Public Document Pack

Budget and Finance Overview and Scrutiny Committee

Thursday 19 July 2012 at 7.30 pm
Committee Room 4, Brent Town Hall, Forty Lane, Wembley, HA9 9HD

Membership:

Members Councillors:	**first alternates** Councillors:	**second alternates** Councillors:
Allie (Chair)	Green	Cummins
A Choudry (Vice-Chair)	Chohan	Moloney
Brown	Ashraf	Lorber
S Choudhary	Chohan	Moloney
Naheerathan	McLennan	Oladapo
HB Patel	BM Patel	HM Patel
Ketan Sheth	Denselow	Gladbaum
Van Kalwala	Kataria	Daly

For further information contact: Lisa Weaver, Democratic Services Officer
020 8937 1358 lisa.weaver@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

Overview & Scrutiny Committee in 2011/12. It also aims to assist the members with their discussions about the Budget & Finance Overview & Scrutiny work programme for 2012/13.

Ward Affected: All Wards

Contact Officer*:* Jacqueline Casson, Senior Policy Officer

Tel: 020 8937 1134

jacqueline.casson@brent.gov.uk

8 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.

9 Date of Next Meeting

The next scheduled meeting of the Committee is on 11 September 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 8 February 2012 at 7.30 pm

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

Also Present: Councillors Aden, Al-Ebadi, Butt, Cheese, Choudry, Cummins, Gladbaum, Hashmi, Jones, Long, J Moher and John

Apologies were received from: Councillor 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 11 January 2012 be approved as an accurate record of the meeting.

4. **Matters arising (if any)**

   None.

5. **The draft 2012/13 budget**

   Councillor Butt (Lead member for Finance and Corporate Resources) presented the draft budget for 2012/13 by way of a PowerPoint presentation. He opened his presentation by pointing out that the Council was on target to achieve its budget for 2011/12 and had achieved 97.5% of the planned £41.7m 'One Council' savings. He then outlined the financial pressures faced by the Council during 2011/12 and the national economic situation. Councillor Butt presented the 2012/13 grant settlement for Brent and the impact this had on the Council. He stated that it was being proposed that the Council should accept the Council Tax freeze grant on offer but pointed out the implications of this over future years. He reminded members of the budget process that had been undertaken, which had included a widespread consultation exercise and recognition of the recommendations made by the committee following last year's budget process. He emphasised the continuing message that reserves could not be used to support overspending. Councillor Butt outlined the service area budgets for 2012/13 and the planned increase in reserves to bring them up to a more proportionate level. He then presented the schools budget, the HRA and the capital programme. Addressing each of these he added that it was important that all those entitled to free school meals were claiming them, that a report on the future of the housing arms length management organisation would soon be considered by the Executive and the implications of unsupported borrowing within the capital programme. He ended the presentation by summarising the financial position of the Council.

Members asked questions for clarification. Clive Heaphy (Director of Finance and Corporate Services) was asked to explain the new funding arrangements. He stated that the Council would receive little in the way of grant income in future years and the only way it would be able to increase its funds would be to build more houses and attract new businesses. However, many details of the new arrangements were still to be released. He added that the new freedom the Council was expecting to be given to set planning fees at a level which would fully recover costs would need to be balanced against the need to attract new businesses into the area.

Recognising the risks the Council faced, Clive Heaphy was asked if the level of reserves would be sufficient. He explained that each risk had been analysed and the biggest risk was the delivery of the One Council programme savings targets. However, the programme had a very structured approach to how it would meet the targets. In the longer term there was a new threat emerging that even more savings would be required which would be very difficult to achieve.

A question was asked as to how realistic it was to budget for zero price inflation. It was explained that there was some inflation provision within individual contracts but outside of this it was a case of the Council having to negotiate hard with its suppliers to freeze their prices.

Questions were asked about the budget for children's care. It was explained that the overall numbers in care had gone up from around 375 to 394 with the number in residential care remaining consistent at around 30. As a result of a lot of work undertaken the balance between in-borough and out of borough foster cares was now in favour of in-borough which was less expensive. There needed to be tighter cost management and savings from procurement in order to stay within budget.

Considering the schools budget, the question was asked why statementing was increasing in Brent when it was reducing elsewhere. The funding was met by the schools budget and so it was important to control expenditure on special educational needs. There was also a need to look at the transport element of this service. The question was asked as to why some schools were overspending when over the last few years they had been receiving increased funding.

A question was asked how savings had already been identified from the One Council review of the youth service when the review had not yet been agreed. Clive Heaphy explained that when a project was presented to the programme board it was in the form of a concept paper that identified where savings might be made. A mid-point had been budgeted for but he acknowledged that there was a risk to the budget if savings were not realised from such projects.

Members expressed the view that the committee should monitor the capital budgets for the Civic Centre and Willesden Green projects.

The Chair thanked Councillor Butt for his presentation and Clive Heaphy for his contribution and the committee noted the draft 2012/13 budget.

6. **Discussion on the committee's second interim report**

Members were advised that they had the opportunity to finalise the committee's second interim report before its submission to the Executive. There were no further comments so the report, as circulated with the agenda, was agreed.

7. **Any Other Urgent Business**

None.

8. **Date of Next Meeting**

Noted that a programme of meetings for 2012/13 would be agreed at the Annual meeting of Full Council in May 2012.

The meeting closed at 9.30 pm

J ALLIE
Chair

This page is intentionally left blank

	Executive 16 July 2012 **Report from Director of Finance and Corporate Services**
	All Wards

Budget Strategy 2013/14 to 2015/16

1.0 Introduction

1.1 This report sets out the financial prospects for the Council for the next three years.

1.2 It seeks Executive approval for the overall budget strategy based on the One Council Programme and the delivery of the Borough Plan.

2.0 Recommendations

2.1 To note the latest forecast for the Council's revenue budget for 2013/14 to 2015/16 at Appendix A and the assumptions used to derive this.

2.2 To endorse the overall budget process set out in the report.

2.3 To note the proposed budget timetable.

3.0 Baseline Position 2013/14 to 2015/16

3.1 The Budget Report to Council on 27 February 2012 included a financial forecast as part of the Medium Term Financial Strategy, which included the following main assumptions:

3.2 <u>Spending assumptions</u>

- Service area budgets rolled forward at 2012/13 levels into future years;
- An allowance for pay inflation of 1% in 2013/14 and 2014/15 and 2% in 2015/16;
- No general inflation for prices in 2013/14 and future years;
- In addition an allowance has been made for providing additional monies to fund the pension fund deficit with additional contributions of £0.5m per annum from 2013/14.
- No savings assumptions are as yet built into service area budgets for 2013/14 onwards;

- Provision for cost pressures in service area budgets of £2,196k in 2013/14, £1,193k in 2014/15 and £650k in 2015/16. These assumptions will be subject to further review during the budget process
- The medium term forecast for central items included:
  - *Debt charges (capital financing charges net of interest receipts)*: These were forecast to grow from £25.563m in 2012/13 to £26.603m in 2013/14, £28.104m in 2014/15 and £29.668m in 2015/16;
  - *Levies (Principally the fixed cost element of West London Waste):* These were forecast to grow from £2.579m in 2012/13 to £2.803m in 2013/14, £3.043m in 2014/15 and £3.293m in 2015/16;
  - *Freedom Pass/concessionary fares.* These have risen significantly over the last few years and the budget for 2012/13 is £14.771m. The current assumption for future years was that prices will rise by 4% and there would be a 1.5% increase in usage. In addition because of the volatility of this budget in the past an additional contingency of £500k had been allowed for in 2013/14 to reflect any additional increases in transport costs. Therefore, provision has been made for an additional £1.360m (2013/14), £887k (2014/15) and £936k (2015/16).
  - *New Homes Bonus.* The assumption was that this would increase by £1.4m per annum.
  - *Redundancy and Restructuring Costs.*. These costs were anticipated to reduce over the medium term as higher redundancy and severance costs in the earlier years are replaced with the actuarial strain costs of meeting the costs of early retirements which are spread over three years.

