



Budget & Finance Overview & Scrutiny Committee

First Interim Report

January 2014

Membership

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1. Introduction

The Budget and Finance Overview & Scrutiny Committee was set up to undertake an in-depth review 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, thus enabling robust challenge and debate on the administration's budget proposals.

The national economic situation is starting to show signs of improving with predictions about economic growth being revised upwards. It was announced in the in the Autumn Statement that the Office for Budgetary Responsibility (OBR) had revised its forecast for GDP up from 0.6% to 1.4% in 2013 and from 1.8% to 2.4% in 2014. The OBR also expects the rate of inflation to slow between 2013 and 2016 returning to the 2% target by the second half of 2016.

However the coalition government has made it clear that it will continue with its deficit reduction strategy extending government spending cuts beyond the timescales envisaged at the time of the 2010 Comprehensive Spending Review. Therefore the financial context within which the council is setting the 2014/15 budget remains unlikely to improve significantly in the near future and presents an on going challenge. Brent Council will continue to face some difficult decisions about what services are delivered, how they are delivered and the size and shape of the organisation well beyond the life of the current parliament. One of the Budget & Finance Overview & Scrutiny Committee's main areas of investigation has been to review how the administration proposes to achieve a balanced realistic budget and deliver on its priorities, whilst taking advantage of any opportunities that arise.

The One Council Programme, which was launched in 2009, aims to ensure a planned approach to budget reduction and organisational transformation and continues to be the main driver within the council's medium term financial strategy and is projected to deliver £76.4 million of savings from existing and completed projects by the end of the financial year 2014/15. It is the transformation of services that continues to provide the bulk of the required savings. This committee's main interest in this programme is concentrated on its ability to generate those 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 is the first interim report of the Budget & Finance Overview & Scrutiny Committee and contains the committee's recommendations to the Executive.

2. Recommendations

1. That a clear and detailed set of priorities are developed which ensure the deployment of the councils limited resources and focusses on activities which contribute most to improved outcomes for local people.. The Budget & Finance Overview & Scrutiny Committee to receive updates on how savings are being made in the context of the priorities.
2. That when setting the budget the administration takes into account the fact that the council has no assurance that funding will be restored or increased by a future government. The council therefore needs to plan for the worst case, whatever the complexion of the government in power.
3. That given the levels of risk and reduction in funding the council continues with its policy to maintain its reserves at £12m.
4. That the council explores opportunities to work in partnership, including shared services and commercial partnerships arrangements, while encouraging greater involvement of community and voluntary sector partners within the borough.
5. That the Budget & Finance OSC continues 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 main areas of overspend:
 - Adult Social Care
 - Children's Social Care and related legal costs
 - Temporary Accommodation
 - Environment and Neighbourhoods
 - Interims and Consultants
6. That the One Council Programme becomes a standard and continuing work stream which seeks to constantly asses, monitors, measures and improves service and performance whilst reducing costs.
7. That innovative solutions for savings proposals are brought forward for 2015/16 so that the council is not reliant on traditional / conventional ways of cutting budgets.
8. That the council sources and maximises external funding particularly funding for education skills, employment and enterprise
9. That there is a transparent process for the recruitment of all interims and consultants including a clear business case, specification of work with KPIs and milestones. That appropriate supervision is in place and arrangements are made to review and reassess the requirement for individual consultants and interims at agreed and frequent intervals.
10. That the Administration develops and implements new initiatives that are designed to facilitate economic growth, social enterprise and support local businesses.

- 11 That the council builds on the changes introduced to monitor the WLWA budgets and regularly reports back to the Budget and Finance OSC.
12. That the council continues an robust policy towards maximising and realising Community Infrastructure Levy wherever possible.
13. That councillors are provided with clear transparent information about the S106/CIL monies available and have the opportunity to monitor how this is used through the production and use of ward based information.
14. That there is a particular focus on the monitoring of the new Public Realm contract with regular reports to an overview & scrutiny committee
15. That the council optimises the use of and maximises revenue from the Civic Centre and Willesden Centre by marketing to business on conference organisers.
16. That the council continues with and enhances the programme of initiatives to recruit full time social workers
17. That the council examines and reviews all ways of maximising revenue collection and enforcement with particular focus on council tax collection and developing new payment methods such as direct debits while minimising the impact on our most vulnerable residents.
18. That any increase in the council's fees and charges policy has regard to council priorities and where possible is in line with the RPI inflation rate.
19. That a review performance of the Local Council Tax Scheme be included in the overview and scrutiny work programme

