



MINUTES OF THE BUDGET AND FINANCE OVERVIEW AND SCRUTINY COMMITTEE **Tuesday, 12 October 2010 at 7.30 pm**

PRESENT: Councillor Allie (Chair) and Councillors Long, Sheth and Van Kalwala

Apologies were received from: Councillors A Choudry and Mashari

1. Declarations of Personal and Prejudicial Interests

None declared.

2. Minutes of the Previous Meeting Held on 15 September 2010

RESOLVED:-

that the minutes of the previous meeting held on 15 September 2010 be approved as an accurate record.

3. Matters Arising

None.

4. Update on 2010 Revenue Forecast

Clive Heaphy (Director of Finance and Corporate Resources) introduced the report that was to be considered by the Executive on 18 October 2010. He confirmed that the statement of accounts for 2009/10 accounts had been signed off with no qualifications. Clive Heaphy advised that the outturn for 2009/10 meant that the balance of reserves available to the Council for 2010/11 was £7.5m, a prudent amount in view of the economic circumstances. Members heard that the Government savings announced on 10 June 2010 meant the council had lost £6.855m of grant funding, including £2.249m of Area Based Grant and £4.606m of other grants including £3.634m of the Local Area Agreement Reward. The outcome of the Comprehensive Spending Review (CSR) was likely to require more significant savings for local authorities, although the specific savings required for each council would not be known until the CSR Local Government Settlement was announced in December 2010.

Clive Heaphy then outlined a number of pressures on the general budget for 2010/11, which included increases in client numbers in Adult Social Care and Children's Services and inflationary pressures from general prices and contracts. Members heard that there were some long term contracts that the council was involved in which had built-in higher inflation rates which it would seek to renegotiate, although legally this could prove difficult. The forecast overspend of £5.574m was attributable to reduced income, such as through planning fees and

inescapable growth such as those in Adult Social Care and Children's Services and this would continue to be monitored. Clive Heaphy referred to the budget and forecast for each service area as set out in the report and he advised that it would not be prudent to balance the budget through using reserves this year and that instead it should be achieved through identifying further savings.

With the permission of the Chair, Robert Dunwell addressed the Committee. Robert Dunwell asked if there was a strategy in place in respect of what non-statutory functions the council could consider restricting or stop providing altogether.

During Members' discussion, Councillor Van Kalwala sought further comments with regard to maintaining a reasonable balance and were there any indications of what the council could expect with regard to the Local Government Settlement following the CSR. Councillor Long emphasised the importance of achieving recycling targets to save the council costs through landfill charges. With regard to mental health, she enquired whether Adult Social Care had devised a model of expected demand and would NHS Brent also be sharing in supporting this service and costs. Councillor Long also asked if the increase in demand and spending in Adult Social Care could be attributed to the colder winter than normal over 2009/10.

The Chair sought views on what would happen if the savings targeted could not be achieved and what the economic projections were for the next 12 months. He asked for further clarity with regard to the overspend that had occurred.

In reply, Clive Heaphy advised that local authorities were legally obliged to maintain a reasonable balance and although the current balance met these requirements, ideally an increase in the balance towards the region of £12m - £15m would be desirable in view that the council was entering a higher risk period financially. Clive Heaphy stressed the need to achieve the savings targets as there was no viable alternative. Short term savings could be made through such things as looking at use of interim contract staff, how training was provided and whether attendance at conferences was necessary. In the longer term, services would continue to be restructured and directors would be considering how further savings could be made in light of the outcome of the CSR. Members were advised that the Local Government Settlement to be announced in December 2010 was likely to require the council to find savings in the region of 25% to 40% over four years and the Government was likely to want to achieve these savings early during this period.

In respect of the economic situation over the next 12 months, Clive Heaphy advised that interest rates were likely to remain the same over the next 9 months, with slight rises possible. Inflation was currently at 3.1% but was likely to rise in the New Year when VAT rates increased, however it was hoped that in the medium term, inflation would settle at around 2%. Members heard that unemployment was likely to continue to rise, whilst GDP growth was showing signs of slowing. Clive Heaphy stated that a stagnant economy would mean greater demand overall on council services and therefore additional costs. He explained that the overspend in Adult Social Care had been attributable to rising demand, whilst in the longer term the population was living longer, however there would be no additional funding from the Government to accommodate this. Budget priorities would need to be identified and it was conceivable that a greater allocation would need to be provided to Adult Social Care. Other issues that needed to be addressed included transportation and

landfill costs, with recycling initiatives crucial to avoid extra costs as a result of increased landfill tax rates. With regard to NHS Brent, Clive Heaphy advised that substantial savings would be made through reducing the number of managers. It was not yet clear how the new GP commissioning arrangements would operate.

