



Budget and Finance Overview and Scrutiny Committee

Tuesday 11 September 2012 at 7.30 pm
Committee Room 3, Brent Town Hall, Forty Lane,
Wembley, HA9 9HD

Membership:

Members

Councillors:

A Choudry (Vice-Chair)
Brown
S Choudhary
Naheerathan
HB Patel
Ketan Sheth
Van Kalwala

first alternates

Councillors:

Chohan
Ashraf
Chohan
McLennan
BM Patel
Denselow
Kataria

second alternates

Councillors:

Moloney
Lorber
Moloney
Oladapo
HM Patel
Gladbaum
Daly

For further information contact: Lisa Weaver - Democratic Services Officer
020 89371358 lisa.weaver@brent.gov.uk

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The press and public are welcome to attend this meeting

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

Item	Page
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1	Declarations of personal and prejudicial interests	
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Members are invited to declare at this stage of the meeting, any relevant financial or other interest in the items on this agenda.

2	Deputations (if any)	
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3	Minutes of the previous meeting	1 - 6
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4	Matters arising (if any)	
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5	Regeneration and Major Projects	
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The Director of Regeneration and Major Projects will attend the meeting to present to Members the current budget issues facing this service.

Ward Affected: All Wards

Contact Officer: Andrew Donald,
Director of Regeneration and Major
Projects

Tel: 020 8937 1049

andrew.donald@brent.gov.uk

6	Budget Update	
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The Director of Finance and Corporate Services will provide an update on the current budget position

Ward Affected: All Wards

Contact Officer: Clive Heaphy, Director
of Finance and Corporate Services

Tel: 020 8937 1424

clive.heaphy@brent.gov.uk

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

8 Date of Next Meeting

The next scheduled meeting of the Committee is on 9 October 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.
 - A public telephone is located in the foyer on the ground floor, opposite the Porters' Lodge

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MINUTES OF THE BUDGET AND FINANCE OVERVIEW AND SCRUTINY COMMITTEE **Thursday 19 July 2012 at 7.30 pm**

PRESENT: Councillor Allie (Chair), and Councillors S Choudhary, HB Patel, Ketan Sheth and Van Kalwala

Also present: Councillor Butt

Apologies for absence were received from: Councillors A Choudry

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 8 February 2012 be approved as an accurate record of the meeting.

4. Matters arising (if any)

None

5. Budget Strategy 2013/14 to 2015/16

Mick Bowden (Deputy Director of Finance and Corporate Services) introduced the report before members which set out the financial prospects for the Council for the next three years. The report had previously been submitted to the Executive on 16 July 2012 and linked with the localisation of council tax benefit which was seen as a key risk in the budgets for future years.

The Deputy Director of Finance and Corporate Services outlined that although the £42m of savings identified in 2011/12 were achieved leaving the council in a stronger position to face the challenges ahead, the council was not yet half way through the 28% of savings that had to be made due to Government cuts. It was acknowledged that there was a permanent problem from weak GDP growth, with a 13% loss of trend output, with the economy not reverting back to trend as quickly as had been the case in previous recessions. Additionally, the gap in public spending and receipts was highlighted and, despite action being taken, there was a long way to go before the gap could be closed and debt levels may not be back to 'normal' until 2035. Mick Bowden highlighted the pressures placed on spending due to

demographic changes in age related spending, with increased expenditure in health, long term care and pensions, resulting in the need to address the challenge of social care and long term structural changes in public spending.

The Deputy Director of Finance and Corporate Services explained that central government savings targets were lower and later than those for local government. Overall central government achieved a £5.3bn underspend in 2011/12, with the NHS delivering the biggest underspend in cash terms although relatively small compared to its overall budget. It was highlighted that Brent's approach to managing its budget had been successful resulting in £42m savings being delivered as well as a total underspend on services of £1.2m. It was noted that the funding streams available to schools had changed with an underspend of £1m being achieved on a like for like basis. The outturn for the HRA was in line with forecast and under the new financial arrangements a 30 year business plan is being developed. In the current year emerging cost pressures had been identified by directors, in particular in relation to adult social care, children's social care, the one council programme and changes to housing benefit and temporary accommodation, although borrowing could now be achieved at lower interest rates.

