



MINUTES OF THE BUDGET AND FINANCE OVERVIEW AND SCRUTINY COMMITTEE **Tuesday 15 January 2013 at 7.30 pm**

PRESENT: Councillor Hopkins (Chair), Councillor A Choudry (Vice-Chair) and Councillors Brown, S Choudhary, Naheerathan, HB Patel, Ketan Sheth and Van Kalwala

Also present: Councillors Butt, Cheese, R Moher and Powney

1. Declarations of personal and prejudicial interests

Councillor Powney informed the Committee that he was a member of the West London Waste Alliance Board.

2. Minutes of the previous meeting

RESOLVED:-

that the minutes of the previous meeting held on 14 December 2012 be approved as an accurate record of the meeting.

3. Matters arising

None.

4. Environment and Neighbourhood Services

Sue Harper, Director Environment and Neighbourhood Services, explained that the report addressed two issues; the impact of financial problems at West London Waste Authority (WLWA) and providing for the increasing cost of waste treatment and disposal.

The Director of Environment and Neighbourhood Services informed the Committee that during the early part of the 2012/13 financial year, concerns were raised regarding the WLWA budget. Following investigations, it transpired that the budget had been based on poor assumptions and erroneous information. PWC were commissioned to look into the financial position and a recovery plan was put in place to recover £1.1m. To date this had only achieved savings in the region of £450,000, and subsequently the decision was taken to introduce a levy on all member authorities to address the position, with Brent's share being £600,000. It was explained that work was currently taking place with WLWA to prevent reoccurrences of the issues including; the appointment of statutory and advisory roles, a treasurer at director level who will review the financial controls and regular review meetings with financial officers from each council attending. A review of the governance arrangements will also be undertaken.

During discussion, members raised concerns regarding the financial impact on Brent tax payers and that the issue was not brought to members' attention generally

or formally to the Committee. Councillor Powney, Brent's representative on the WLWA Board informed the Committee that the budget was set on figures provided by the Director of Finance at WLWA which were subsequently proven incorrect. Based on the information provided to the Board, it was agreed by them that the substantial reserves which apparently existed as a result of the misreporting would be returned to each borough to alleviate financial pressures. Once the true picture was known, following the PWC report, it was agreed that to address the actual budget issues, an in-year levy of £3.6 million would be issued rather than at the start of the next financial year. The levy would compensate for the shortfall and allow for any increase. Levies will also be higher in following years.

Concern was raised regarding how such a sizeable error, amounting to a £2.6m overspend could have been made and whether the accounts were audited properly. Councillor Powney clarified that the WLWA was required to have its accounts audited and that prior to the current financial year, there had been no apparent concerns. The Committee felt that the overall financial process within the WLWA was fundamentally flawed, resulting in chaotic budget managing. Checks and balances were supposedly provided in the form of regular reports and audits however the Board were provided incorrect information which undermined the checking process.

The Committee queried why they were not informed of the potential issues when they first arose or when PWC were appointed in July 2012. It was clarified that the issue was documented in the minutes published on Hounslow Council's website. Following the issue being discovered by the interim treasurer, an employee of Harrow Council, all directors of finance at each borough were informed and PWC were appointed. Members queried the cost to appoint PWC and whether these costs would be at Brent's expense. It was explained that the cost would be picked up by WLWA however members felt that this would ultimately be passed back to the Council.

The Committee queried what action had been taken against the Finance Director of WLWA and whether further action was necessary. It was explained that the person was no longer in position and it was ultimately a decision of WLWA to pursue taking further action against the individual. The Committee were concerned at the uncertainty regarding the circumstances of the person leaving the organisation. It was felt appropriate for the Chair to write to the Chief Executive of WLWA asking for further clarification about the whole episode, and the steps being taken to prevent reoccurrence. This would include terms of cessation and whether further action was to be taken.

