



Budget and Finance Overview and Scrutiny Committee

Wednesday, 8 February 2012 at 7.30 pm
Committee Rooms 1,2 & 3, Brent Town Hall, Forty Lane, Wembley, HA9 9HD

Membership:

Members

Councillors:

Allie (Chair)
Mashari (Vice-Chair)
S Choudhary
Leaman
Naheerathan
HB Patel
Ketan Sheth
Van Kalwala

first alternates

Councillors:

Green
Harrison
Chohan
Brown
McLennan
BM Patel
Denselow
Kataria

second alternates

Councillors:

Cummins
Hector
Moloney
Lorber
Oladapo
HM Patel
Gladbaum
Daly

For further information contact: Peter Goss - Democratic Services Manager
020 8937 1353 peter.goss@brent.gov.uk

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit:

www.brent.gov.uk/committees

The press and public are welcome to attend this meeting

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

Item **Page**

1 Declarations of personal and prejudicial interests

Members are invited to declare at this stage of the meeting, any relevant financial or other interest in the items on this agenda.

2 Deputations (if any)

3 Minutes of the previous meeting 1 - 6

4 Matters arising (if any)

5 The draft 2012/13 budget

A presentation on the administration's budget proposals.

The Budget and Finance Overview and Scrutiny Committee will discuss and make recommendations on the draft 2012/13 budget, tracking any proposals made during the first reading debate. Councillor Butt, Lead Member for Corporate Resources and Deputy Leader of the Council, will present the draft budget and answer questions from members. While the committee will lead the discussion, this meeting is intended to give all non-Executive members the opportunity to participate in the budget scrutiny process and raise any questions or comments they may have on the draft budget.

Copies of the draft budget report will be circulated to the Budget and Finance Overview and Scrutiny Committee members prior to the meeting.

Ward Affected: All Wards **Contact Officer:** Clive Heaphy, Director of Finance and Corporate Services

Tel: 020 8937 1424

clive.heaphy@brent.gov.uk

6 Discussion on the committee's second interim report 7 - 36

Members will have the opportunity to finalise their discussions on the content and format of the Committee's second interim report before it is submitted to the meeting of the Executive on Monday 13 February 2012.

A copy of the Panel's first interim report is attached for information.

Ward Affected: All Wards

Contact Officer: Jacqueline Casson,
Senior Policy Officer

Tel: 020 8937 1134

jacqueline.casson@brent.gov.uk

7 Any Other Urgent Business

Notice of items to be raised under this heading must be given in writing to the Democratic Services Manager or his representative before the meeting in accordance with Standing Order 64.

8 Date of Next Meeting

The date of the next meeting of the Budget and Finance Overview and Scrutiny Committee will be agreed at the meeting of Full Council in May 2012.



Please remember to **SWITCH OFF** your mobile phone during the meeting.

- The meeting room is accessible by lift and seats will be provided for members of the public.
- Toilets are available on the second floor.
- Catering facilities can be found on the first floor near the Paul Daisley Hall.
- A public telephone is located in the foyer on the ground floor, opposite the Porters' Lodge

This page is intentionally left blank



MINUTES OF THE BUDGET AND FINANCE OVERVIEW AND SCRUTINY COMMITTEE Wednesday, 11 January 2012 at 7.30 pm

PRESENT: Councillor Allie (Chair), Councillor Mashari (Vice-Chair) and Councillors Naheerathan, Sheth and Van Kalwala

Also Present: Councillors Butt, John and RS Patel

Apologies were received from: Councillors S Choudhary, Leaman and HB Patel

1. **Declarations of personal and prejudicial interests**

None declared.

2. **Deputations (if any)**

None.

3. **Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 6 December 2011 be approved as an accurate record of the meeting.

4. **Matters arising**

Jacqueline Casson (Senior Policy Officer) confirmed the action taken since the last meeting on the following:

- Circulation of examples of equality impact assessments related to projects included in the One Council programme,
- Further information supplied to Councillor Mashari on trade waste, and
- Information requested on the New Homes Bonus to be provided at this meeting.

5. **Regeneration and Major Projects budget issues**

Andy Donald (Director of Regeneration and Major Projects) circulated a Powerpoint presentation outlining the context in which the department's budget was set, the budget pressures and other issues facing the department and the major capital projects underway. Andy Donald explained that because the department had only been formed in October 2010 the current year was one of transition. The year ahead was the first chance to view the department's budget as a whole and plan for the future. The biggest pressure on the current year's budget was the level of

spend on temporary accommodation which was forecast to overspend by £928,000. Andy Donald explained that the main reason for the overspend was due to the Local Housing Allowance cap introduced in April 2011. The service had in the past been managed largely as a demand led service but with a rise since 2010/11 of 38% in the number of homeless applications received and an 86% increase in the placing of families into hotels and bed and breakfast accommodation, a different approach was needed. Actions being taken to mitigate the overspend included the provision of advice, strategies to prevent homelessness and encouragement to take housing out of the borough. However, Andy Donald stated that the situation was only likely to get worse as Housing Benefit and wider welfare reforms were implemented. The committee noted that a contingency budget of £1M was being held centrally to fund any final overspend in this area for the current year. The department's agreed savings of £3.8M remained on track with £1.2M coming from the supporting people budget, £440,000 from the staffing structure review and a collection of smaller changes to the housing service.