Mick Bowden drew the committee's attention to the LGA funding model which addressed the pressures faced by councils' nationally and how it relates to spending, with a projection that spending will be geared towards children, adult and social care as well as environment, particularly waste, resulting in reduced spending for other services. The LGA model highlighted that efficiency savings would not be enough with reform to social care being required and public services working together and potentially cutting services to meet the demanding spending costs regarding age related services and high pressure services.

The Deputy Director of Finance and Corporate Services explained that the 2012/13 budget showed a positive cumulative position of £2m although by 2015 a gap of £7.2m had been identified with more savings required to balance the books. The known variations from February to July 2012 were reported including; a reduction in council tax yield of 25% due to a lower tax base, share of growth from baseline business rates as well as other key factors that had not previously formed part of the budget forecasting. The key risks to Brent were identified including the potential impact of increased council tax on housing benefit, welfare costs, the unpredictable demand on services and the maintenance of the One Council programme to ensure that all savings identified were delivered.

Mick Bowden explained the setting of the business rates baseline 2013/14 with regard to Central Government's 50% share and Brent's 50% share distributed between the council as well as the significance of being a top up or tariff authority, with the top up acting as a safety net for authorities that experience a reduction in business growth. It was highlighted that this would provide a challenge when forecasting growth and was not as simple as first envisaged. It was concluded that the current position for public finances would be prolonged past the current spending review period and would not just relate to cuts but additionally the need to maintain a disciplined budget to recognise areas of growth alluded to by the LGA and to seek opportunities and savings where possible.

During the discussion that followed, members queried whether the new homes bonus related specifically to new build properties or included existing properties that had been brought back into use. It was explained that the government's new

homes incentive applied to all new homes provided, including properties brought back into use and although an incentive at a local level, nationally the money was funded by business rates as a way of redistributing monies. It was explained that the intention in relation to changing business rates was that no local authority were disadvantaged for the first year through the top up and tariff scheme. It was explained that there was the intention to have a reserves fund of £12m as the risk assessed level, which had been factored into each services budget. It was felt that central government would not allow the council to pass services back and retain their current level of funding. With regard to cutting services, it was felt that the council could question whether non statutory services which had been heavily reduced and cut were worth being maintained at such a reduced level. With future pressures to deliver social services, particularly with increasing aging populations, it was felt that a debate at national level on how these services would be provided long term needed to be carried out alongside other key areas such as waste and the encouragement of recycling to avoid landfill charges. It was highlighted that there was potential to lobby central government regarding inaccuracies with funding and estimated population size, as well as funding for school places. It was clarified that there did not appear to a benefit for London Authorities to pull together due to the top up and tariff element of the scheme.

RESOLVED:-

members noted the report

6. Localisation of Council Tax Benefit: Financial Impacts and proposed mitigation

David Oates (Head of Benefits) introduced the report which set 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. The implications of such a tight timetable were highlighted including a consultation document currently in circulation and legislation unlikely to gain royal ascent until October. The 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 however for Brent, it could potentially be a 13.7% cut. In addition increases in council tax and other increases in benefits expenditure through caseload growth could increase the estimated deficit to approximately £5.2m. It was explained that the savings could be achieved through either being made through the general fund, partially by using increased revenue obtained from Council Tax exemption and discount changes currently proposed by the government; or by changing the current Council Tax Benefit scheme. It was noted that if a new scheme had not been devised by 31st January, a default scheme would be put in place resulting in the deficit being met by the general fund. The scheme will be fixed-grant funded, unlike the current demand led scheme and will be designed by the local authority with the inclusion of several centrally-imposed parameters such as a requirement to protect pensioners. It was reported that although growth would not be taken into account, resulting in the council having to meet any shortfall from its own budgets, the risk would be shared by the GLA with a 22.46% distribution share in council tax.

