed the review. It therefore recommends that the Cabinet delay a decision on this advance item until it receives the Scrutiny report for consideration.

Recommendation 5

That the Cabinet delay a decision on the proposal to take £131K, effective from 2010/11, from the adult services transport provision, until it has considered a scrutiny review report on transport provision for vulnerable adults, due for completion before the end of this municipal year.

Concern was expressed at the cost of specialised care packages rising above the budgeted inflation rate of 2.5% and the impact this has on the budget. The committee was assured that benchmarking was taking place with suppliers and comparisons made with what other councils are charged in order to minimise the impact.

The committee has in the past raised the issue of the additional burden to council services due to early discharge from hospital. Assurance was given by the Director that the situation was being closely monitored to ensure that there was no cost shunting by the Primary Care Trust as a result of the early discharge initiative.

- investments

New investment proposals were noted

19. **LEISURE, CULTURE AND LIFELONG LEARNING – PORTFOLIO AREA**

- **investments**

The Committee was concerned about the proposal to invest £150k on the Wolves Lane / Faith Plant centre because they felt there was insufficient evidence on which to make a decision. The committee wished to be presented with the options outlined in the recently received report by the Shaw Trust.

- **efficiencies**

New savings proposals were noted.

20. **ENFORCEMENT AND SAFER COMMUNITIES - PORTFOLIO AREA**

New Investment and efficiency proposals (3 items only) were noted.

21. **COMMUNITY COHESION AND INVOLVEMENT – PORTFOLIO AREA**

- **efficiencies**

The committee noted that pre agreed savings had not been fully achieved and that alternative savings were being proposed.

The committee was concerned whether savings identified from general items such as, reduction in sickness, general efficiency, right first time would be achieved.

The committee was of the opinion there was the possibility of raising additional revenue from advertising in Haringey People magazine over and above the target of £84k over the next two years.

Recommendation 6

That the Cabinet introduce a more challenging target for increased advertising revenue from Haringey People, than the £84k target set over the next two years.

The committee was concerned at the pre agreed saving proposal for the Corporate Voluntary Sector Team and that all or part of it would be achieved by not increasing grants to VS organisations by inflation. The committee requests the Cabinet to increase VS budget grants by the inflation, as a minimum.

Recommendation 7

The committee requests the Cabinet to increase existing grants to Voluntary Sector organisations by inflation, as a minimum.

- **investments**

It was noted that there were no investment proposals.

22. **RESOURCES – PORTFOLIO AREA**

- **efficiencies**

The committee would like the procedures on staff suspensions and disciplinary action to be reviewed and simplified. It would like a notional savings target to be set in respect of savings accruing by reducing the staff time spent on paid suspension.

To reflect Haringey's aspiration to be a greener borough, the committee would like to see energy savings expressed in the number of BTU's saved as well as the cash sum.

Recommendation 8

In future the committee would like to see energy savings expressed in the number of BTU's saved, as well as the cash sum.

The committee was concerned at the proposal to establish a specialist Overpayment Recovery team to focus on old outstanding debt. It was noted that £80K was to be invested in 3 posts and it was anticipated that the return would be £140k over 2 years. This did not seem to be particularly cost effective.

Recommendation 9

That the Cabinet reconsider the proposal to establish a specialist Overpayment Recovery team.

- **investments**

The committee noted that the anticipated cost of the Single Status agreement was in the order of £2M per year, excluding schools.

23. **REGENERATION AND ENTERPRISE – PORTFOLIO AREA**

- **investments**

The committee noted the new investment proposal for £60k to support and encourage Olympic activity but it was of the opinion that if the council was serious about attracting Olympic investment more was needed.

Recommendation 10

That the Cabinet invest more to increase Haringey's Olympic profile and attract investment to the area.

As the national economy moves into recession, the committee expressed its concern that the level of investment does not reflect the problems the borough is likely to face during the economic downturn. There needed to be more imagination and creative thinking if the council was going to be in a position to contribute and help local businesses. The committee would like to see the council do and particularly give greater opportunity to local businesses to bid for council contracts.

Recommendation 11

That the Cabinet give greater opportunity for local businesses to bid for council contracts.

- **efficiencies**

New savings proposals were noted

24. HOUSING – PORTFOLIO AREA

- **efficiencies**

The committee noted the challenging target to reduce the number of homeless by 50% by 2010. The committee was therefore concerned at the proposal to reduce posts following the planned reduction of numbers in temporary accommodation and take a saving of £99k. in advance of knowing if the reduction was achievable.

Recommendation 12

That numbers in temporary accommodation be closely monitored and savings taken only when the expected reduction has been delivered.

The committee was concerned that the HfH rent increase was to be 6% and the impact this would have on the low paid and those suffering as a result of the economic downturn.

- **investments**

There were no new investment proposals

25. ENVIRONMENT AND CONSERVATION – PORTFOLIO AREA

- **efficiencies**

There was concern at the proposed £100k savings as a result of the introduction of new freedom pass criteria and that Haringey had been a net subsidy loser in London, could anything be done about this? The committee did not want local people who were eligible in the past disadvantaged by the new criteria.

Concern was expressed at the £1m deficit in Parking income. The Committee inquired if there was a strategy on how income or savings would be achieved.