3. Methodology

The budget scrutiny process started in July 2013 and mirrors that of the budget setting process. At the committee's first meeting the Operational Director of Finance provided an overview of the budget strategy 2014/15 to 2016/17 and the main factors that would influence the budget setting process. This included details about resource assumptions, the 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 Operational Director of Finance provided regular updates on the budget process, budget gap, budget pressures and the future financial prospects for the council.
- The Strategic Director of Regeneration & Growth and Operational Director of Finance provided information about the current budget position, budget pressures and risks, future saving and the capital programme. (September)
- The Director of Environment & Neighbourhoods, Operational Director of Finance, the Operational Director of Environment & Protection and Operational Director of

Neighbourhood the current budget position, budget pressures and the department's One Council projects. (October)

- The Acting Director of Adult Social Care and the Operational Director of Finance provided information on the current budget, service pressures including unit cost trends and the transformation projects aimed at producing savings. (November)
- The Acting Director of Children & Families and Assistant Director of Strategic Finance informed the committee about the department's current budget position, actions being taken to control the overspend and transformation projects that were aimed at making savings and efficiencies. (December)
- The Programme Management Office Manager provided an overview of the One Council Programme and projected savings. (October)
- The Operational Director of HR attended to talk about the review on non-permanent staff arrangements
- Councillor Muhammed Butt, Leader of the Council and Councillor Ruth Moher, Lead Member for Finance and Resources and Deputy Leader of the Council attended a number of meetings to answer questions, discuss the First Reading Debate Papers and set out the administration's approach to setting a robust budget.
- The committee received monthly reports on all services summarising budget, spend, forecast and variances to date, with reasons and exceptions noted.

4. Discussion

4.0 *Budget Gap and Budget Risks*

- 4.1 At the start of the budget scrutiny process, in July 2013, we received a presentation which set out the context within which the budget for 2014/15 was being developed. This included information on the medium term financial strategy, national developments and key budget assumptions. The outlook for medium term, 2016/17, included a 27% reduction in government funding and though there was a predicted increase in income from local business rates and the New Homes Bonus it was anticipated that there would be a net reduction funding of £37m. The main budget assumptions for this period included cost pressures of £17m, other inflation £10m and existing savings of £9m. Taken together this meant a cumulative budget gap of £55m for 2016/17. We were told that the 2014/15 settlement would result in a total reduction of funding from central government of 11.8% which, set against an increase in locally generated funds of 1.3%, would result in a budget gap of £20.4m in 2014/15 with a budget gap of £17.1m predicted for 2015/16.
- 4.2 The central government spending review announced in June indicated that local government funding would be cut by a further 10% in 2015/16 however at that stage it was unclear what the implication for Brent would be. In the September we were told that it was now anticipated that this would equate to 15% or 16%. By October it was possible to estimate that there would be further reductions in the Revenue Support

Grant of £2m in 2014/15, £12.9m in 2015/16 and £1.1m in 2016/17. The council would also be losing £2.7m in 2015/16 as the New Homes Bonus was due to be top sliced.

4.3 A revised budget gap of £13.1m for 2014/15 was reported to our November meeting which reflected:

- Changes to government funding forecasts following the Spending Round in June and subsequent technical consultation in late July 2013
- Revised forecasts for the retained share of business rates, council tax yield and the collection fund surplus
- The announcement that the council tax freeze grant arrangements will continue for 2014/15 and 2015/16
- Update on anticipated pressures, particularly on capital finance and social care
- Changes to other savings assumptions in the budget.

The overall impact of these changes was an improvement in the position for 2014/15 but would result in a significant deterioration for 2015/16. The revised cumulative budget gap for 2016/17 had now gone up from £55m to £65.9m.