Andy Donald drew attention to the budget issues for the future. By 2014/15 the borough would need the equivalent of 70 additional classrooms to cater for the increased demand for school places. A sum of £25M had been secured from the Government to help address this but a figure in the region of £60-65M was needed. Therefore work was underway on reviewing the Council's entire portfolio of school buildings to assess how best to use the funding secured and meet the demand. The New Homes Bonus would appear in the Council's budget for the first time in 2012/13 in the sum of £1.068M. It had been decided that this money would be used to support the Council's capital programme. Andy Donald reported that it was anticipated that new rules would be passed to allow Councils to recover the total cost of their planning service which would lead to an increase in income during 2012/13. He further explained that presently planning fees were set nationally, but if the Council was allowed to recover its total cost it would generate an additional £800,000 approximately. More savings were to be taken from the supporting people service and from the housing needs transformation project. There would also be revenue savings taken from capital projects. A big change to the Housing Revenue Account would take place on 1 April 2012 following the Government making a one-off settlement to the Council of £197M to pay off a proportion of the HRA debt and no longer provide subsidy of £8.5M in return for the Council taking responsibility for the remaining debt and retaining the rental income. A business plan for how the Council would in future manage, maintain and improve the housing stock was being developed but one risk already identified were the proposed changes to Housing Benefit which would result in benefit being paid direct to the tenant rather than to the Council with consequences for rent collection levels. It was pointed out that the national rent convergence scheme would continue and so rent levels would still be determined by the Government.

Andy Donald outlined the major capital projects included in the Council's programme, including South Kilburn, the new Civic Centre, the Willesden Green redevelopment and the schools programme.

In answer to questions asked by members of the committee concerning housing and homelessness, Andy Donald explained that when someone first presented themselves as in need of housing the first action was to see if they could be prevented from becoming statutorily homeless but if this was not possible the Council then had a duty to house them. If there was no permanent accommodation

available then temporary accommodation was used. The Council provided advice to people in an effort to support their housing needs before they were determined statutorily homeless. Reference was made to the rent deposit scheme and Andy Donald stated that further details on this could be provided to members. In answer to a question about enforcing standards, it was explained that the Council could only use housing legislation to take action against sub-standard housing if it was at least three storeys high and was only resourced to carry out its statutory role, although action could be taken using planning laws. A review of the Council's private housing service was to be carried out.

Addressing questions around the provision of school places, Andy Donald stated that, whilst there were a number of variables that would need to be considered including land availability and building types, at best the £25M would only meet between one third and half the anticipated increased demand for primary school places.

Regarding the New Homes Bonus, Andy Donald explained that this money was provided by the government effectively matching the Council Tax for each new property built for a period of 6 years following completion and so was based on the number of new homes provided within the borough and distributed according to a formula. Therefore the £1.68M would continue to be received over the next five years with additional funding arising from new homes subsequently built within the borough. He stated that more detail on this could be provided if necessary.

Andy Donald explained more fully the new arrangements for managing the HRA but pointed out that financial rules relating to the HRA remained so it would continue to be ringfenced. Clive Heaphy (Director of Finance and Corporate Services) added that as a result of the rent convergence scheme the average rent increase in Brent for 2012/13 would be 7.2%.

The committee had previously been informed of the new arrangements proposed for retaining business rates. A question was therefore asked as to how competing land use would be managed with the pressure to attract new businesses into the borough to increase the level of business rates and to build new houses to benefit under the New Homes Bonus. Andy Donald acknowledged that both would generate income but would have to be managed according to planning policy and complex modelling arrangements for different parts of the borough.

A question was asked on whether the Council was working with any neighbouring boroughs on joint projects. Andy Donald replied that there were some discussions taking place but that Brent was generally making the running on these. They included the potential to share some facilities management functions, housing management services and some other service provision.

Andy Donald was asked to explain more fully the demand on temporary accommodation. He stated that for the year November to November just gone the number of households in hotels and bed and breakfast had increased from 139 to 250. It was expected that by the end of the year 1635 new homeless applications would have been received of which 580 would have been accepted. There was a need to understand what was driving this increase but it was already known that a significant number came from landlords evicting tenants. With regard to the supporting people budget, it stood at £10.8M but £1.2M savings had been made

during the current financial year with an additional £600,000 being made next year and £900,000 the year after taking the budget to £9.3M by 2013/14. The service worked with the most vulnerable people through a raft of support mechanisms all of which were now commissioned out. This expenditure was no longer ring-fenced. A review of the housing needs service would result in an additional 20-25 posts being deleted but Andy Donald was confident that an effective, efficient service would continue to be delivered. He offered to forward members more detail on the restructuring if they wished to receive it.