Sue Harper highlighted the increasing pressures on the department's budget, particularly in light of the increasing waste disposal costs and the challenging savings target of £1.8m for 12/13. It was explained that the budget was based on estimated tonnage of waste disposal and recycling targets of 59%. It was noted that this target had not been achieved, with recycling rates currently at 47%. A number of issues had impacted on the tonnage level including the cessation of a secondary sort of materials which were now diverted to landfill instead. It was explained that the waste strategy had a recycling target of 53% by 2014 and with the increased population of Brent; it was felt that the target of 59% was ultimately unachievable. This will result in an increased landfill total of 21,000 tonnes over budget thus adding to the increased budget pressures. A recovery plan was in

place to address the shortfall centrally, taking into account increased budget pressures for 2013/14, due to higher landfill and fuel costs.

During discussion members queried why the recycling target was initially set above the strategy target. It was clarified that it was designed to be challenging, to achieve the level of savings set for 12/13. It was initially hoped that the target would be achievable but a smaller reduction in waste arisings than that modelled had been achieved. Whilst a much increased recycling level has been achieved it is still not reaching 59%. Members queried the effect of the recent reduction in fuel costs on the increase in disposal costs in 13/14. It was explained that the fuel costs related to railway travel and the index cost had increased for the contractor, resulting in the contractor increasing the per tonnage disposal cost.

RESOLVED:-

- (i) that the report be noted
- (ii) that the Chair write to the Chief Executive of WLWA asking for clarification , assurances as to the soundness of future practices, and enquiring into the terms of cessation of the Finance Director and whether further action was to be taken

5. **Budget Update**

Mick Bowden, Deputy Director of Finance provided an update on the latest position following the announcement of the settlement on 19 December 2012. It was explained that there were still several issues which remained uncertain, such as incorporated changes to funding through changes to business rates, transfer of specific funding grants and the implementation of the localised council tax scheme. Due to the changes there was difficulty comparing funding from 2012/13 and 2013/14 although 'spending power' had been used to unite funding streams to enable comparisons, demonstrating a 0.5% reduction in 2013/14, 5.1% reduction 2014/15 for Brent, compared to national reductions of 1.7% 2013/14 and 3.8% 2014/15. The Deputy Director of Finance highlighted the changes to core funding streams such as revenue support grant, business rate top up and council tax freeze grant, equating to an expected 11.8% loss in 2014/15. It was noted that the council tax freeze grant 2013/14 would provide funding equivalent to 1% council tax increase however the grant offered to Brent would equate to a 1.3% tax increase. It was anticipated that an increase in funding generated locally of 1.3% for 2014/15, with 30% of business rates collected being retained and an extra £600,000 from new homes in the borough. Mick Bowden drew the Committees attention to various issues including the Education Services Grant (ESG), NHS funding for social care and the remand funding still being awaited.

During discussion, Members expressed their concern over the quarterly release of the ESG grant and the impact this would have on budgets. It was explained that the National Health Service funding would have to be used for joint priorities with a signed agreement being made. Risks were being calculated in tandem and modelled alongside the budget setting process, but due to the current level of uncertainty regarding welfare reforms and funding streams, there remained a high level of risk. During queries regarding the level of reserves accumulated, it was explained that a target of £12m remained in place for the end of 2012/13 with reserves of £11.3m currently being held. Members queried the initial requirement

to save £100m with a total saving of £78m likely to be achieved. It was clarified that £78m would be achieved through savings and a further £22m to equate the £100m based upon anticipated costs as well as reduced spending as well as managing the level of demand for particular services.

RESOLVED:-

members noted the update

6. **First Interim Report Discussion**

The Chair outlined the process that had led to the drafting of the committee's first interim report, a copy of which had been circulated to all members of the committee. It was highlighted that the recommendations from last year's report had been included for information.

The Chair requested that the following recommendation be included:

“When setting the councils budget for 2013/14 the Administration should take into account the level of funding that will be available for the 2014/15 budget and endeavour to allow for forecast future reductions. ”

It was clarified that the report would be placed before the Executive shortly and that additional recommendations should be made at the next meeting. Members agreed to approve the first draft, subject to the inclusion of the above recommendation.

RESOLVED:-

- (i) that the first draft be approved subject to the inclusion of the above recommendation so that it could be passed to the Executive.
- (ii) that members should make any additional recommendations by the next meeting of the Committee

7. **Any Other Urgent Business**

None.

8. **Date of Next Meeting**

The next meeting of the budget and finance overview and scrutiny committee is scheduled to take place on 5 February 2013.

The meeting closed at 9.00 pm

A HOPKINS
Chair