4.4 In November we were also provided with a schedule of saving which, along with the savings that had already been identified, would provide the total of £17.9m required to balance the 2014/15 budget. This information was provided earlier than usual in the budget process with the aim of starting work early on identifying the savings required for 2015/16. While we absolutely support the need to start to identify future saving now, members of the committee expressed disappointment that the savings identified were largely conventional and did not reflect the radical thinking that the committee has asked to see.

4.5 In January 2013 the Budget & Finance Overview & Scrutiny Committee received a report which set out the financial problems at the West London Waste Authority and how these had impacted on Brent. In July we invited the Director of West London Waste to come and discuss:

- How the changes outlined in a letter to the Chair have impacted on WLWA practices.
- Detail of the new and revised processes in place
- Outcomes to date
- What checks and balances have been put in place
- And lastly, what impact all of this has had on the Authority's recent major procurement

4.6 We heard that a number of steps had been taken to ensure that the risk to member authorities was reduced. The main changes included:

- A new code of Corporate Governance
- Changes to the staffing structure that would improve support and challenge
- The Establishment of an Audit Committee to aid risk control and governance
- A new interim Head of Finance
- A review of finance systems
- Improved transparency and engagement with officer from member authorities

Members of the committee pressed for reassurance that there would be no further requests for additional funding. We were told that while there could be no absolute

guarantee the Director was confident that the audit controls and risk management were appropriate.

5.0 ***The One Council Programme***

5.1 The One Council Programme is one of the key planks of the council's medium term financial strategy. Launched in 2009, it is designed to fundamentally change the way that the council carries out its business by significantly improving the way it delivers services, whilst limiting the impact of budget reductions on residents.

5.2 We heard from the PMO Manager that by the end of the One Council Programme in 2014/15 it was expected that it would have achieved a cumulative saving of £76.4m. The projected savings for 2014/15 are £11.6m. These will be achieved through the following projects:

- Realignment of Corporate and Business Support;
- Significant procurement activity tied in with service remodelling: Parking, Highways Operations, Public Realm, Supporting People;
- Managing down the costs of supplies across the organisation through improved procurement systems and capacity;
- Managing down demand through the on-going impact of the changes to the Transitions Service and policy responses to welfare reform.

5.3 The most significant risk areas for 2014/15 were:

- Managing the Public Realm – a saving of £1.315m which would be dependent on the outcome of the procurement exercise
- Streamlining Management Structures and Corporate Services - £2.9m, dependent on the organisational changes; and
- Working with Families – a saving of £327k – dependent on achieving placement budget reductions in 2014/15 (as well as 2013/14).

We were informed that the council's budget projections included funding of £1.87m to meet the costs of the programme in 2014/15.

5.4 Members of the Budget and Finance Overview & Scrutiny Committee have in previous years expressed our support of the One Council Programme. We were keen to know what would happen when the current programme ended in 2014/15 and were keen to ensure that the underlying philosophy of the One Council Programme would continue. We were told that this would continue and that future projects were likely to focus on joint working, joint procurement, and identifying alternative ways to deliver services.

5.5 In 2013/14 this committee recommended that the One Council Programme became the standard means through which the council constantly assesses, monitors, measures and improves service and performance whilst reducing cost. We will be repeating the recommendation for 2014/15

6.0 **Budget Pressures**

6.1 The committee spent some time exploring the main pressures the council faces in setting the budget. We were interested in looking at the short term pressures, the longer term pressures, the impact they would have on the council and the actions being taken to address them. To do this we focussed on the four largest spending departments:

- Regeneration and Growth
- Environment and Neighbourhoods
- Children and Families
- Adult Social Care

6.1 The Director of Regeneration and Growth informed us that the departments gross budget for 2013/14 was:

- | | |
|----------------|------|
| • General Fund | £90m |
| • HRA | £60m |
| • Capital | £93m |

6.2 We were told that the impact of Welfare Reform represented a significant budget pressure. Over 2000 households in Brent had been affected by the benefit cap and that the resulting increase in homelessness applications and acceptances had placed greater pressure on the temporary accommodation budget. To mitigate against the impact of the cap the council was offering a range of support services. These included discretionary payments and support to move to more affordable accommodation. However, the most effective action that the council could take was to support individuals into work.