3.3 <u>Resource assumptions</u>

- Formula grant of £152.086m in 2013/14, £138.958m in 2014/15 and £136.383m in 2015/16 (based on national assumptions from the Autumn Statement 2011);
- Other unallocated grants to remain at 2013/14 levels
- Council tax base increase of 0.8% in 2013/14 and 0.7% thereafter;
- Council tax collection of 97.5% in each year;
- Council tax increases of 3.5% in 2013/14 and 2.5% in the following two years.

3.4 The assumptions above produced a gap to be bridged for the period 2013/14 to 2015/16 as follows:

Table 1: Estimated Budget Gap at 27 February 2012

	2013/14 £m	2014/15 £m	2015/16 £m
Net Savings Required	9.3	11.6	5.3
Savings Identified	11.3	6.2	1.5
Budget Gap/(Surplus):			
Annual	(2.0)	5.4	3.8
Cumulative	(2.0)	(3.4)	(7.2)

4.0 Updated Position

4.1 There are a number of key developments that will affect our projections and these are set out below. However it should be noted that in a number of these there is still uncertainty around the final arrangements so the figures are still subject to change.

Council Tax Support

4.2 The move away from council tax benefit will not only have an immediate effect (as a result of implementing the new council tax support scheme from April 2013) but will also lead to a permanent reduction in the council tax base. Therefore the previous assumptions about the additional resource from council tax increases will be reduced.

4.3 The current forecast includes council tax increases of 3.5% in 2013/14 and 2.5% in the two years that follow. Due to the lower tax base total council tax income from will be £2.3m lower by 2015/16. It is not yet known what level of increase will be set b the Secretary of State to trigger a local referendum.

4.4 The possibility of further Council Tax Freeze Grants from CLG cannot be ruled out at this stage. If such a grant is offered, the Council would need to decide whether to accept it (and continue the erosion of its tax base) or reject it.

4.5 Although proposals are being developed for the council tax support scheme to meet the shortfall in funding in 2012/13, the Council would need to meet the cost of further increases in entitlement for council tax discounts in later years. An additional £0.5m per annum has been allowed at this stage based on initial modelling work.

Business Rates Retention

4.6 The current figures assume that impact of the new business rate retention scheme will be neutral to the Council's finances. Recent announcements have changed the likely nature of the scheme with the government continuing to hold a significant role in the funding of authorities by retaining 50% of business rates and continuing to distribute revenue support grant on an annual basis. The GLA will also share in any growth or fall in rates and this could potentially be up to 25% of the total.

4.7 Until the detailed design of the new scheme is known it is not possible to assess its likely impact. However it is expected that key issues for the authority will include:

- Revaluation appeals by business rate payers (will lead to unfunded drop in income)
- Loss of businesses through economic decline
- Growth in base rates from baseline
- Collection rates

Cost Forecasts

4.8 The provision for costs relating to the One Council Programme included an enabling fund of £5.5m per annum. By tapering down this requirement over the medium term this reduces the budget to £1.5m by 2015/16.

4.9 An initial review of service area budgets has identified a net increase in the period to 2015/16 of £0.7million. The most significant item is the extent to which current costs relating to adult social care transitions exceed the existing budget. Growth forecasts in future years will remain restricted in the expectation that the new integrated transitions service will enable successful management of demand in this area.

Savings

4.10 A review of savings has identified the following significant issues to be incorporated into the updated position:

- Deferring the delivery of expected savings on health integration (£2.2m) and planning fees (£800k) by one year
- Reduction in anticipated savings from the realigning corporate and business support one council project (£2m)

4.11 There are also risks around the delivery of some savings that have not been factored in to the figures at this stage including procurement savings and waste and recycling.

Central Items

4.12 Additional income from the New Homes Bonus (£0.7m by 2015/16) has been allowed for to reflect the latest information regarding properties on the valuation register.

4.13 The capital financing budget forecast has been reduced to reflect the ongoing savings secured by taking out long-term fixed rate borrowing at the current low rates.

Revised Gap

4.14 A summary of all the changes above is set out in Appendix 1. In broad terms the pattern of the residual gap remains unchanged:

	2013/14 £m	2014/15 £m	2015/16 £m
February 2012	-2.0	3.4	7.2
Net Movement	1.8	-0.9	0.3
June 2012	-0.2	2.5	7.5

Members are reminded that this forecast is based on the Council a new Council Tax Support scheme and that should the Council not support this, the gap would increase by around £5.2m in each year.

4.15 *Capital Programme*

Appendix 2 sets out the current Capital Programme assumptions and the consequential impact on borrowing costs have been factored into the main financial forecasts. Clearly capital money is not free – it has a revenue impact and hence the strategy for future years will be to support programmes which are externally funded and those which deliver revenue savings equal to or greater than the debt costs. Conversely schemes requiring unsupported borrowing and which have net debt costs must be reduced to a minimum or eliminated.

5.0 Proposed Budget Strategy and the One Council Programme

5.1 The Council's budgeting process has changed significantly to meet the challenges of delivering services with reducing resources. The One Council programme, along with a fundamental review of service provision across the Council have been the key drivers for delivering the savings required.

5.2 Over the next few years the delivery of the savings from the One Council programme will continue to be a vital ingredient of the Council's strategy of protecting front-line services whilst cutting costs.

5.3 In addition there are a number of emerging national and local issues for the Council to address over the next four years.

5.4 <u>Other Measures</u>

Apart from the main projects within the One Council Programme there are a number of other actions that will need to be undertaken to help deliver a balanced and robust budget over the medium term.

(i) Ensuring that each Service Area does not overspend its current year's budget and that where potential overspends are identified, virements to cover this are identified at the time.

(ii) Ensuring that One Council savings are delivered as forecast and again, where slippage occurs, identifying compensating savings;

(iii) All central items to be robustly controlled.

(iv) *"Inescapable Growth"* to be minimised and funded from within existing budgets if at all possible.

(v) Borrowing within the capital programme limited as a maximum to currently assumed levels and with priority given to funding from other sources.

(vi) Engage in reviews relating to local government funding and lobby on areas affecting resources available to Brent

(vii) Consider various options around levels of Council Tax.

6.0 Timetable

6.1 Appendix 3 sets out a draft outline timetable for the 2013/14 budget.

7.0 Financial Implications

7.1 These are contained in the body of the report. There are no direct costs or other direct financial implications arising from this report.

8.0 Legal Implications

8.1 A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular, local authorities are required by the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves.

8.2 Under the Brent Member Code of Conduct members are required when reaching decisions to have regard to relevant advice from the Chief Finance Officer (the Director of Finance and Corporate Services) and the Monitoring Officer (the Borough Solicitor). If the Council should fail to set a budget at all or fail to set a lawful budget, contrary to the advice of these two officers there may be a breach of the Code by individual members if it can be demonstrated that they have not had proper regard to the advice given.