The Head of Benefits informed the committee of the various scenarios as outlined in 6.7 and the potential impacts on cash flow, council tax non collection, debt

provision and increased admin and software costs. To meet achieve the savings, a combination of a new scheme was being proposed alongside reductions in council tax exemptions and discounts to generate more council tax revenue to offset the deficit. A number of options had been considered within the discretion provided, with the following option being proposed subject to council approval later during the autumn –

- 1) Changes to Council Tax exemptions and discounts -
 - Class A – 50% discount
 - Class C – nil discount
 - Second homes – nil discount
 - Long-term empty properties – 150% charge

2) Changes to Council Tax Benefit –

The proposed scheme is based on six key principles and an assumed 80% collection rate, with Principle 1: “Everyone should pay something” being key to ensure that the savings can be achieved. A variety of risks had been identified with the proposed changes including the unknown reaction of claimants, lack of full information relating to claimants in receipt of certain DWP benefits resulting in assumptions having to be made when carrying out modelling, changes to software and the scheme being introduced alongside various other welfare reforms. Discussions with the software company had been on-going and there was confidence that the required changes could be delivered in time, although still remained a high risk. The changes to the scheme as currently modelled would result in the council being in a financially neutral or slightly positive situation, with the intention that changes to the scheme when reviewed annually would not be made unless necessary with the current intention to review in year three.

Following queries from the members, David Oates clarified that although there were some similarities with the poll tax, proposals were only in relation to council tax benefit claimants, not all residents, and certain vulnerable people were protected, bringing deductions and the expectation of others contribution into line. No additional staff resource had been identified as it was only the level of charge applied that was changing and current procedures required evidence to ensure that the policy was enforced correctly. It was recognised that the changes to class A and class C could be difficult politically for members however a political choice on how the savings would be achieved needed to be made, and the current proposals encouraged housing to be brought back into use which would be a subsequent benefit to the borough. It was noted that the detail of the universal credit scheme due to commence in October 2013 was currently not available however, schemes were expected to be piloted during April. Universal credit also provided difficulties in the modelling as in future it will be unclear whether people on Universal Credit are working and the information would have to be obtained separately from DWP and potentially means tested. It was explained that the council was the first to go to public consultation, although councils had adopted various approaches with some councils choosing the minimum contribution route or other options such as removing the facility to back date claims, which had been rejected by Brent. It was clarified that additional resource may be required initially to inform the public of changes to the scheme which was to be publicised beforehand however, some funding from central government has been provided to mitigate the impact the

impact of welfare reform generally. Additional communication lines and access points were being explored to ensure that all queries and concerns could be addressed. It was reported that a collaborative scheme could not be implemented due to the tight timescales, however potentially a collaborative scheme could be produced in future or the Brent scheme amended to incorporate successful aspects of other local authority's schemes.

It was queried whether the scheme would assess claimants on a six monthly basis or when their circumstances changed. It was confirmed that claimants benefits would be amended as circumstances changed rather than on a rolling review process to ensure that no prejudice or hardship was invoked on claimants.

RESOLVED:-

- i) to note the likely financial implications arising from government proposals to localise CTS with reduced funding arrangements with effect from 1 April 2013.
- ii) 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.
- iii) 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.
- iv) 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

7. Budget & Finance Overview & Scrutiny Committee 2012/13 - Work Programme

Members considered the work of the Committee during 2012/13 and the issues arising from consideration of the 2012/13 - 2015/16 budget strategy. The committee confirmed that they were happy to discuss the issues currently detailed on the work programme, with input from Directors as well as the addition of the following:

- Business rates
- One Council programme update
- Environment update
- Adult social care
- Children social care
- Capital Programme

RESOLVED:-

that the work programme be amended and noted

8. Any Other Urgent Business

None

9. **Date of Next Meeting**

The date of the next meeting would take place on 11 September 2012.

The meeting closed at 9.30 pm

J ALLIE
Chair