6.3 To enhance the council's role in providing active support a new employment service had been established with £1m of funding allocated from reserves. The Regeneration and Growth department was due to be taking over responsibility for Brent Adult Community Education Service (BACES) which would enable them to ensure that the curriculum had a focus on employability and relevance to the local economy. BACES currently receive £3m of funding from the Skills Funding Agency and the committee was keen for the department to identify and maximise funding from other external sources. An employment partnership had been set up and a stronger approach would be taken in attracting funding from a broad range of sources and to deliver via the voluntary sector were being identified. We would like to encourage innovation, establishment of local networks including the involvement of local councillors

6.4 The Director informed us that 21,000 Council Tax accounts had been affected by reduction to benefit as a result of the introduction on the Council Tax Support Scheme. We heard that 12,000 households that had previously received 100% assistance with their council tax now are required to pay a minimum of 20% . The department was closely monitoring the council tax collection rate and patterns to ensure that the council tax collection target of 93.8% was achieved.

6.5 We explored the use and disposal of council property and we were informed that following the move to the civic Centre the council had more empty properties than at any previous time and that these would be disposed of in accordance with the council's duty to achieve best value. The Director confirmed that all financial targets for disposal had been met, including those set out in the Civic Centre Business Plan. The committee

would like to emphasise the need to maximise revenue from hiring out the Civic Centre for business and community use.

- 6.6 We heard that the New Homes Bonus was introduced as an incentive to increase housing supply. This is paid each year for six years for each new home produced and has so far provided a cumulative £5.3m for Brent. However, the Government was consulting on top slicing this to give to the Mayor of London as a growth fund. If this goes ahead it would, as mentioned early in the report, have a negative impact on the council's budget in the future.
- 6.7 The Director told us that the biggest single element of the Capital Programme is the Schools Programme which is £47m in 2013/14. A total of £93m would be need over the next few years, £19m of which is currently unfunded. Other Capital Projects include:
- South Kilburn - £7m 2013/14
 - Property - £1m in 13/14
 - Housing Revenue Account - £17m 2013/14

Exploring the governance arrangements for the capital portfolio we were told that they include monthly status reporting and a gateway review for each project and programme stage

- 6.8 The Community Infrastructure Levy (CIL) was introduced in July 2013. We were informed that this could be used in a more flexible way than money received as a result of a section 106 agreement. While we were pleased to hear this we wanted to know more about the options available to use the £11.6m S106 money that is currently unassigned. We were told the money was meant for particular uses or developments and were frequently tightly controlled by the terms of legal agreements. The Director agreed that there was a need to improve transparency about the allocation of S106 monies and a report would be submitted to the Executive before the end of financial year.
- 6.8 The Director of Environment and Neighbourhoods informed us at our October meeting that the recent corporate restructure had resulted in number of services joining the department. These are Registration and Nationality, Strategic Transportation and Community Safety. While the department was much larger than last year it did expect to end the year £14k under budget.
- 6.9 The department's biggest risk areas are Recycling and Waste and Parking. The forecast in October was that the Parking Account would have an overspend of £63k by the end of the financial year. There were a number of risks associated with Parking. Firstly a reduction in productivity was likely to occur as a result of the mobilisation of the new parking contract. Secondly parking charges had been estimates based on assumptions about behaviour changes that were hard to predict. We were informed that these risks would be closely monitored via the departmental management team and finance monitoring. Members of the committee raised concerns about the economic impact of raising parking costs particularly in relation to local businesses
- 6.10 Recycling and Waste had started 2013/14 with a forecast overspend of £850k. By the time of our October meeting the forecast overspend had reduced to £12k. A number of reasons were given for this which included:
- Work done at the Twyford Reuse centre and with BHP who were disposing of their own waste now.

- A reduction in street waste with penalties being enforced for consistent offending
- A reduction in organic waste in July/August due to the dry weather.

