

London Borough of Hammersmith & Fulham
**Public Services Reform
Policy and Accountability
Committee
Minutes**



Wednesday 29 January 2020

PRESENT

Committee members: Councillors Rowan Ree (Chair), Christabel Cooper, Zarar Qayyum and Dominic Stanton

Other Councillors

Councillor Adam Connell, Cabinet Member for Public Services Reform

Officers

Lisa Redfern (Strategic Director of Public Services Reform)

Martin Calleja (Assistant Director of Efficiency and Zero-Based Budgeting)

Dawn Auger (Assistant Director of People and Talent)

Matthew Sales (Assistant Director of Programmes and Assurance)

Andrew Lord (Head of Strategic Planning and Monitoring)

Andre Mark (Interim Finance Business Partner)

David Abbott (Scrutiny Manager)

1. MINUTES OF THE PREVIOUS MEETING

Updates and Actions

Dawn Auger (Assistant Director of People and Talent) noted that there had been some confusion at previous meetings over the proportion of staff leaving in their first year of employment. She informed the Committee that for 2019/20 there were 76 members of staff who left in their first year which equated to 18.8 percent of total leavers.

Members requested that the following be circulated to the Committee:

- An analysis of why staff had left.
- The plan to reduce agency spend (discussed at previous meetings).

ACTIONS: Dawn Auger

It was noted that an update on agency and overall workforce spend would be presented at the March meeting.

It was also noted that the most recent Brexit preparedness update (10) had been circulated to the Committee.

RESOLVED

The minutes of the previous meeting were agreed as an accurate record.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Guy Vincent.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. 2020 MEDIUM TERM FINANCIAL STRATEGY

Andrew Lord (Head of Strategic Planning and Monitoring) gave a corporate overview of the budget, highlighting the following points for context:

- Savings will have exceeded investment (growth) by £125m from 2009/10 to 2020/21.
- General grant funding reduced by £68m from 2010/11 to 2020/21. A 54% real terms cut.
- Government modelling for spending power assumes a 2% Council tax increase and 2% adult social care precept levy. For H&F a 2% increase will raise £4.8m over 4 years and £1.2m in the first year.
- The 2019/20 to 2020/21 local government finance settlement included a general grant increase of 3.6m but future years still presented significant financial challenges.

The Chair opened up to questions on the corporate financial position.

Councillor Christabel Cooper, noting the comment from auditors Grant Thornton about the Council's relatively low levels of reserves, asked if the Council was confident it could manage those levels going forward. Andrew Lord said officers were mindful of the auditors' comments and the budget included an addition to reserves to address the issue. Officers added that the current level of reserves was sufficient for the Council's plans but they were being mindful of the levels.

Councillor Cooper asked if officers expected similar comments on the level of reserves from the auditor in future. Andrew Lord said he hoped the Council's action plan for reserves would address the issue – and noted that similar comments had been made at many other local authorities given the challenging financial climate.

Councillor Cooper noted there were many unknowns about the Council's revenue in the future (e.g. Central Government grant could be diverted to other areas of the UK) and asked if the organisation would withstand a 'perfect storm' of financial

challenges. Andrew Lord said the Council had built in prudent assumptions to the budget and was trying to maintain reserves to help protect against future unknowns.

Councillor Adam Connell (Cabinet Member for Public Services Reform) noted that the Council was just below the national average in terms of reserves. A new policy had been put in place to top up reserves using new capital receipts.

Councillor Cooper asked what actions could the Council take in the short term if it was facing a 'perfect storm'. Andrew Lord said the near-term financial position was somewhat uncertain as the four year local government settlement didn't happen due to the general election. He explained that any significant financial change introduced by the government would be smoothed to give councils time to prepare, though it would be difficult to manage given that demand for services was increasing.

Councillor Zarar Qayyum asked what was meant by 'one-off use of resources – £5.3m' in table 2 of the report. Andrew Lord explained that there was a one-off surplus from council tax income.

Councillor Dominic Stanton, also referring to table 2, noted that the cumulative budget gap (£9m in 21/22, £19.9m in 22/23, and £31.5m in 23/24) did not look very optimistic. Andrew Lord said that each year the Council as had to find savings of around £10-15m. It had been a real challenge but it was expected at this point. Councillor Stanton said there must come a point where all of the efficiencies have already been made. Added to the low reserves, was the Council getting towards a tipping point? Officers replied that the 'low hanging fruit' in terms of efficiency savings went 8 or 9 years ago.