The Chair thanked Andy Donald for his attendance.

6. Budget update

Clive Heaphy (Director of Finance and Corporate Services) reported that the case concerning the money owed by the Icelandic banks was now settled and almost all of the £5M Glitnir loan would end up being recovered with a small element of interest added. Clive Heaphy then presented an economic forecast that suggested interest rates would remain low, inflation would come down and unemployment would continue to rise. The pay freeze for the public sector would continue into 2012/13 and thereafter only increase by 1% for the next two years. Activities within the Eurozone would continue to have a potential impact on the British economy and GDP was forecast to contract during 2012 and increase slightly in 2013.

The local government settlement was published on 8 December 2011 and Clive Heaphy reported that the Council received the grant it largely expected which was £13M less than in 2011/12 and set to fall by £1M in 2013/14 and by a further £12M in 2014/15, with an extended period of reduction up to 2016/17. He felt this was a critical period for local government which was now faced with the likelihood of having to make further significant year on year cuts up to 2017.

The Chair commented that the role of local authorities would continue to be to provide for the basic needs of the most vulnerable people in society with other elements of society responding to fill the gap left by a diminished public sector. Councillor John expressed her fear for the future of local government as it was presently constructed and saw a threat to local democracy from the removal of services from local councils and an increase in a regional approach to procuring services.

In answer to a question, Clive Heaphy reported that the education settlement had resulted in the schools grant remaining static in cash terms (thus falling in real terms after taking account of inflation) but that the pupil premium had increased from £488 to £600 per pupil.

7. Discussion on the Committee's first interim report

Clive Heaphy (Director of Finance and Corporate Services) outlined the process that had led to the drafting of the committee's first interim report, a copy of which had been circulated to all members of the committee. He took members through the main elements of the report. He pointed out that as a result of the Local Government Resource Review, from April 2013 the Council would receive little in the way of direct grant from government and instead would have to rely on income from the business rates and the New Homes Bonus. He also drew attention to the

proposal to localise Council Tax benefit which would mean Councils have to devise their own scheme instead of administering the present subsidised national scheme which would potentially add considerable costs to the Council.

Councillor Mashari asked that the recommendations in the report should include submitting regular reports to the committee on how the Council was achieving the savings it had identified. She also asked that the committee be kept informed of the income being generated by the New Homes Bonus. Members asked that the committee monitor spending in three key areas of pressure - Adults Social Care, Children's Social Care and Temporary Accommodation.

The first interim report as drafted was agreed subject to amendment to include the points raised above.

8. Any Other Urgent Business

The Chair asked what the implications were of the Trade Unions position on pension reform. Clive Heaphy (Director of Finance and Corporate Services) reported that whilst Unite had come out against the new proposals, to the best of his knowledge, Unison and GMB had yet to express a final view. He stated that the recent Government proposals had significantly amended the scheme. From the Council's perspective it was important to stabilise the fund and the Government's proposals went some way to doing this.

9. Date of Next Meeting

It was noted that the next meeting would take place on 8 February 2012.

The meeting closed at 9.30 pm

J ALLIE
Chair

This page is intentionally left blank



Budget & Finance Overview & Scrutiny Committee

First Interim Report

January 2012

Membership

Councillor Allie (Chair)
Councillor Mashari (Vice Chair)
Councillor S Choudhary
Councillor Leaman
Councillor Naheerathan
Councillor HB Patel
Councillor Ketan Sheth
Councillor Van Kalwala

Index

Introduction.....3

Recommendations.....5

Methodology.....7

Discussion-First Interim Report.....8

The Budget Gap.....8

One Council Programme.....10

Budget Pressures.....11

Local Government Resource Review15

1. Introduction

The Budget and Finance Overview & Scrutiny Committee undertakes in-depth reviews of the council's financial performance, medium term financial strategy, budget proposals and measures being taken to deliver a robust budget capable of delivering the administration's priorities as outlined in the Borough Plan. This includes examining the main issues, risks and pressures facing the council and the actions being taken to militate against them. In addition, the Committee's report aims to be a source of easily understandable information for all non-executive councillors enabling robust challenge and debate on the administration's budget proposals.

The national economic outlook remains gloomy with predictions about economic growth being consistently and universally revised downwards. The recession and subsequent period of low growth was deeper than previous recessions and recovery will take longer. The context within which the council is setting the 2012/13 budget is therefore difficult and seems unlikely to improve in the near future. The coalition government's deficit reduction strategy as embodied in the Spending Review 2010 has provided local government with an ongoing challenge. The 26% real terms reduction in local government funding has meant that Brent Council has had to face some difficult decisions about the services that are delivered and the size and shape of the organisation. These difficult decisions are set to continue until 2016/17 and one of the Budget & Finance Overview & Scrutiny Committee's main areas of investigation will be how the administration proposes to achieve a balanced realistic budget while taking advantage of any opportunities that arise.