Mick Bowden (Assistant Director of Finance and Corporate Resources) added that the council and Brent NHS were now working together better after earlier disagreements, however both were under significant pressure financially and future steps needed to be considered carefully. With regard to the Adult Social Care overspend, Mick Bowden advised that since the budget had been set in March 2010, there had been an increase in client levels. He felt that the rise was not due to the preceding colder than usual winter but was attributable to increases in specific client groups where a particular level of service was required.

The Chair concluded this item by indicating Members' concerns in respect of the council balance and the overspend in Adult Social Care.

5. Children and Families Budget Issues

Mustafa Salih (Assistant Director – Finance and Performance, Children and Families) gave a presentation on this item and advised that an overspend of £3.295m was forecast in the Children and Families budget for 2010/11. A small amount of the overspend, £340,000, was from the schools budget which was in any case ring-fenced and would not affect the council. However, the remaining overspend of £2.995 would impact upon the budget and this needed to be addressed. Members heard that up until 2010/11, an invest to save programme had been successful in controlling spending levels. The amount of looked after children had also fallen until a very recent sharp increase and the rise in demand would need to be managed carefully. The number of non looked after children being supported by the council was also rising and this would mean increased costs in areas such as adoption. Mustafa Salih referred to the Children's Social Care Transformation project, an ongoing gold project aimed at achieving both greater efficiency and savings. Members noted the different support options for child care and Mustafa Salih stated that changing support options to lower unit costs was being considered.

Mustafa Salih commented on the difficulty in predicting school places, however the Greater London Authority's (GLA) forecast had lower figures than Brent's own forecast. Members noted that the council's own forecast had prevented there being a shortage of places in previous years, however as demand for places continued to rise, for this year there were presently 111 children without school places. In addition, there could be further shortages created because of parents pursuing a particular school of their choice. Members heard that the Capital Programme had identified £26m to deliver an additional ten forms of entry by 2015/16, however there may be a need for up to 15 further additional forms after that year and this would need to be closely monitored. Mustafa Salih advised that the Government was undertaking a review in respect of the size and focus of future capital funding for schools.

Graham Genoni (Assistant Director – Social Care, Children and Families) added that in the case of non looked after children being supported, there had been a significant increase in referrals in the range of 25% to 33% since the Baby P case

and this would entail increased costs for support care, including support of both children and their family members, whilst court costs were also increasing. Non looked after children being supported costs would include a mixture of discretionary and statutory costs.

With the approval of the Chair, Robert Dunwell addressed the committee. Robert Dunwell commented that local authorities had long queried the official population statistics and stated that they could take joint direct action to lobby the Government or even explore legal means to challenge the figures.

During Members' discussion, Councillor Van Kalwala sought further explanation as to why levels of deprivation had increased. Councillor Long enquired how savings could be achieved in relation to foster care and enquired how the council would attract foster carers in view that agencies provided higher allowances. She also asked whether consideration was being given to councils co-operating with each other to compete with the independent foster agencies.

The Chair sought views with regard to the council's threshold in relation to referrals and whether demand could be described as cyclical. He expressed concern about the relatively high overspend and sought further details with regard to the approximate £600,000 overspend in staffing and photocopying and clarity was sought with regard to the photocopying contract.

In reply to the issues raised, Graham Genoni felt that the referral thresholds were both safe and appropriate and benchmarking with other local authorities confirmed this. He stated that lowering the cases the council became involved in could present a risk, whilst referrals were increasing nationally. Demand could sometimes be cyclical, although it was notoriously difficult to predict. Members heard that 369 children were presently looked after by the council, although care was provided through an increasing variety of methods, whilst there was a total of 1,800 open cases currently in Child Care. Graham Genoni explained that the foster care market was a competitive one, however a council project was seeking to improve the fostering service and increase the number of foster carers for the council through advertising and a proactive publicity campaign. He advised that co-operation between local authorities was unlikely as each was in competition with the others. Members noted that on average a council foster carer was £400 per week cheaper than the costs in using an independent foster carer.

Graham Genoni confirmed that the £420,000 overspend was down to staffing costs due to the minimum number of staff not being correctly budgeted for during the establishment exercise, a budgeting gap that needed to be addressed. A further £180,000 overspend was due to photocopying costs attributable to the photocopying contract being an expensive one, exacerbated by the fact that Children and Families presently used offices in a number of buildings. However, the introduction of a corporate photocopying contract and the move to the Civic Centre would address this issue.

Krutika Pau (Director of Children and Families) advised that the child population in Brent was rising and this would increase demand, whilst cases were becoming more complex. Deprivation levels in Brent had also increased in the last three years due to increasing unemployment and pressures on healthcare. Krutika Pau confirmed that local authorities continued to lobby the Government in respect of

population figures and the impact of population discrepancies would impact upon the budget.