8.3 In accordance with the Local Government Finance Act 1992, where a payment of Council Tax that a member is liable to make has been outstanding for two months or more at the time of a meeting, the member must disclose the fact of their arrears (though they are not required to declare the amount) and cannot vote on any of the following matters if they are the subject of consideration at a meeting: (a) any decision relating to the administration or enforcement of Council Tax (b) any budget calculation required by the Local Government Finance Act 1992 underlying the setting of the Council Tax or (c) any recommendation, resolution or other decision which might affect the making of the Annual Budget calculation. These rules are extremely wide in scope so virtually any Council decision which has financial implications is one which might affect the making of the budget underlying the Council Tax for next year and thus is caught. The former DoE (now DCLG) shared this interpretation as it made clear in its letter to the AMA dated 28th May 1992. Members who make a declaration are not entitled to vote on the matter in question but are not prevented by the section from taking part in the discussion. Breach of the rules is a criminal offence under section 106 which attracts a maximum fine of £1,000.

9.0 Diversity Implications

9.1 Impact assessments will be carried out in advance of formulation of budget proposals.

10.0 Staffing Implications

10.1 None directly as a result of this report.

11.0 Background Information

11.1 Report to Full Council, 27 February 2012 – 2012/13 Budget and Council Tax.

12.0 Contact Officers

12.1 Clive Heaphy, Director of Finance and Corporate Services, Town Hall, Forty Lane, Wembley Middlesex HA9 9HD, Tel. 020 8937 1424.

CLIVE HEAPHY
Director of Finance and Corporate Services

This page is intentionally left blank

Summary MTFS update

	2013/14	2014/15	2015/16	Comment
	£m	£m	£m	
Cumulative Budget Gap/(Surplus) at Council Feb 2012	**-2.0**	**3.4**	**7.2**	
Council Tax Support - baseline	0.9	1.6	2.3	Originally assumed 3.5%, 2.5%, 2.5% increases in council tax. This generated £9.3m of additional resource over 3 years. Due to lower tax base this following CTB changes this would reduce by approx 25%.
Council Tax Support - future growth		0.5	1.0	Potential impact of caseload increases in future years
Business Rates - Revaluation appeals				Lost income from any successful valuation appeals would fall upon the council.
Business Rates - share of growth from baseline				Latest information that 50% of growth returned to govt and up to 25% to GLA.
One Council - Costs	-3.0	-4.0	-4.0	Reduction in enabling fund requirement
Savings	4.3	2.0	2.0	Revised and profiled savings assumptions
Service area - costs	1.0	0.7	0.7	Primarily related to transitions of children to adult social care
New Homes Bonus	-0.4	-0.7	-0.7	Updated forecasts on grant generated by new homes
Capital Financing	-1.0	-1.0	-1.0	Savings from securing long-term borrowing at low rates
Latest Cumulative Gap/(Surplus)	**-0.2**	**2.5**	**7.5**	

This page is intentionally left blank

CAPITAL PROGRAMME 2013/14 AND FUTURE YEARS

General Fund

Programme Details	2013/14 Capital Programme £000	2014/15 Capital Programme £000	2015/16 Capital Programme £000
RESOURCES: GENERAL FUND			
Capital Grants and other contributions			
Government Grant - SCE (C)	(19,235)	(20,307)	(10,411)
Devolved Formula Capital	(570)	(570)	(570)
Other External Grant	(20,306)	(12,281)	(6,330)
Capital Receipts in Year - Right to Buy Properties	(400)	(400)	(400)
Corporate Property Disposals	(970)	(728)	(728)
Other Receipts	(5,945)	(7,687)	(21,192)
Additional Contributions	(6,942)	0	0
S106 Funding	(15,781)	(8,523)	(7,940)
Borrowing			
Unsupported Borrowing	(6,730)	(6,972)	(6,972)
Unsupported Borrowing (Self Funded)	(1,718)	(200)	(200)
Invest to Save Schemes			
External Grant Funding	(50)	(50)	(50)
Total Resources	(78,647)	(57,718)	(54,793)
EXPENDITURE: GENERAL FUND			
Regeneration and Major Projects			
Business Transformation			
Civic Centre	1,518	0	0
Children and Families			
School Schemes	33,781	26,828	10,981
Corporate			
Property Schemes	610	610	610
PRU Schemes	12,827	7,627	21,132
S106 Works	15,781	8,523	7,940
Total Regeneration and Major Projects	64,517	43,588	40,663
Children and Families			
Devolved Formula Capital	0	0	0
Total Children & Families	0	0	0
Environment Neighbourhoods			
TfL Grant Funded Schemes	4,000	4,000	4,000
Leisure & Sports Schemes	535	535	535
Highways Schemes	3,550	3,550	3,550
Parks & Cemeteries Schemes	165	165	165
Total Environment & Neighbourhoods	8,250	8,250	8,250
Adults Social Services			
Ringfenced Grant Notifications for Adult Care	650	650	650
Total Adults Social Services	650	650	650
Housing			
PSRSG and DFG council	4,780	4,780	4,780
Total Housing	4,780	4,780	4,780
Corporate			
ICT Schemes	400	400	400
Central Items	50	50	50
Total Corporate	450	450	450
Total Service Expenditure	78,647	57,718	54,793
Surplus carried forward	0	0	0
Deficit to be funded	0	0	0

This page is intentionally left blank

DRAFT SERVICE AND BUDGET PLANNING TIMETABLE FOR 2013/14

Date	Action
11-12 July	First service and budget planning away-day
August/ September	Work on formulating draft budgets
September	First stage budget meetings between F&CS and service areas
September	Report to Executive on Performance and Finance Review 2012/13 – 1st Quarter
October/ November	Continue to develop proposals for achieving medium term budget targets
7-8 November	Second service and budget planning away-days - issues to be considered as part of First Reading debate
November	Budget and Finance Overview & Scrutiny Committee receives and discusses 1st reading debate papers
19 November	Full Council. First reading of Policy Framework and Budget
December	Schools Forum meets to agree funding formula and budget issues
10 December	Report to Executive on Performance and Finance Review 2012/13 – 2nd Quarter
December/ January	Budget and Finance Overview & Scrutiny Committee collects evidence
Up to January	Consultation with residents, businesses, voluntary sector, partner agencies and trade unions on budget proposals.
Mid December	Confirmation of the following year's funding from central government
Mid December	Release of the Mayor's consultation draft GLA budget
14 January	Executive reviews budget position and sets Collection Fund surplus/deficit
22 January	General Purposes Committee agrees Council Tax base
January	Budget and Finance Overview & Scrutiny Committee collects evidence and discusses 1st interim report
January	Greater London Assembly considers draft consolidated GLA budget
End of January	PCG agree budget proposals to be presented to February Executive.
Early February	Schools Forum meets to agree the recommended Schools Budget
February	Budget and Finance Overview & Scrutiny Committee receives budget proposals prior to the Executive. Discusses second interim report.
11 February	Executive considers and announces administration's final budget proposals, agrees fees and charges for the following year and agrees savings/budget reductions for the HRA budget report as

DRAFT SERVICE AND BUDGET PLANNING TIMETABLE FOR 2013/14

Date	Action
	well as the overall average rent increase.
Mid February	GLA budget agreed
Late February	Budget and Finance Overview & Scrutiny Committee receives the outcome of Executive's budget report and agrees a final report
25 February	Full Council agrees budget

BRENT COUNCIL	**Budget and Finance Overview and Scrutiny Committee 19 July 2012** **Report from the Director of Finance and Corporate Services**
For Information	
Localisation of Council Tax Benefit: Financial Impacts and proposed mitigation	

1. Summary

This report sets out:

1.1 The financial impact to the Council of the government's policy on the localisation of Council Tax Benefit (CTB).

1.2 The potential mitigation for this impact based on proposed changes to certain Council Tax exemptions and discounts, and changes to the CTB scheme, based upon achieving, as far as reasonably practicable, a financially neutral position in 2013/14 (the first year of operation).