The council's budget setting process has changed significantly to ensure a planned approach to budget reduction while enabling the council to deliver the priorities contained in the Borough Plan delivered within the timeframe of the spending review. The One Council Programme continues to be the main driver within the council's medium term financial strategy delivering £39 million of savings from existing and completed projects by the end of the financial year 2011/12. The nature of the programme is changing from being focussed on efficiency to transformation. It is this transformation of services that is due to provide the bulk of the savings over the next few years. The committee's main interest in this programme has concentrated on its ability to generate the required savings.

The committee's remit includes:

- Participating in the budget setting process
- Assisting in the setting of the council's budget within the context of the Borough Plan.
- Supporting the longer term service planning of the council by focusing its discussions on the Medium Term Financial Strategy, the principles for budget setting, the robustness of the budget and the ability to deliver savings, key revenue budget outputs and decisions, and key capital budget outputs and decisions.

The Committee has three opportunities to make its views known to the administration and to the council as a whole. These are:

- **First interim report** prior to the draft budget
- **Second interim report**, which builds on the first report and includes recommendations on the draft budget prior to it being agreed by the Executive

- **Final report**, which builds on the second report and includes recommendations on:
 - the Executive's budget prior to it being debated at Full Council;
 - the budget process; and
 - the budget scrutiny process.

This report is the first interim report of the Budget & Finance Overview & Scrutiny Committee and contains the committee's recommendations to executive members prior to the publication of the Executive's draft budget.

2. Recommendations

1. That a clear and detailed set of priorities be developed to help ensure the successful delivery of the council's budget and to report to the Budget & Finance Overview & Scrutiny Committee on how savings are being made in the context of the priorities
2. That substantial efforts be undertaken to ensure that the council's Procurement projects deliver the required savings and allay concerns regarding its low performance
3. That the council continues to fully fund concessionary fares
4. Continue to recall any Department that overspends its quarterly budget by 2.5% to the Budget and Finance O&S Committee paying particular attention to the three main areas of overspend:
 - Adult Social Care
 - Children's Social Care and related legal costs
 - Temporary Accommodation
5. That the Committee continue to receive regular reports on the One-Council programme to ensure its achieving its savings target with particular focus on the Future Customer Services and Civic Centre projects
6. That the council urgently implements the 1:6 managers to staff ratio
7. That the Commercial Opportunities Group identify and report to the Budget and Finance O&S Committee its key initiatives on attracting businesses and shoppers to the area to increase future council funding and benefit the local economy.
8. That housing re-development across the borough is maximised in order to achieve the New Homes Bonus for the council
9. Clear and detailed plans be developed on the allocation of the recent £25m awarded for primary school investment with particular consideration to the continuing shortage of school places in the borough.
10. Robustly monitor measures being undertaken by Children's and Families to reduce budget pressures in regards to looked after children and those being prescribed with SEN statements
11. That the Waste and Recycling team report on the proposed extension of the Veolia contract and in particular the nature of the savings to be made without compromising on the level of street cleaning

3. Methodology

The budget scrutiny process mirrors that of the budget setting process and started in July 2011. At the Committee's first meeting the Deputy Director of Finance provided an overview of the budget strategy 2012/13 to 2015/16 and the main factors that would influence the budget setting process. This included detail of resource assumptions, updated budget gap, the capital programme and the One Council Programme. The resulting discussion helped to inform the development of the committee's work programme and highlighted areas of investigation. So far the committee has taken the following evidence:

- The Director of Finance & Corporate Services & Deputy Director of Finance – Regular updates on the budget process, budget gap, budget pressures and the future financial prospects for the council.
- The Deputy Director of Finance informed us about the proposed changes to Local Government Finance
- The Director of Strategy, Partnership & Improvement and the Head of the Programme Management Office provided an overview of the One Council programme and projected savings.
- The Assistant Director of Adult Social Care provided information on the Adult Social Care budget and forecast 2011/12, service pressures, and the transformation projects aimed at producing savings.
- Director of Children & Families, Assistant Director of Strategic Finance and Assistant Director Social Care informed the committee about the department's current budget position, actions being taken to control the overspend, transformation projects aimed at savings and efficiency and pressures on the capital programme from government announcements and demand for school places.
- Councillor Ann John, Leader of the Council and Councillor Muhammed Butt, Lead Member for Finance attended to discuss the First Reading Debate Papers and set out the administration's approach to setting a robust budget
- The Director of Environment & Neighbourhoods, the Assistant Director of Strategic Finance, the Assistant Director of Environment & Protection and Assistant Director of Neighbourhood Services provided information about the role of the department since its restructure in 2010, the current budget position, budget pressures and the department's One Council projects.
- The Director of Regeneration & Major Project provided information about the current budget position, budget pressures and risks, future saving, the HRA account

4. Discussion – The First Interim Report

4.0 *The budget gap*

4.1 At our first meeting in July 2011 we received a report that set out the Budget Strategy 2012/13 to 2015/16 which included information on projected spending and resources. Assumptions for spending included pay and price inflation, pension fund contributions and provision for additional demand pressures. Resources included Formula Grant, Council Tax base and collection and income from fees and charges. After taking resources and spending into account we heard that the cumulated budget gap in 2014/15 would be £41.6m assuming a 0% per annum rise in Council Tax. A 3.5% annual rise in Council Tax would result in a budget gap of £30.3m.