Concern was expressed at the proposal to achieve savings of £100k by reducing the frequency of sweeping of Headings. There were litter problems in some areas and these should be remedied before any reducing in sweeping frequencies to Headings.

Recommendation 13

That the Cabinet reconsider the proposal to reduce frequencies on the sweeping of Headings.

The committee was concerned at the apparent contradictions in timings of parking restrictions and in CPZ charges and the charges made in high use parking areas.

26. CHILDREN AND YOUNG PEOPLE – PORTFOLIO AREA

- efficiencies

The committee recognised that in light of the recent inspection report the immediate priority is to ensure that robust safeguarding arrangements are in place. However the Committee expressed its concern about the potential impact on the children's budgets as previously presented savings were removed pending completion of an overall resource assessment by the incoming Director. The Committee sought assurance that there would be no additional savings burden passed to other departments, as a result. The Chief Financial Officer thought it likely that if additional resource was required it would be contained from within reserves and would be assessed again in future.

The Committee requested that any significant budget variance as a result of the Directors assessment, be reported to it when known.

Recommendation 14

That any significant budget variance as a result of the new Director of Children and Young People's assessment of the department's resources position be reported to Overview and Scrutiny Committee, when known.

- investments

The level of investment was noted.

The Committee was concerned that the level of Dedicated Schools Grant per pupil, received from Government was less than that awarded to inner London Boroughs. Haringey, although designated as an outer London Borough, has all of the issues and problems associated with inner London Boroughs. The Committee urged the council to keep pressing Government for parity on funding per pupil to inner London levels.

Recommendation 15

That the Council continues with its efforts in pressing the government for parity on dedicated Schools Grant funding with inner London levels.

CAPITAL BUDGETS

27. GENERAL

The Committee noted that there was £42m of Capital bids, which exceeded the available resource of £32m. The Committee understood that there was a priority or ranking system used to inform Cabinet. In future years the Committee would like to be informed of the respective priority of each bid as reported to Cabinet in order to assist it make a judgement.

Recommendation 16

That in future years the Committee be informed of the respective priority of each bid as reported to Cabinet.

28. CHILDREN AND YOUNG PEOPLE – PORTFOLIO AREA

The Committee expressed its concern at the proposal to allocate £2m of capital receipts to support the BSF programme with the new school to be built on the Heartlands site.

29. CORPORATE RESOURCES

In the light of the economic downturn, the Committee was concerned at the level of bid for office refurbishment and maintenance of the property portfolio and wish to express the opinion that this should be low priority.

Recommendation 17

That the bids for Capital resources for office refurbishment and maintenance of the property portfolio be considered as a low priority.

There was concern at the level of the bid of £1.050m for Project Management of the IT Capital programme, which was considered too high.

There was concern at the proposal to utilise £12M from the sale of hostel properties to support the Council's proposed Capital Programme and whether this level of receipt could be achieved in the current economic climate.

30. OTHERS

All other Capital bids were noted.

SUMMARY OF RECOMMENDATIONS

Recommendation 1

That the Cabinet continue to press the case for a more favourable settlement for Haringey with appropriate Government Ministers, and to seek the support of local MP's in doing so.

Recommendation 2

That the full 2.5% reduction in VAT be passed on to customers in respect of fees and charges made by the Council.

Recommendation 3

That any service or revenue cost benefits accruing be reported with the other Capital bid supporting information.

Recommendation 4

That the Council do all it can to persuade companies providing it with goods or services to employ local people on contracts the council lets and for those companies to offer training and development opportunities for local people and to establish modern apprenticeship opportunities for local people.

Recommendation 5

That the Cabinet delay a decision on the proposal to take £131K, effective from 2010/11, from the adult services transport provision, until it has considered a scrutiny review report on transport provision for vulnerable adults, due for completion before the end of this municipal year.

Recommendation 6

That the Cabinet introduce a more challenging target for increased advertising revenue from Haringey People, than the £84k target set over the next two years.

Recommendation 7

The committee requests the Cabinet to increase existing grants to Voluntary Sector organisations by inflation, as a minimum.

Recommendation 8

In future the committee would like to see energy savings expressed in the number of BTU's saved, as well as the cash sum.

Recommendation 9

That the Cabinet reconsider the proposal to establish a specialist Overpayment recovery team.

Recommendation 10

That the Cabinet invest more to increase Haringey's Olympic profile and attract investment to the area.

Recommendation 11

That the Cabinet give greater opportunity for local businesses to bid for council contracts.

Recommendation 12

That the numbers in temporary accommodation be closely monitored and savings taken only when the expected reduction in numbers has been delivered.

Recommendation 13

That the Cabinet reconsider the proposal to reduce the frequencies of the sweeping of Headings.

Recommendation 14

That any significant budget variance as a result of the new Director of Children and Young People's assessment of the department's resources position be reported to Overview and Scrutiny Committee, when known.

Recommendation 15

That the Council continues with its efforts in pressing the government for parity on dedicated Schools Grant funding with inner London levels.

Recommendation 16

That the Committee be informed of the respective priority of each bid as reported to Cabinet, in future years.

Recommendation 17

That the bids for Capital resources for office refurbishment and maintenance of the property portfolio be considered as a low priority.