1.3 Background information concerning the Council's proposed scheme for a new local Council Tax Support (CTS) scheme, currently subject to public consultation between June and August 2012, and the timetable for the decision-making process.

2. Recommendations

The following recommendations are submitted for consideration and noting;

2.1 To note the likely financial implications arising from government proposals to localise CTS with reduced funding arrangements with effect from 1 April 2013.

2.2 To note the requirement for the Council to consider a number of options for a replacement CTS scheme, including the option that the Council retains and underwrites the existing CTB scheme by making savings elsewhere in the Council.

2.3 To note the forecast financial impact of proposed changes to Council Tax exemptions and discounts, and the CTB scheme, which will mitigate the impact of the government funding reduction, and the risks and caveats attached to these.

2.4 To note the scheme principles and technical mechanisms which will form the basis of the proposed CTS scheme, subject to public and stakeholder consultation, and the timetable for decisions which will be necessary in determining the final scheme in Autumn 2012.

3. Executive summary

3.1 This report sets out the implications anticipated from the government's proposals for Local Authorities to implement a new local Council Tax Support Scheme to replace the existing national Council Tax Benefit scheme from 1 April 2013.

3.2 These proposals will see the existing demand-led Benefit subsidy scheme replaced by a fixed grant that will be *at least* 10% lower in value than the current 100% subsidised scheme. Depending upon final regulations and clarification over funding arrangements from the government, this is currently anticipated to require financial savings in the region of £5.2m to £6.0m based upon the Council's proportionate share of the projected deficit. (i.e. excluding the Greater London Authority (GLA) element). The funding due to the GLA will be impacted by the same proportionate reductions.

3.3 The Council has the option to finance the deficit either:-

3.3.1 Fully via the General Fund (in order to maintain the current CTB scheme). The cost of doing so would be up to £6.0m in the first year rising by more than £1.0m annually and is not currently budgeted for in the Council's Medium Term Financial Projections; or

3.3.2 Partially by using increased revenue obtained from Council Tax exemption and discount changes currently proposed by the government; or

3.3.3 By changing the current Council Tax Benefit scheme; or

3.3.4 A combination of these.

3.4 On the basis of the above, possible options and their associated risks have been considered and a preferred option (combining 3.3.2 and 3.3.3 above) developed into a draft CTS scheme proposal for public consultation prior to a final decision by Full Council in November 2012.

3.5 Following consultation with the public and GLA, the Council is required to approve a local Council Tax Support scheme by 31st January 2013. In the absence of a scheme approval by this date, a default scheme – essentially the current CTB scheme - would be imposed on the authority with the need to fund the financial deficit and any expenditure growth through savings elsewhere in its budget.

4 Timescales and consultation

4.1 The timescales for designing and implementing the localised Council Tax Support scheme are extremely tight. The Local Government Finance Bill was laid on 19th December 2011 and very little information was been provided to authorities prior to May 2012.

4.2 Brent's timetable for CTS has factored in early preparation work since January 2012 and is predicated around the need for Executive and Full Council decisions in October and November respectively, following a public consultation scheduled between 11th June and 10th August.

4.3 A full timetable of key dates is provided as Appendix A to this report.

Background

5 Government proposals and main principles

5.1 The government has made provision within the Local Government Finance Bill to replace the current national Council Tax Benefit (CTB) scheme from 1st April 2013 with localised schemes for Council Tax Support (CTS) devised by individual (or groups of) local authorities (LA's).

5.2 Responsibility within central government for Council Tax Support has passed from the Department of Work and Pensions (DWP) (responsible for the existing national scheme) to the Department for Communities and Local Government (DCLG) (responsible for the localised provision from April 2013).

5.3 Local CTS schemes will be funded by a fixed grant unlike the current demand-led funding scheme and with an immediate reduction to current levels of subsidised expenditure. The headline reduction is 10% but draft figures issued by DCLG indicate that the actual reduction is nearer to 13%.

5.4 Authorities will have a duty to run a scheme to provide support for Council Tax in their area. Within a few broad parameters set by central government, they will be free to design local schemes as they wish – although the government has issued some guidance material which the authority must take account of in its final decision-making.

5.5 Authorities will be required to carry out a public consultation exercise concerning their proposed scheme with the public and major precepting authorities.

5.6 If an authority does not devise and publish a local scheme by 31st January 2013, a default scheme (effectively the current national CTB scheme) will be imposed and the Local Authority will need to make arrangements for financing the reduction in funding by other means (ie by compensating savings elsewhere within the Council's General Fund budget).

5.7. The government has indicated the following key principles shall be applicable to a local CTS Scheme:

- Pensioner claimants will be protected from any change in their existing CTB award. This may result in the prescribed 10% financial saving falling disproportionately on working-age claimants unless it can be met through other arrangements.

- Localised CTS schemes must support work incentives which will be introduced through DWP plans for the Universal Credit and that will always seek to make people better off by being in work.

- LA's must ensure that appropriate consideration has been given to support for other vulnerable groups, including those which may require protection under other statutory provisions including the Child Poverty Act 2010, the Disabled Persons Act 1986 and the Equality Act 2010, amongst others.

5.8 The implementation of the local CTS scheme coincides with other major reforms to the Welfare system including Universal Credit; the household income cap; restrictions for under-occupation in the social sector; and the devolvement of certain Social Fund functions from central to local government. This could result in some claimants being impacted by more than one system change.

6 Financial Modelling

6.1 A consultation paper on technical funding arrangements, with indicative allocations, was issued by DCLG on 17th May 2012. The consultation exercise will end on 12th July 2012 and final allocation made in the autumn.

6.2 In brief, it is proposed that funding will be allocated using the government's <u>forecasts</u> of subsidised CTB expenditure in 2013/14, apportioned using the percentage of the overall spend made by individual authorities in 2011/12 (when audited). No allowance will be made for the proportion of pensioners to working age claimants within each authority. Indicative allocations based on the apportionment of expenditure in 2010/11 have been issued giving Brent £23.725m.

6.3 Taking account of the above methodology, and using the indicative allocations based on the 2010/11 expenditure, Brent is likely to see a reduction in funding of 13.8% rather than the headline 10%. The funding will be fixed and rolled into the Business Rates reforms and will not take account of any growth in caseload or expenditure during 2013/14 or beyond, which will also now have to be fully met by Brent.

6.4 Currently the CTB caseload is growing by 3.3% per annum equating to a 1.95% annual expenditure increase, due to the changing demographic of claims, including a higher proportion of claimants on “standard” benefit claims (eg in part time or self-employed work); a slower rate of increase in those on “passported” claims (eg Income Support) or on full benefit; and recent increases in “non-dependant” charges for other adults present in the Taxpayers’ household.

6.5 It should be noted that under the CTS scheme, billing authorities will share the financial risks with major precepting authorities including the GLA. Thus where demand for CTS increases (or decreases) compared to the forecast, the resultant increase or decrease in expenditure would be shared in proportionate terms with the GLA.

6.6 The GLA proportionate share is currently 22.46%. On this basis, for every £1M in Council Tax Support costs in 2013/14 arising from increases in caseload, the amount that the Council would be required to pay to the GLA in 2014/15 would fall by £224,600 (i.e. the 22.46%) and hence the net cost to the Council would be £775,400. Consequently, the risk to the Council in this respect is mitigated to some degree.

6.7 The table below identifies the currently anticipated financial deficit in 2013/14 based on the above information, and the following additional factors:-

- The Council’s medium term forecast assumes that Council Tax will rise by 3.5% in 2013/14 (i.e. budgeting which currently excludes the impact of CTB reform). However, while Council Tax increases clearly generate more revenue for the Council, they also produce a proportionate increase in CTB expenditure. This proportion is broadly 25% for Brent. Thus the £4.7m additional revenue generated by the 3.5% Council Tax increase would be offset by additional CTB expenditure of approximately £1.25m in the first year of the local CTS scheme.