4.2 By the time we received a presentation on the Budget and Medium Term Financial Plan for 2012/13 – 2015/16 at our November meeting it was clear that national economic predictions were becoming increasingly gloomy and that it was important that the council looked at the medium to longer term when taking financial decisions. Some of the key themes in developing the budget 2012/13 – 2015/16 were set out as follows:

- Continuously reducing budgets
- On-going demand pressures in key areas
- Small efficiency savings increasingly ineffective – looking to transformation changes or to stop providing services
- Need to have absolute clarity about what Brent in 2015/16 will look like

4.3 The Deputy Director of Finance also set out the key risks. These were:

- Level and complexity of savings
- Low reserves - £9.5m in 2011/12 – Raise to £12.0m in 2012/13
- 2011-12 outturn position – forecast £1.8m overspend
- Lack of clarity regarding future funding (Business Rate Retention)
- Lack of growth of Council Tax base
- Demand Growth
- Lack of clear prioritisation
- Pensions
- Economic stagnation
- Policy changes

4.4 In November the cumulative budget gap assuming a 0% rise in Council Tax was predicted to be £33.3m by 2014/15 after incorporating reduced forecasts of growth for future years and increased funding from the New Homes Bonus.

4.5 The latest figures show inflation is still running at around 5%. We will need to ensure that inflationary pressures are reflected in the Council's medium term strategy and that strategies contain its impact are robust.

4.6 Decisions about the level at which Council Tax is set for the period up to 2014/15 are complex. The council is receiving a £2.6m per year up to and including 2014/15 as a result of the freeze in Council Tax in 2011/12. In February 2011 Full Council agreed to use this funding to increase balances during a period of high risk rather than for

temporarily increase spending levels. This was because when the grant ceased and dropped out of the base budget the gap between spending and resources would widen requiring further difficult decisions to be made. In October 2011 the government announced a further £2.6m grant in 2012/13 only to freeze Council Tax in 2012/13. Accepting this into the base budget would result in a permanent loss of resources when it ceased in 2013/14 while not freezing Council Tax could have a negative impact on some of our residents during a time when their own resources are being squeezed.

4.7 Three possible options were illustrated:

- Possible Option 1 – 3.5% / 2.1% / 0%
- Possible Option 2 – staggered – 0%, 3.5%, 2.1%
- Possible Option 3 – staggered with no increase in 2014/15 – 0%, 3.5%, 0%

If, for instance option 2 was implemented then the funding gap after Council Tax increases and identified savings would be £27.8m in 2014/15. The Localism Act 2011 included a provision for members of the public to call a referendum if the proposed level of Council Tax is deemed to be excessive. It was not clear at this stage what level of increase will be deemed excessive for 2012/13.

4.8 In January we were informed that the Local Government Settlement for Brent for 2012/13 would be £152m which was a reduction of £13m on the £165m received in 2011/12. Furthermore we heard that it is likely that the cuts to local government would be extended from 2015/16 to 2016/17 making the need for longer term budget planning essential if the council was to achieve year on year savings for the next five to six years.

4.9 We heard that the council would therefore maintain a strategic approach as illustrated by the One Council Programme to closing the gap while using a variety of other tools to ensure that given the long term nature of the economic situation the council started to address the gap now. Tools would include:

- Identifying further savings through ceasing activities or scaling back the scope
- Keeping strict control of new commitments and match with corresponding savings
- Taking tough decisions early to deliver full year savings over the next three years
- Ensuring no over spends in 2011/12

Strategic actions would include:

- Develop clear and detailed understanding of Political objectives and priorities
- Stop things that are not priority
- All central items to be robustly reviewed
- “Inescapable” Growth to be minimised
- Council Tax Strategy for the medium term
- Consider limiting Capital Programme or repaying debt
- Learn and join with others

The Leader of the Council told us that there was no doubt that the council would look very different by 2014 as we will need to reshape services.