Councillor Adam Connell noted that the cumulative figures included assumptions such as further freezes in council tax that could change.

Councillor Qayyum asked if zero-based budgeting had been taken into account. Martin Calleja (Assistant Director of Efficiency and Zero-Based Budgeting) said the budget included £9m of savings from the zero-based budgeting programme and there was a pipeline of future savings being worked on for future years.

Lisa Redfern (Strategic Director of Public Services Reform) gave a presentation on the Public Services Reform budget, highlighting the following points:

- The department had downsized and reduced the overspend. The department was now at 80 staff with a staffing budget of £5m and was proposing savings of £0.255m.
- The only area of some concern was Business Intelligence – it needed a sustainable operating and resourcing model.
- People and Talent had reduced its staff numbers and overspend – and had seen significant improvements in the past six months.

Lisa Redfern then talked about the department's vision and objectives – promoting a participatory culture, finding radical solutions and new ways of working, using evidence to inform change, and bringing progressive reform to meet the needs of residents.

Officers from the department noted a number of key initiatives that they had supported including:

- Systemic reform of the High Needs Block in Children's Services to reduce high levels of overspend.
- The introduction of 'The H&F Way' a programme to drive cultural change, improve staff wellbeing, and increase performance.
- A very positive Ofsted inspection of Children's Services. Information and analysis from Business Intelligence had informed good practice.

The Chair asked for an example of how data was informing practice in Children's Services. Matthew Sales (Assistant Director of Programmes and Assurance) noted that Business Intelligence had produced monthly performance reports that included key indicators in social care checking against statutory data. They were also generating management level information that allowed teams to drill-down into their data.

The Chair questioned why this wasn't being done previously. Matthew Sales explained that Business Intelligence was a new sovereign service and the new approach they were taking (using a 'data warehouse') gave officers greater insight into their services. Lisa Redfern also noted that they had also developed a state-of-the-art business intelligence tool for Adult Social Care that had been vital to service improvement work.

Matthew Sales added that the Business Intelligence team were responsible for 34 statutory data returns across a wide range of Council areas. They were also working on a number of in-year savings products like council tax single person discount fraud system which had generated £133k for the organisation.

Councillor Dominic Stanton asked for more information on how the council tax fraud system worked. Matthew Sales said using the 'data warehouse' model meant data from lots of different sources could be easily cross checked.

Andre Mark (Interim Finance Business Partner) gave an overview of the Public Services Reform budget and noted the following points:

- The department had a budget of just under £5m, split between staffing and the commissioning of services (e.g. printing rent letters, commissioning learning and development).
- The department had made savings of around £250k on top of addressing in-year pressures. The overspend had been £880k in the last revenue monitor.
- In 2021 the department should achieve a balanced budget.

Councillor Dominic Stanton asked where the income of £1.75m came from. Andre Mark said that was from re-charges to other departments.

The Chair, noting the savings of £250k – 5 percent of a £5m budget, asked if the department was stopping doing certain things or doing the same things but cheaper. Andre Mark said it was a combination – when developing the new service plan, officers had reflected on what the department should be doing and what it shouldn't – but areas of higher spend like People and Talent and the Programme Management Office recognised there were savings that could be made.

Martin Calleja said that a number of inherent issues where the core budget hadn't reflected the spend had been resolved. There were historical gaps in areas like Communication, Co-production etc. He added that the department had also started planning for savings over two years. People and Talent had put forward savings of £1.7m over the next two years.

The Chair asked if Research and Innovation was continuing. Officers noted that area was principally Business Intelligence. Lisa Redfern added that the department had reduced the number of Assistant Director posts by three.

The Chair asked if the department was confident it could deliver the same level of service with fewer senior / experienced people. Dawn Auger (Assistant Director of People and Talent) said People and Talent was reducing headcount from 55 to 30 and therefore had to change their ways of working. The team had inherited a lot of transactional staff, despite already outsourcing many of those functions. The function would be placing more of a focus on self-service with a core specialist team in the centre. They were doing things more strategically – workforce planning, driving productivity, the people plan etc.

Martin Calleja added that the team was also moving over two years to a unit cost on par with the average HR function in inner London. Officers were using the review experience as a benchmark for other back-office services.

Councillor Christabel Cooper asked if transactional services for managers would still be in place – e.g. support when going through a disciplinary, employee relations, recruitment processes etc. Dawn Auger said for the core HR fundamentals she expected the business to deliver themselves with the self-service tools on offer. The People and Talent team was creating self-service toolkits and putting clear guidance on the intranet – and there would be some transitional support.