- CTB Caseload rose by 3.3% in 2011/12, equating to a 1.4% increase in expenditure of £493,254. Forecasts for 2012/13 indicate growth of £479K, which will need to be funded by the authority. A similar increase has been forecast for 2013/14 and included in the projected deficit calculation for the scheme. Changes in the general economic climate during 2012/13 and beyond will also impact upon the overall caseload trend.

- The GLA precept has been removed from both the initial 10% funding reduction and from any subsequent caseload / expenditure increases to represent the Council's exclusive position.

Table 1

Funding deficit 2013/14

	Best estimate (Growth for 2012/13 forecast at 1.4%)	Scenario showing 2012/13 growth at 3%
Estimated CTB Expenditure 2012/13	**£35,500,000**	**£36,200,000**
GLA share 22.46%	£7,973,300	£8,130,520
Brent share 77.54%	**£27,526,700**	**£28,069,480**
Following figures relate solely to the Brent share of funding and expenditure		
Indicative grant figure	£23,725,000	£23,725,000
Initial Funding Deficit	**£3,801,700 (13.8%)**	**£4,344,480 (15%)**
Growth through caseload increase 2013/14	£387,700 (1.4% growth)	£775,400 (2.8% growth)
Growth through Council Tax increase assumed at 3.5% for 2013/14 per the MTFP	£964,691	£919,083
Total growth	**£1,352,391**	**£1,694,483**
Total Indicative Funding Deficit (2013/14)	**£5,154,091**	**£6,038,963**

6.8 It is anticipated that the 1.4% growth represents the most likely forecast based on current expenditure trends, though clearly there is a risk of greater growth. There is also the risk of further variation depending on the final funding allocation, of which Brent's share may vary from the indicative 2010/11 figures.

6.9 Expenditure forecasts for Year 2 and Year 3 (2014/15 and 2015/16), based on 2.5% Council Tax rises and continued CTS expenditure growth of 1.4%, indicate an additional deficit of £1.1M each year. If growth was 3%, the additional deficit would be approximately £1.5M each year.

6.10 There are anticipated to be further consequential costs arising from the implementation of the local CTS scheme. These are expected to include the following which will need to be more specifically quantified and the relevant sources of funding identified:

- Impact on cash flow
- Increased levels of potential Council Tax non collection and hence an increase in the bad debt provision
- Increased costs of Council Tax collection arising from the need for additional personnel, increased volumes of notices impacting upon paper, enveloping, postage and printing costs, bailiff costs etc
- Increased local CTS scheme administration costs
- Software acquisition and associated licence and maintenance costs
- Consultation costs
- Legal Service costs for compiling the legal provisions of the local CTS Scheme

6.11 The Government has provided set-up funding of £84K to the Council with a further £27K being provided to the GLA in its capacity as a major precepting authority. It is however considered likely that software costs will take a significant proportion of these funds.

7 Meeting the funding deficit

7.1 There are four permutations available for meeting the potential deficit projected from the implementation of the local CTS scheme and they are as follows:

7.1.1 Subsidisation of the current scheme by the Council via savings elsewhere in the General Fund;

7.1.2 Reductions in Council Tax exemptions and discounts to generate more Council Tax revenue to offset the deficit;

7.1.3 Changes to the existing CTB scheme to reduce projected expenditure levels;

7.1.4 A combination of the above.

7.2 Although a final decision concerning the scheme will not be made by the Council until a report is submitted for consideration in the Autumn, options for the scheme have been modelled principally on the assumption that a potential deficit will be financed from a combination of the options shown in 7.1.2 and 7.1.3 outlined above thus minimising the potential cost falling on the general Council Tax payer. Any variations on this to reduce the impact on affected claimants would require compensating reductions or changes elsewhere to meet the deficit from the General Fund or from other claimant groups.

7.3 It should be noted that the Council is required to consider other options for achieving the savings, and a number of variants to the proposed CTS scheme have already been considered and are detailed in Appendix C. However the Council will also need to include consideration of an option to underwrite the existing CTB scheme, and bear the cost from the General Fund as it may be vulnerable to challenge if it cannot demonstrate that it has seriously considered this option. It is recommended that this option be included for consideration at Members' away days in July 2012.

8 Council Tax discounts and exemptions

8.1 In separate consultations, DCLG are proposing to allow Local Authorities discretion concerning some of the currently nationally-set Council Tax discounts and exemptions from 1 April 2013. Broadly, these are as follows:

- Class A exemptions (i.e. properties requiring major repair works or structural alterations to bring them back into a habitable condition) currently attract up to a 12 month exemption period. The proposal would allow LA's to award a discount within a range of 0% to 100%.

- Class C exemptions (i.e. empty unfurnished properties) currently entitle their owners up to six months as an exemption period. The proposal would allow LA's discretion to award a discount within the range of 0% to 100%

- Second homes discount (empty furnished properties, including both actual "second homes" and rented properties vacant between tenancies) currently entitles their owners to a 10% discount. The proposal would permit removal of this discount.

- Long-term empty properties currently require their owners to make full payment of Council Tax. The proposal will permit LA's to apply a multiplier or premium after the property has been empty for over two years of up to 150% of the Council Tax liability to encourage their owners to bring them back into use.

8.2 Any discounts applied by the Council for Class A and C properties would have to be applicable for the full exemption period concerned and not merely a part thereof (this constitutes a change from previous government proposals).

8.3 A number of options have been considered within the discretion provided, with the following option being proposed subject to Council approval later this year:

- Class A – 50% discount

- Class C – nil discount
- Second homes – nil discount
- Long-term empty properties – 150% charge

8.4 It is recommended that the above option is adopted because:-

- There should be a differential between the discounts applied to Classes A and C to reflect the physical condition of Class A's and the efforts being made to bring them back into a decent state of repair
- A nil discount for Class C's will encourage owners to have them occupied as quickly as possible
- Landlords will have to pay full Council Tax on their empty properties in between lettings regardless of whether they are furnished or not (currently owners of furnished properties pay 90% and owners of unfurnished properties receive up to a 6 month exemption). It is sensible to have the same charge for both of these; it will also provide an incentive to shorten the duration that a property is empty between tenancies.
- It will not be as necessary to inspect properties attracting a Class C exemption as they will be subject to a full charge unlike the present situation.
- Applying a 50% premium to long-term empty properties will also incentivise owners to reoccupy them as soon as possible.

8.5 Table 2 below shows the changes which are proposed (subject to Full Council approval) to be applied to Council Tax exemptions and discounts. By making these changes, and assuming a 90% collection rate of the additional Council Tax debit where appropriate, the deficit due to the CTB funding gap may be mitigated by £1.268m. Table 3 shows the effect of applying these changes on the potential Council Tax Support scheme funding deficit.