5.0 *The One Council Programme*

- 5.1 The committee heard that the One Council Programme is the mechanism through which the council will fundamentally change the way it carries out its business. The One Council Programme is designed to change the way the council organises itself, delivers services and delivers savings while minimising the impact of budget reduction on Brent residents.
- 5.2 The Director of Strategy Partnership & Improvement informed us that the programme has delivered gross savings of £11.8m in 2010/11 and was budgeted to deliver a further £27.8m in 2011/12 this would account for 60% of the savings required in 2011/12. One of the main areas of concern this year was delivering the budget savings from the Procurement Project. The original savings target has been reduced to £1m and this has been offset by a corresponding reduction in the budget for One Council costs. The programme therefore forecasted to produce cumulative savings of £38m by the end of 2011/12. The aim of the programme was to deliver a significant proportion of the additional savings required from 2012/13 onwards.
- 5.3 Initially savings from the programme were largely related to efficiencies, however as the programme has matured the projects and therefore savings are increasingly transformational in nature. To ensure that the programme can continue to deliver the required level of savings fifteen new projects have recently been added to the fourteen that were currently being delivered.
- 5.4 One of the main risks to developing a robust budget is the level and complexity of the savings that the council needs to make. Members of the committee explored how this was managed. We heard that the Programme Management Office ensured 'grip and traction' on project delivery and that savings were removed from departmental budgets as soon as they made.
- 5.5 The committee discussed some of the individual projects and the savings they were projected to make. The in year saving from the Future Customer Services project will be less than budget for at the start of the project. The Director of Strategy, Partnership and Improvement informed us that this can happen as projects enter delivery but he expected momentum to pick up as more aggressive channel migration took place and the savings will be delivered.
- 5.6 We raised concerns about the sustainability and management of the outcome of the managers to staff ratio of 1:6 implemented in the staffing and structure review. We were informed that the savings from the project had been delivered but the project would not be closed until this issue had been addressed.
- 5.7 Responsibility for Public Health will be transferred to the council in April 2013 this would include funding. Members explored issues around the amount of funding that the council would receive and whether or not an assessment had been made about the need to strengthen our reserves given the new responsibilities. We were told that the project had started to develop a baseline of activities and spend undertaken by the council and the PCT. However the government had not produced an outcomes framework yet which will make it difficult to produce the transitions plan that is required by the end of January. The project has a number of dependencies with other projects particularly Adult Social Care integrated commissioning. The West

London Alliance is also running a Public Health programme to see what can be delivered on a sector basis.

- 5.8 There were a number of questions about the removal of the consultancy project from the programme. The Head of the Programme Management Office informed the committee that much of the previously estimated spend on consultancy had been miscategorised and was not actually spent on consultants specifically. In addition the majority of the consultants the council does engage are technical consultants on capital projects. Given that, he felt that the issues around consultancy could be managed via the procurement project.
- 5.9 One of the major risks to the capacity of the council to deliver future budgets is the capacity of the new projects to deliver the required savings and close the budget gap. Members of the committee were keen to ensure that the commercial opportunities group looked at opportunities with partners and linked this to the need to attract businesses into the borough to increase future council funding and benefit the local economy. We heard that many of them were at a very early stage but once a business case had been produced the expected savings from each project would be more apparent. If there was a shortfall in the overall savings needed then further projects would be brought forward

6.0 *Budget Pressures*

- 6.1 The committee spent some time exploring the main pressures the council faces when setting its budget. We were particularly interested in exploring the longer term pressures and the impact they would have on the council and the measures that were being taken to address them. To do this we focussed on the four largest spending departments:
- Children and Families
 - Environment & Neighbourhoods
 - Adult Social Care
 - Regeneration and Major Projects
- 6.2 The Director of Children and Families informed us that the main pressures the department faced was from the cost of Special Educational Needs (SEN) and Children's Social Care.
- 6.3 Over the last two years expenditure on SEN had resulted in a cumulative overspend of £5.7m being brought forward into the 2011/12 schools budget which was funded by the Dedicated Schools Grant (DSG). This had the effect of reducing the schools delegated balances from £13m to £7m. In September the current level of overspend for the SEN budget 2011/12 was £1.5m which is in addition to the £5.7m mentioned above. This level of overspend will continue to have a negative impact, unless cost are reduced. The schools forum is being asked to endorse a three-year recovery plan to bring the account into balance by 2014/15.
- 6.4 The committee was told that the numbers of children with SEN statements in Brent and the cost of those statements did not compare favourably with other London boroughs. The committee was keen to hear what actions were being undertaken to achieve savings in order to reach a balanced position. We heard that a number of actions have already been completed under phase one of the SEN One Council Project. A number of actions were currently being implemented which centred around expanding local provision, improving management information and

developing a strategy on commissioning and monitoring out of borough places. Phase 2 of the SEN One Council Project was currently being developed. This would continue to develop in-borough provision, though we heard that this had been adversely affect by the loss of Building Schools for the Future funding as Brent's programme had included schemes designed to expand SEN places in the borough. Additional actions included collaborating with the West London Alliance on commissioning and a restructure of the SEN and Inclusion Service to better align services to support the SEN strategy.

6.5 We heard that over recent years pressure from increasing numbers of looked after children (LAC) had been the main cause of departmental overspends. Members were concerned about the reasons for this but heard that while this pressure had been felt by most local authorities since Baby P the Social Care Transformation Programme had enabled Brent Council to maintain the number of LAC below that of our statistical neighbours.