Clive Heaphy added that the 2011 Census would provide the opportunity for the council to gain all the necessary information together to challenge the Office for National Statistics figures and lobby the Government. Members noted that the introduction of a multi-use machine and reducing the number of photocopying machines was being considered, whilst service areas were being encouraged to make use of more on-line materials and to move document management on-line. Clive Heaphy also commented that some schools were also on costly, inefficient photocopying contracts and these would need to be addressed.

6. Environment and Culture Budget Issues

Bharat Jashapara (Assistant Director – Strategic Finance, Environment and Culture) gave a presentation on this item and explained that the department covered three main areas of work, these being StreetCare and Transportation, the largest of the three, and the other two being Culture and Policy and Regulation. Members noted the Environment and Culture 2010/11 budgets and that the department generated significant income. However, because of the economic downturn, there had been a shortfall in income from planning fees, land charges and StreetCare of around £500,000, whilst there had also been a loss of £350,000 in area based grants. Whilst an overspend of £850,000 was presently being forecast for 2010/11, it was anticipated that a recovery plan would be successful in ensuring that the department had a balanced budget by the end of the financial year. Possible further risks to the budget included whether income would continue to fall and a dispute with APCOA, the parking contractors over charges for suspended parking bays. Although demand for the recently introduced free bulky waste service could exceed expected costs, it was felt that the risk of this was low.

With the approval of the Chair, Robert Dunwell addressed the committee. Robert Dunwell enquired whether budgetary pressures would impact upon service provision, including areas such as planning enforcement. He also asked how much the parking revenue account had been reduced, in view that both Highways and Transportation were reliant on surpluses made in Environment and Culture.

During Members' discussion, Councillor Long sought further clarification with regard to the dispute with APCOA over suspended parking bays. Councillor Van Kalwala enquired what areas would contribute most to address the overspend. He sought further details with regard to the budget position for StreetCare and the waste contract and commented that it was essential that the council took a proactive role in increasing recycling if it was to achieve the rate of 60% set by the Administration. Councillor Van Kalwala also sought further clarity with regard to the impact on the budget of introducing free collection of bulky waste items. Councillor Sheth highlighted problems of litter on grass verges and tree roots causing damage to pavements in the Tokyngton ward.

In response, Michael Read (Assistant Director – Policy and Regulation, Environment and Culture) advised that APCOA were attempting to back date charges of up to £400,000 for suspended parking bays as they claimed that they should have charged more, however he was confident that the council would be successful in the dispute. He explained that income from Planning and land

charges had been hit by the recession, however in the recovery plan each unit would be set targets to contribute to savings. Managers from each unit would be empowered to identify where savings could be made and would be accountable for them. Michael Read advised that similar plans had been successful in previous years and he was confident that the savings required this year would be achieved and he added that in 2009/10 the balance had improved from a large overspend to a small surplus by the end of the year. There was no indication that the budget pressures would impact upon services, however if this was the case then any decision would need to be agreed by the Executive. Michael Read confirmed that the team of six planning enforcement officers would remain, however there may be a need to consider more carefully the timing of prosecutions to reduce legal costs. Members noted that parking revenue was down by approximately £60,000 and that in-year surpluses went into the Transportation Unit budget, which was typically around £4m to £5m a year. Any shortfall in income, which was attributable to the recession, would be addressed by the department as a whole, although further shortfalls were not anticipated. Members heard that implementation of the Green Zones scheme had also been cancelled as the performance award grant for it had been withdrawn.

With regard to the waste contract, Michael Read advised that missed bin collections were at their lowest rate ever, whilst external monitoring of street cleansing had demonstrated that performance was on target. Michael Read stated that reviewing the timing of litter collections would help reduce debris collecting on grass verges. Transportation Unit were responsible for the upkeep of pavements and would survey trees that had been highlighted by residents to be causing damage. Michael Read informed the committee that there had been a large reduction in demand for the bulky waste collection service when the charge had been introduced and it was hoped that the removal of the charge would encourage uptake of the service and this change needed to be effectively publicised. The costs of removing the charge had been incorporated into the department's budget.

7. Date of Next Meeting

It was noted that the next meeting of the Budget and Finance Overview and Scrutiny Committee was scheduled for Wednesday, 10 November at 7.30 pm.

8. Any Other Urgent Business

Work Programme 2010/11

The Chair requested that an item on the outcome of CSR could be added to the work programme and be discussed at the 10 November meeting. Clive Heaphy confirmed that there would be enough information on this issue to present to Members at the next meeting on 10 November, whilst the implications to changes to the Housing Revenue Account could be presented for the 7 December meeting.

The meeting closed at 9.10 pm

J ALLIE
Chair