Table 2

	Current position	Proposed change	Potential additional revenue 2013/14
Class A – uninhabitable (403 properties)	12 month exemption	50% discount	£300,000
Class C - empty (529 properties)	6 month exemption	0% discount	£688,000
Retrospective Changes* (A & C)			£340,000
Total Class A & C			£1,328,000
Less 10% bad debt**			(£133,000)
Sub-total			**£1,195,000**
Second Homes (640 properties)	10% discount	0% discount	£80,000
Long Term Empties (460 properties)	100% Council Tax	150% Council Tax	£360,000*
Total (2027 props)			**£1,635,000**
Less GLA share 22.46%			£367,221
Brent share 77.54%			**£1,267,779**

*These are changes that the Council is advised of retrospectively, i.e. for a period in the past. The savings from these has been reduced for 2013/14 to reflect changes we are advised of in early 2013/14 being in respect of periods in 2012/13 which will be exempt. As the 2013/14 year progresses these will become fewer and the resultant additional charges greater. The £340,000 comprises £90,000 for Class A and £250,000 for Class C

**Bad Debt provision – 10% (as many will be leaver accounts where the taxpayer is living outside the area, plus there will be an increase in number of relatively small charges for short periods of time)

Table 3

	Funding deficit
Brent share of CTS funding shortfall ("best estimate")	**£5,154,091**
Brent share of increased revenue from Council Tax discount / exemption changes	**(£1,267,779)**
Net potential funding shortfall for Year 1 (2013/14)	**£3,886,312**

8.6 There are of course other permutations to these potential changes, each with differing financial impacts. For example, a variant on the above option which applied a 25% discount to Class A properties would increase the potential revenue by £136,238 (Brent share). A nil discount for Class A would increase potential revenue by £271,623 (Brent share). These variants would of course attract attendant risks and policy considerations.

9 Modifying the existing CTB scheme

9.1 The permutations of options and variations for a new scheme are almost infinite, though the inability to make major changes to software in the timescales available does limit authorities' ability to fully "localise" their scheme. There are also operational and customer advantages in having a scheme that closely resembles the current Housing Benefit and CTB schemes. A variety of options and variations have been considered in order to arrive at a proposed scheme on which to consult with the public.

9.2 The draft CTS scheme is based on a set of principles, with accompanying technical mechanisms to achieve each principle, and represent a number of variations to the current CTB scheme for working-age claimants. (Pensioners are protected from any changes as per government prescription.) In brief, these are as follows:-

Principle 1: "Everyone should pay something"
All working age customers (unless defined as protected) are required to pay a minimum element of their Council Tax – set in the draft scheme at 20%.

Principle 2: "The most vulnerable claimants should be protected" (from the minimum contribution)
Protected claimants (broadly those who are disabled) are protected from the 20% minimum contribution

Principle 3: "The scheme should incentivise work"
Incentives to work are achieved by letting claimants who are working keep more of what they earn (before means-testing)

Principle 4: "Everyone in the household should contribute"
Other adults in the household ("non-dependants") should contribute more towards the Council Tax (proportionately to their income)

Principle 5: "Better off claimants should pay relatively more so that the least well off receive greater protection."
The taper used in the Benefit calculation for those claimants whose income exceeds their needs should be increased from 20% to 30%.

Principle 6: "Benefit should not be paid to those with relatively large capital or savings"
The draft scheme proposes reducing the current savings cut-off limit for CTB claims to £6,000 from the current £16,000.

9.3 It should be noted, in particular, that without the inclusion of Principle 1 (the minimum Council Tax payment of 20%), it is not feasible to produce the required financial savings by other amendments to the CTB scheme and this would therefore result in approximately £3m of the deficit needing to be met from compensating savings elsewhere in the Council – and would call into question the viability of continuing with any other changes to the scheme given that these would produce only limited savings.

9.4 More details of the principles and technical mechanisms, and other general features of the proposed scheme, are provided in Appendix B to this report. It should be noted that one key proposed feature is that the premiums and personal allowances used to determine basic living needs when calculating entitlement to CTS should be held at the rates applied for 2012/13. This will contribute to the required savings by counteracting any inflationary growth in expenditure.

9.5 The table below shows the proposed model for the draft scheme, applying the features mentioned above, and taking account of estimated non-collection of the Council Tax arising from the proposed changes.

Table 4

Scheme features	
1. Minimum contribution	20%
2. Protection for disabled	Yes
3. Increase earnings disregards	Yes
4. Increase charges for non-dependants	Yes
5. Increase taper to 30%	Yes
6. Reduce savings limit to £6,000	Yes
Gross savings	£5,309,886
Estimated Council Tax collection rate	80%
Net saving*	**£4,247,909 ***

* Projected savings should be viewed in context of the “best estimate” net deficit figure of £3,886,312 from Table 3 above, from which the above option provides additional contingency of £361,597.

* However, note should be also taken of the financial risks and caveats in Section 10 below

9.6 A collection rate of 80% has been assumed for the additional Council Tax requiring collection from claimants who may never have had to pay

Council Tax previously and / or who are the least able to pay. This is an estimate that cannot be more accurately determined at present due to the uncertainty of future claimant behaviour. All the proposed changes to the scheme will potentially impact on collection rates, but in particular the requirement for all working age customers (unless protected) to pay a minimum contribution.

9.7 Amongst a number of potential alternative scheme features, a variant with a higher minimum contribution (eg 25%) was considered. This produced potentially higher savings (£4,761,915), but at the expense of a lower predicted Council Tax collection rate (75%) and greater difficulties in collection. This option was rejected for a variety of reasons including the expected lower collection rate, and the inherent undermining effect of designing a scheme with an expected non-collection of 25% built into it.

9.8 Full reasons for rejecting this option – and details of other rejected options for scheme design - are given in Appendix C.

9.9 It should be remembered that the current proposal represents the draft scheme which is being presented for public consultation, not necessarily the final scheme, which is subject to Full Council decision in the autumn.

9.10 The financial savings shown in Table 4 above would appear to achieve the levels of savings identified as required for 2013/14 in Table 3 of this report, with some additional contingency, although further savings may be required to meet the potential Year 2 funding shortfall. However, the number of variances and unknowns – in particular claimants' behaviour in the light of other welfare reforms including Housing and Overall Benefit caps and the introduction of Universal Credit in 2013, make it impossible to adequately model a scheme for 2014/15 or beyond, so this has not been attempted, other than building in some contingency in the 2013/14 design to potentially enable minor changes to be made in Year 2 without the requirement for further public consultation.

9.11 A view will therefore need to be taken during 2013/14, based on experience during that year, as to whether further modifications will be needed for Year 2 or beyond. It is considered desirable that the proposed scheme should run for two years if at all practicable allowing scope for a more radical change in scheme – aligning it more to the Council Tax discount system than the current Benefit system – in Year 3 (2015/16). This should coincide with a point where at least half of the working-age Housing Benefit caseload will have migrated to Universal Credit. However, the Council must review its CTS scheme at least annually in any case.

9.12 A full list of other financial risks and uncertainties which may affect the projections stated previously are given below.

10 Risks and caveats on the draft scheme financial model

10.1 The following financial risks and caveats have been identified

10.1.1 The actual funding deficit is unknown, and government will not issue final funding allocations until the autumn,

10.1.2 The amendments to Council Tax exemptions and discounts mentioned in this report are modelled to mitigate £1.268m of the deficit; this model could be varied to produce (at most) a further £272K of savings, though this would carry attendant risks and policy considerations.

10.1.3 It is intended that changes to the Council Tax exemptions and discounts may have a social benefit in bringing more empty properties into use in the borough. While this would reduce the savings quoted in the model, each house brought into occupation may attract a New Homes Bonus equivalent to Council Tax Band D for each property. Although the extent of this is difficult to predict as it relies on owners' and landlords' behaviour, there could be a net gain to the Council for each of the properties affected.

10.1.4 Actual future benefit caseload and expenditure growth is clearly unknown, though best estimates based on current expenditure have been used

10.1.5 The actual Council Tax collection rate for the claimants affected is unknown, as many have not been required to pay previously, and are also on very low incomes. Best estimates have therefore been used

10.1.6 There will be significant number of disabled claimants whose entitlement to a Disability Premium may be "hidden" within their DWP Benefit entitlement and therefore not currently visible to Brent's Benefit Section. A large administrative exercise is required to establish the extent of this but the additional "protected" cases are estimated to reduce the above savings figure by approximately £250K.