6.6 Measure being taken to reduce the pressure on this budget included:

- Reduce the cost of residential placements and semi independent placements
- Reduce cost of fostering by increasing the number of in-house foster carers
- Reduce the number of families with no recourse to public funds supported by the department
- Reduce the money paid out in support to families who are caring for children who are no longer 'looked after'
- Focus the work of the Crisis Intervention and Support Team on prevention

6.7 Capacity in Brent primary schools was currently insufficient to meet demand, which has resulted in 388 pupils without a school place as at July 2011. We heard that the responsibility for the capital programme for school expansion was with the Regeneration and Major Projects department while the Children & Families department retained responsibility for place planning and allocation. The latest LGA projections showed an upward trend in the demand for primary school places which would continue beyond 2014/15. Given the fact that the council had a statutory duty to provide a school place for every child the loss of Building Schools for the Future had made this duty significantly more difficult to fulfil. It was difficult to estimate the impact the changes to Housing Benefits would have in terms of the number of children moving in and out of the borough but the situation would be closely monitored.

6.8 At our November meeting we were informed that the council had been awarded £25m for primary school investment, which was the third highest allocation in London. While the Leader of the Council welcome this she said that all London boroughs and the Mayor of London had agreed that more money was needed and were coming together to lobby the government. How the council spends this money would require careful consideration and the committee was keen to receive further information about this when available. When we talked to the Director of Regeneration and Major Projects we asked what proportion of the places the council needs the £25m would provide. He informed us that work was taking place to develop plans for how the money would be spent. There were a number of variables that would need to be considered which include whether land was available and what sort of building would be needed. Given that, he estimated that it could possibly provide between a half and a third of the spaces required.

- 6.9 We heard from the Assistant Director of Adult Social care that the biggest problem her department faced was delivering a service within a reduced budget at a time of rising demand. There was an historic problem of overspends in the department resulting from the dispute with the PCT, funding for continuing healthcare and demographic pressures. When Adult Social Care was part of a wider department Housing was able fund overspends from within its budget, but as a stand-alone department Adult Social Care needed take a more strategic approach to making savings. The department's savings target for 2011/12 was £9.8m, which in addition to the need to reduce its £1.1m overspend from 2010/11 meant that the total savings requirement for the department was £10.9m or 12% of its budget in 2011/12.
- 6.10 The key areas that savings were being found for 2011/12 were:
- Commissioning – to get the best service for the best price
 - Mental Health – redesigning the community network scheme, adopting and effective placement strategy and redesigning social worker roles.
 - Direct Services – the personalisation agenda
 - Customer Journey project – redesign of social services and staffing levels to provide a better more efficient service. Enhanced reablement service to enable people to live more independently for longer – early results has shown that long term cost could be controlled though further assessment of the impact would be needed.

The main areas of risk to delivering the department's saving was Mental Health and the high cost of placements for which negotiations were underway.

- 6.11 The committee was told future savings would require a more radical approach. This would include working with the health service to look at more efficient joint commissioning to meet demand and avoid duplication for instance between health visitor and carer roles. In addition a new project was being developed to improve the outcomes for children with disabilities transitioning into adult care whilst reducing the pressures this places on the Adult Social Care budget. Currently responsibility transferred from the Children and Families department at 17½ but funding to support them was not transferred until they were 19. The Assistant Director believed that the department needed to be involved with the children at a younger age, 14 onwards.
- 6.12 Members were concerned about how the level of need was assessed and what safeguards were in place to ensure that those receiving direct payments were not subject to financial abuse. In terms of assessment we heard that the Assistant Director currently sees all assessments to ensure that service users receive robust and consistent decisions as early as possible. It was also explained that in the past there had not been stringent enough tests carried out to ensure the council only provided support for those who were in fact Brent residents. When it came to light that a person was the responsibility of another borough the borough was given six week's notice that responsibility would be passed over to them. We were told that in such cases it was very difficult to recover past costs but efforts were made to do so. When asked about raising the assessment criteria from critical and substantial to just critical the Assistant Director told us that this would only delay demand and increase costs on the long run. Whilst it was recognised that direct payment to clients offered them more freedom and choice it also increased financial risk. It was explained that advice was given to those seeking services and that a number of mechanisms were in place to ensure that the money was properly spent. These included the use of pre paid cards, doubling the size of the review team and the work of the safeguarding team.