Councillor Cooper asked how officers were monitoring this to ensure the Council didn't end up with greater costs through staff turnover, tribunals etc. Dawn Auger said nothing came without risk but believed it was the right thing to do. She added that all of these changes were being done in consultation with senior managers.

Councillor Zarar Qayyum asked if there were organisational charts to see who reported to who. Officers said there were and there was a 'who's who' guide available on the Intranet.

5. ZERO-BASED BUDGETING AND EFFICIENCY UPDATE REPORT

Martin Calleja (Assistant Director of Efficiency and Zero-Based Budgeting) presented the report that gave an overview of the Zero-Based Budgeting Programme, established in April 2019. The business case for the programme was based on the projected scale of further savings required over the next four-year medium term (£50m between 2020-24) and the need to improve the capability and capacity of the Council to achieve this.

Martin Calleja explained that achieving savings was not just a technical exercise but it was also about getting people to sign up and engage with change. A core principle of the programme was to work with teams collaboratively, not an imposed top-down review process. £5.19m of detailed viable plans have signed off by SLT - over the coming 3 years. This represented a £10 return for every £1 spent on the programme.

Half of the Council's services have used the zero-based budgeting process so far and the team will continue to promote and encourage services to use it going forward. Officers were also working with heads of finance and using them to promote the programme to their management teams. The programme was still not fully established but has made significant headway and on balance people feel positive about it.

The Chair asked about the timeline for the £8.6m of pipeline savings. Martin Calleja said the pipeline represented modelled opportunity that required more detailed planning work and approvals from senior decision makers. For example – one of the proposals was to reduce management costs but the organisation had not set out how to do that yet. The programme would be developing a corporate strategy, priorities, and pipeline. Then there would be a managed closure of the programme by the end of the financial year next year. At that point all services will have been reviewed and work will move to delivery of the 'big ticket' savings.

The Chair, noting the £10 return to £1 spent on the programme, asked if there was a limit to these marginal benefits – should the Council be spending more to realise even greater savings? Martin Calleja said the Council had scaled the programme around balancing the budget. He felt it was the right approach to have a small, focused team that worked with departments. Previous approaches used larger central teams of consultants and agency workers that became disconnected from services.

The Chair asked if the managed closure at the end of two years risked losing experience. Martin Calleja said the programme needed to ensure the Council had the capability to carry on with its work. It was felt that the best home for reviews going forward is in the Business Intelligence team.

The Chair, referring to 3.8 of the report, asked if the Council had considered selling this service to other councils. Officers noted that councils don't trade well as sector but there were potential opportunities for trading certain functions.

Councillor Zarar Qayyum asked what period the 10:1 return on investment was calculated over. Martin Calleja said it was modelled over the medium term (4 years) but was likely to be delivered in one or two years.

Councillor Qayyum asked what the biggest challenges were for the programme. Martin Calleja felt the cultural challenge was the most significant. The Council had already delivered a lot of savings but it could still be threatening for departments. There had been some challenging discussions with senior managers, and some services were nervous to commit to savings figures, but everyone recognised the scale and seriousness of the financial challenge.

Councillor Qayyum asked if the Council was looking at revenue generation as well as savings. Martin Calleja said new commercial opportunities were being considered – the team was working with finance on all income and debt lines to look at the holistic picture.

Councillor Christabel Cooper wanted to ensure there wasn't under-investment in the Business Intelligence team, given the need for more and more analytics going forward. She noted that their work to support other areas of the Council was properly attributed – for example, the single person discount fraud income would show on another department's balance sheet. Lisa Redfern agreed and said that getting the right model and corporate buy-in for the Business Intelligence team was crucial and officers were focussed on that now.

The Chair asked for more information about the zero-based budgeting contract review panel. Martin Calleja said the team wanted to test how lead officers were managing contract costs. They looked at seven contracts, including CCTV, printing, and grounds maintenance. Each service was challenged to find opportunities to cut costs. The team found that services had a really good grip on the contracts and good ideas to reduce their costs - but there was limited drive to implement in the short term. Plans tended to revolve around major recommissions. Some services felt they needed sponsorship or some invest to save money. There were reports available on each of the seven contracts.

6. **DATE OF NEXT MEETING**

The next meeting was scheduled for 23 March 2020.

Meeting started: 7.00 pm
Meeting ended: 8.32 pm

Chair

Contact officer: David Abbott
Scrutiny Manager
Governance and Scrutiny
☎: 07776 672877
E-mail: david.abbott@lbhf.gov.uk