10.1.7 However the impact of the DWP's change from Disability Living Allowance to Personal Independence Payments is likely to reduce the number of protected claimants under the CTS scheme.

10.1.8 It is also not currently known how many "passported" claimants (in receipt of a DWP Benefit such as Income Support of Job Seekers Allowance (IB) etc), have capital or savings between £6,000 and £16,000. Again, an administrative exercise will be necessary to establish this but this but will increase the amount of financial savings produced by the scheme.

10.1.9 Financial modelling has been undertaken using a tool provided by the Service's software suppliers Northgate. There are a number of known bugs within the tool itself, most specifically that it is currently undercounting the savings generated from changes to non-dependant charges. Manual work done to examine this shortfall has established that savings are being undercounted by approximately £250K (which would counteract the potential undercounting of disabled protected claims, point 10.1.6 above).

10.1.10 We have sought assurances from the Northgate software supplier that they can deliver the changes stipulated in the proposed scheme. They have confirmed that the proposed changes are in their draft plan with one minor exception which can if necessary be achieved by other means, but have commented that the final specification is not yet agreed and that they are not yet in a position to make a definitive commitment. This gives a degree of reassurance, but in the event of failure to deliver software, there may be a financial impact in terms of being able to enact all aspects of the proposed scheme and therefore realise all the financial savings.

10.1.11 The impact of Universal Credit (UC) is unclear, especially for Year 2 and beyond, though steps will be taken to try to model the scheme for UC claimants as closely as possible to their current CTS eligibility as a recipient of a pre-UC working age benefit

10.1.12 Increased cost of Council Tax collection is not included in the modelling and will form part of contract negotiations with Capita, the Council's contractor for Council Tax collection.

10.2 Given the above, it is difficult to quantify the overall financial risk or variance to the draft scheme financial model, however it is felt that broadly the above factors, taken in the round, are more likely to increase than decrease the amount of savings forecast in the current model. This would help to future-proof the scheme against requiring further changes in Year 2, which is undesirable for reasons given earlier, and to enable a more thorough review of the scheme during Year 2, based on a whole year's experience and data, for potential further change (if required) in Year 3.

11 Legal implications

11.1 The CTS project team includes legal representation and all proposals concerning scheme design, consultation and the decision-making process have been taken following legal advice in order to reduce risk of challenge. It will be noted that legislation has not yet been passed and current understanding of government intentions have been gained from draft regulations, government guidance and policy statements of intent. There are therefore risks if legislation changes significantly before it passes into law, however the challenging timescales make it inadvisable to wait for final legislation, and indeed government advice has been to continue with preparations in advance of the legislation.

12 Diversity implications

12.1 By applying the proposed scheme principles, in general the impact of the proposed changes will be dispersed across the caseload thus minimising the potential for a disproportionate impact on protected groups. Equalities impact modelling done to date has supported this which provides some reassurance in this area.

12.2 A full Equalities Impact Assessment will be developed in preparation for the Executive and Full Council decisions in the autumn.

12.3 Additionally, consultation and engagement with representative groups and organisations within the Borough concerning the changes is anticipated to identify any potential issues arising from the proposals and options for mitigation.

.

For further details please contact

David Oates
Head of Benefits

Ext 1578
David.Oates@brent.gov.uk

Appendix A

Timetable of critical dates

PCG	31st May
Labour Group briefing	31st May
Press briefing	7th June
Consultation start	11th June
Consultation length	9 weeks
Consultation ends	10th August
Analysis period	4 weeks
Draft report issued for CMT / PCG	7th September
CMT	13th September
PCG	27th September
Leader's briefing	1st October (tbc)
Executive	15th October
Full Council	19th November
Preparation for implementation, software testing etc	November – March
Go live	1st April 2013

Appendix B

Proposed CTS scheme

Principles and technical mechanisms

Principle 1: "Everyone should pay something"
All working age claimants (unless defined as protected) are required to pay a minimum element of their Council Tax – set in the draft scheme at 20%.

Principle 2: "The most vulnerable claimants should be protected" (from the minimum contribution)
Claimants are protected from the 20% minimum contribution if they are entitled to a disability premium, enhanced disability premium or disabled earnings disregard or in receipt of a Disability Living Allowance, Disabled Persons Reduction for Council Tax purposes, War Disablement Pension or War Widow's Pension.

Principle 3: "The scheme should incentivise work"
Incentives to work are achieved by letting claimants who are working keep more of what they earn (before means-testing) – the draft scheme proposes an increase of £10 per week in the earnings disregards for Single Person, Couple and Lone Parent earnings (currently set at £5, £10 and £25 respectively).

Principle 4: "Everyone in the household should contribute"
Other adults in the household ("non-dependants") contribute more proportionately to their income – the draft scheme proposes doubling the current range of non-dependant charges from the 2012/13 amounts and replacing the current nil charge for Job Seekers Allowance (Income Based) non dependants with a charge of £6.60.

Principle 5: "Better off claimants should pay relatively more so that the least well off receive greater protection."
The draft scheme proposes that the taper used in the Benefit calculation for those above the means-test (ie whose income exceeds their needs) should be increased to 30% from the current 20%.

Principle 6: "Benefit should not be paid to those with relatively large capital or savings"
The draft scheme proposes reducing the current savings cut-off limit for CTB claims to £6,000 from the current £16,000.

Other general features of the proposed CTS scheme

- The current second adult rebate scheme (whereby claimants whose own income is too high to receive CTB, but have other adult(s) in the household whose income is low, can receive a Council Tax discount of up to 25%) is to be abolished for working age claimants. This is due to its inconsistency with the above principles given that these claimants by definition are not eligible via the normal Benefit means-test.

- Premiums and personal allowances used to determine basic living needs for a claimant and their family when calculating entitlement to CTS shall be held at the rates applied for 2012/13. This will contribute to the required savings by counteracting any inflationary growth in expenditure.

- Regarding the wider welfare reform agenda: where new working age benefits are introduced by the government (in particular Personal Independence Payments and Universal Credit, both of which are being introduced during the first year of the CTS scheme), treatment of these benefits will be made broadly equivalent wherever possible to treatment of the corresponding current working age benefits within the CTS scheme, subject to regulations and guidance laid by the Department of Work and Pensions as to the design and application of these benefits.

  (Personal Independence Payments will replace Disability Living Allowance; Universal Credit will combine Income Support, Job Seekers Allowance (Income Based), Employment Support Allowance (Income Related), Working and Child Tax Credits and Housing Benefit, and will be rolled out over four years from 2013.)