- 6.13 Members of the committee asked about the transfer of the public health function from the PCT to the council. We heard that this was a One Council project though details such as an agreed definition of what constitutes public health were still not clear. It is likely that the council would get about £25m to take on the function but it was currently difficult to validate this figure. The council viewed public health as preventative and the key challenge would be to ensure government guidance was not prescriptive so we could use the money creatively.
- 6.14 The Director of Environment and Neighbourhoods informed the committee that a large part of the department's budget came from income a significant proportion of which was from parking charges and funding from Transport for London.
- 6.15 One of the key budgetary in 2011/12 pressures came from the Libraries Transformation Project. The delay in closing the affected libraries had meant a slippage in part year savings of £408k which would have to be made up with savings from other parts of the department. The challenging economic climate had also led to a further fall in income, particularly in parking income. In addition it had not been possible to achieve the targeted full year savings in the negotiations with Veolia regarding the waste and street cleaning contract and again the shortfall would need to be found from within the department.
- 6.16 We heard that a number of areas of operation would be reviewed in order to contribute to council wide savings. These included One Council Projects on parking and highways. The need to retender the parking contract offered opportunities to work with other boroughs to improve performance and make significant savings. Members were concerned that increased income targets from parking charges and penalty charge notices (PCNs) would lead to increased complaints. We were informed that Brent currently had the lowest success rate against PCN appeals in London which illustrated a good level of quality in relation to the issuing of PCNs. The end of the Highways contract in 2012 presented the council with the opportunity to look at joint procurement options that would build on current performance and modernise approaches to delivery. It was too early to say what the savings target for each of the projects would be.
- 6.17 There were plans to review how the garden and trade waste could be improved and review the grounds maintenance contract. The department was also taking part in a review of youth services. It was also hope that savings of around £75k would be achieved on the arboricultural contract.
- 6.18 The Director of Regeneration and Major Projects told us that the main budget pressure faced by his department was from the cost of temporary accommodation. This had resulted in a forecasted overspend of £928k in 2011/2, which was mainly due to the Local Housing Allowance cap introduced in April 2011. There had been a 38% increase in the number of homeless applications and also in the number of applications accepted as homeless. This has led to an 86% increase in the number of families in emergency accommodation (hotels and bed & breakfast establishments). Mitigating actions were being taken focussed on advice, prevention and encouragement to take housing out of the borough. We heard that this situation is likely to get worse as Housing Benefit and wider welfare reforms are implemented. A contingency budget of £1m is being held centrally to fund any potential overspend in this area.
- 6.19 In terms of savings for 2011/12 we were informed that the department was on track to meet the agreed target of £3.8m with £3.5m saved by November 2011. Planned saving for the next two to three years included the new ability to look at total cost

recovery for planning applications, Housing Needs Transformation which would generate a total of £1.8m savings and better procurement in relation to major projects.

- 6.20 We were keen to hear more about the New Homes Bonus, which in 2011/12 brings an initial £1.07m non ring fenced grant into the Borough, rising year on year. The funding is directly related to the number of new homes built in Brent, with the government effectively matching the Council Tax for each new property built for a period of six years following its completion. Given the changes to local government finance discussed in section 7 below Members focussed on the tension between building new homes and the need to attract new businesses into the borough. The Director of Regeneration and Major Projects told us that work was currently underway to model which of these would generate the most income in different areas of the borough. Issues to consider when looking at this include what sort of places the Borough is looking to create, planning policy, and the additional service pressures that new homes could also generate. The new Community Infrastructure Levy will partly mitigate these additional pressures.
- 6.21 The Director of Regeneration & Major Projects told us that the Housing Revenue Account (HRA) subsidy of £8.5m would be abolished in April. Instead the government would repay £197m of Brent housing debt and introduce a new HRA borrowing cap. In return the council will now be able to keep all rental income from Council housing and use this to manage, maintain and improve the housing stock, service the outstanding debt of £180m and ultimately repay the loan. A business plan was being developed and would be put before the Executive for agreement. One of the main risks identified in the business case are the proposed changes to Housing Benefit which mean that the benefit is paid directly to the tenant rather than the council, the consequence of which could be significant reductions in rent collection levels.
- 6.22 The Deputy Director of Finance provided the committee with an analysis of spend on central items. Many of the areas of spend were not within the council's control and were either decisions made by others, for instance levies or the cost of decisions made in the past, for instance premature retirement compensation. As such many of the cost were known so were not a risk in terms of in-year budget monitoring. The main issue raised by members was the need to ensure that the council maximises its income from the new homes bonus while balancing that with the need to attract new businesses to maximise its future business rate income (see section 7 below).
- 7.0 Local Government Resource Review
- 7.1 At our September meeting The Deputy Director of Finance provided an overview of the proposals set out in the Local Government Finance Review for which an initial consultation paper had been issued on in July 2012. The proposed scheme would enable local authorities to retain their business rates and benefit from business rate growth as a replacement to the current formula grant system.
- 7.2 We were informed that the government would set a baseline level of funding for each authority based on the 2012/13 formula grant. Local authorities like Brent whose business rate income was below the funding level would be paid the difference from the government funded by tariff placed on authorities whose level of funded exceeded the baseline. Since July eight technical papers outlining some of the details had been released detailing a number of complex aspects of the scheme.

7.3 Members of the committee were concerned to hear that the top ups and tariffs were only likely bridge the shortfall in the short term and asked for further information about how we could become more efficient at identifying businesses, attract businesses to set up in Brent and collecting the rates. Immediate actions included:

- Prompt identification and referral to the Valuation Office for assessment
- Capita undertaking a lean review of their NNDR process identify efficiencies
- Regular inspection of high turnover properties
- Maximise take up or reliefs
- Prompt and appropriate recovery

In addition discussions were taking place with the Regeneration and Major Projects Department to ensure new developments are highlighted early to assist with forecasting.

This page is intentionally left blank