Appendix C

Other rejected aspects of scheme design

A number of other variations to the current CTB scheme have been investigated and modelled, but rejected for a variety of reasons. In brief, these included:-

Option	Reasons for rejection
Exclude the need for a minimum contribution (“Principle 1”) element	Will not make necessary savings as mentioned previously
Options with a higher minimum contribution (eg 25% or 30%)	Collection rate will be lower and cost of collection higher; 20% is considered likely to appear more “reasonable” to the public and likely to be closer to other local authorities scheme designs; claimants will have many other financial pressures from other welfare reforms; and a scheme with high expected non-collection rates could lack basic credibility
Capping entitlement at a specified Council Tax liability level (eg Band D or E)	Would impact on large households, and disproportionately on BME groups; and on those claimants potentially already impacted by Housing Benefit caps from 2011/12 and the overall income cap to be introduced from April 2013
Stopping or restricting backdating of claims (currently paid where there is a good reasons for a claimant making a late claim)	Produces very small savings, and also impacts on some of the most vulnerable – those least able to handle their own affairs; understand the Benefit system; or otherwise disadvantaged
Limited period awards (eg only pay CTS for six months)	Likely to result in a very low Council Tax collection rate for the period after benefit ends, and administratively complex
De minimus rule	To produce reasonable levels of savings, a de minimus level of at least £7.50pw would be required (32% of a Band C charge); too crude a mechanism and likely to impact on claimants where other restrictions (eg higher taper or non-dependant charges) have already applied

Discretionary scheme element to cover cases of extreme hardship	Would have to be funded by harsher application of the CTS rules elsewhere; also more administratively complex and more likely to lead to inconsistent decisions
Uprate applicable amounts and personal allowances by rate of inflation (CPI) from 2013 onwards	Introduces an inflationary element into scheme design which would need to be funded by harsher application of the scheme elsewhere
Simplify the system of non-dependant charges by having one charge for working non-dependants and one for non-working	The weight of the increased charges falls more on lower income non-dependants than on higher ones – relative to the proposed scheme mechanism (doubling existing charges) - and therefore contrary to scheme principles
Introduce changes which will ensure funding shortfall for Year 2 are also met	The number of uncertainties and unknowns – including impact of Housing Benefit caps, the introduction of Universal Credit, Council Tax collection rate etc, make it impossible to adequately model a scheme incorporating Year 2 demands at this stage. Also, to do so would mean that the scheme was harsher than necessary in Year 1

This page is intentionally left blank

BRENT COUNCIL	**Budget & Finance Overview & Scrutiny Committee** 19 July 2012 **Report from the Director of Strategy, Partnership & Improvement**

For Action

Wards Affected: ALL

Budget & Finance Overview & Scrutiny Committee 2012/13 – Work Programme

1.0 Summary

1.1 This report provides a brief overview of the work of the Budget & Finance Overview & Scrutiny Committee in 2011/12. It also aims to assist the members with their discussions about the Budget & Finance Overview & Scrutiny work programme for 2012/13. A copy of the Committee's report from 2011/12 is attached for information.

2.0 Recommendations

2.1 That members discuss the Budget & Finance Overview & Scrutiny Committee's work programme for 2012/13.

3.0 Detail

Budget & Finance Overview & Scrutiny Committee 2011/12

3.1 The purpose of the Budget and Finance Overview & Scrutiny Committee is to undertake an in-depth review of the council's medium term financial strategy, the 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.

3.2 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 Corporate Strategy and any other overarching partnership strategies.

- 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.

3.3 During the course of its work the Budget & Finance Overview & Scrutiny Committee took evidence from a number of sources. These included:

- The Leader of the Council
- The Lead Member for Finance and Corporate Services
- A number of service directors

3.3 Once the administration's draft budget was published the Budget & Finance Overview & Scrutiny Committee had the opportunity to question the Lead member for Resources on key elements of the proposals. This provided the opportunity for the Committee to make recommendations prior to the draft budget being agreed by the Executive. The Budget & Finance Overview & Scrutiny Committee also encouraged all members to attend this meeting and time was allocated for questions from the floor.

3.4 During the budget scrutiny process, the Budget & Finance Overview & Scrutiny Committee had three opportunities to make its views known. These were:

- **The First interim report** – prior to the draft budget being published.
- **The Second interim report** – this built on the first report and included recommendations on the draft budget prior to it being agreed by the Executive.
- **The Final report** – this report went to Full Council built on the second report and included recommendations on:
    - The Executive's final budget prior to it being debated at Full Council;
    - The budget process; and
    - The budget scrutiny process

3.5 A copy of the Budget & Finance Overview & Scrutiny Committee's 2011/12 report is attached.

Work Programme for 2012/13

3.6 The attached work programme template (appendix a) is designed to assist members in planning what they would like to cover at each meeting and deciding what evidence they would like to receive.

Background Papers

Budget & Finance Overview & Scrutiny Committee Final Report 2011/12

Contact Officers

Jacqueline Casson
Senior Policy Officer
Jacqueline.casson@brent.gov.uk

This page is intentionally left blank

Budget & Finance Overview & Scrutiny Committee Work Programme 2012/13
Chair Cllr Allie

Date of Meeting	Purpose of Agenda item	Requested Information / Evidence	Invited witnesses	Notes
20th July 2011	To receive the report on the Budget Strategy 2012/13 – 2015/16. A Report on the localisation of council tax benefit To discuss the work programme for 2011/12	• Work Programme discussion	Mick Bowden David Oates, Head of Benefits	
13th September 2011	*Budget Update*	*To provide member with information regarding the current budget position. To include an update on the One Council Savings*	*Clive Heaphy, Director of Finance and Corporate Services*	

11h October 2011				
8th November 2011		• First Reading Debate Reports	Clive Heaphy Director of Finance and Central Services Leader of the Council Lead member for Finance & Resources	
6th December 2010	Budget Update	To provide members with the latest budget information.	Clive Heaphy / Mick Bowden	

11th January 2011	To agree the Panel's first interim report			
16th February 2011	To discuss and comment on the administration's draft budget. To agree the Panel's second interim / final report.	All Members will be invited to attend this meeting • A presentation on the administration's draft budget from the lead member • To include a response to the recommendations contained in the first interim report • The aim of this report is to respond to and make recommendations about the administrations draft budget prior to the Executive	• Councillor R Moher	

Issues the committee would like to cover during evidence gathering:

This page is intentionally left blank

Budget & Finance Overview & Scrutiny Committee

Final Report

February 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

Chair's Foreword – Councillor James Allie

It is with great pleasure that I introduce the final report of Brent Council's Budget & Finance Overview & Scrutiny Committee.

This is the second year of operation for this committee and my colleagues, many of whom are new to the council and I have had to collectively develop our understanding of the issues and the budget setting process. We have focussed on the administration's priorities, the medium term financial context and changes to national priorities and policies that need to be considered when developing a robust budget.

The committee took evidence from a wide range of witnesses in the course of our enquiries. On behalf of my colleagues I would like to thank those officers and Executive members who took the time to prepare reports and presentations and attend our meetings.

Executive Members:

- Councillor John (OBE), Leader of the Council
- Councillor Butt, Lead Member for Resources.

Officers:

- Phil Newby, Director Strategy, Partnership & Improvement
- Peter Stachniewski, Head of the Programme Management Office
- Alison Elliott, Assistant Director Community Care
- Krutika Pau, Director of Children & Families
- Graham Genoni, Assistant Director Social Care
- Mustafa Salih, Assistant Director Strategic Finance (C & F)
- Sue Harper Director of Regeneration & Major Projects
- Michael Read, Assistant Director Policy & Regulation (ENS)
- Jenny Isacc, Assistant Director Environment & Neighbourhoods
- Bharat Jashapara, Assistant Director Strategic Finance (ENS)

I would also like to take this opportunity to thank members of the committee for their efforts during the course of our deliberations. Their proactive approach and dedication have ensured a lively and productive overview & scrutiny process.

Finally thanks must go to Clive Heaphy, Director of Finance and Corporate Services, Mick Bowden, Assistant Director of Finance & Corporate Services Jacqueline Casson, Senior Policy Officer, Strategy, Partnerships and Improvement, and Peter Goss, Democratic Services Manager for their support to the committee.

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 final 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 and Resources attended to discuss the First Reading Debate Papers and set out the administration's approach to setting a robust budget
- Councillor Muhammed Butt, Lead Members for Finance and Resources presented the administrations draft 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

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 20012/12 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 of 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 are 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 need 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.