6.11 We questioned what steps were being taken by the department to undertake education and outreach in relation to recycling and reuse as a way of helping to reduce landfill costs. A number of steps had been taken. These included:

- Targeting parts of the borough where recycling was low
- Targeting areas where recycling was just below average – where households might need a little push to recycle more
- Visiting schools most likely in the winter months this year

Members of the committee raised other issues such as packaging and the need for national decisions and initiatives to encourage or even force manufacturers to reduce it. The council should encourage a move to a zero waste economy and encourage members of the public to use organisations like Freecycle, as an alternative to the uplift service.

6.12 The Environment and Neighbourhood's Capital Programme for 2013/14 was £13m. The main funding sources for this were:

- Main Programme £5
- Section 106 £3m
- TFL/Grants £5m

The main areas of spend were:

- Libraries, Arts and Heritage - £0.3m
- Parks Service - £1.1m
- Sports Service - £1.2m
- Transportation - £10m
- Cemeteries - £0.02m
- Emergency Planning - £0.2m

6.13 The interim Director of Adult Social Services attended the committee in November and told us that out of an overall budget of £108.74m the department had an overspend of £290k, which was mainly due to mental health residential care and supported living cost. The overspend was comparable with that of previous years and the service was confident that the actions they were taking would mean that they would end the financial year on or under budget.

6.14 Over the last three years the department has achieved £13.42m in savings, the largest proportion of which was through the commissioning and procurement of services and through reducing the number of people cared for in residential care by supporting them to live in the community. For instance residential placement costs had reduced from £30.5m in 2011/12 to £27m in 2013/14.

6.15 Member questioned the balance between keeping care costs down and ensuring quality. The Director believed that there was not a direct correlation between cost and quality. He said that as well as trying to support people to live in the community for as long as possible, the department was working to commission more supported living schemes in an attempt to allow clients to live more independently and avoid the costs of long term residential care.

- 6.16 We heard that Brent Clinical Commissioning Group spend comparably less than most other London boroughs on Continuing Health Care and the council was currently in discussions with them to identify the reasons for this.
- 6.17 Responsibility for Public Health was transferred to the council in April 2013 and Brent was allocated £18.3 in 2013/14. This is a ring fenced grant that is to be spent on public health services. Adult Social Services received £17.2m of this to fund the Director of Public Health's office and Public Health and contracts relating to areas such as substance misuse and sexual health. The Director felt that in future years there was enormous scope for voluntary sector involvement in the delivery of these services.
- 6.18 The Director outlined the main aspects of the Care Bill which was due to be introduced in April 2014. While much of the detail still needed to be clarified the department expected the introduction of a cap on care costs would place a strain on resources, while there would be a need to manage expectations.
- 6.19 At our December meeting the Interim Director of Children and Families informed us that the department had an overall budget of £87.87m which included the Dedicated Schools Grant for centrally funded education related services. The department has a projected overspend of £1.47m mainly due to pressures from in year growth of pupil numbers, redundancy costs in the schools placement budget and children's placement budget. We were informed that over the last 3 years the department had achieved £16.93m in savings and this would rise to £17.93m in 2013/14.
- 6.20 We heard that unit cost trends in residential care and the number of Looked After Children (LAC) continued to fall in 2013/14. The costs had fallen from £4.6m in 2012/13 to £3.4m in 2013/14, a reduction of 26.1%. The council was currently working with the West London Alliance to commission higher quality places for Looked After Children.
- 6.21 The Department had also focussed on increasing the number of in-house foster care placements and reducing the reliance and expenditure on independent fostering agencies. However, it can be a struggle to find in house placements for sibling groups, adolescents with challenging behaviour and young children with complex needs.
- 6.22 The department currently had 168 vacancies covered by temporary staff. Recruiting permanent, experienced social workers remained difficult but a targeted recruitment campaign was currently underway.
- 6.23 Future challenges for the department included:
- Increased number of children, high levels of need
 - Population mobility
 - Pressure from regulatory regimes
 - New regimes for children with disabilities and special educational needs
 - Reduced funding to support education functions
 - Early intervention

7.0 **Non Permanent Staffing Arrangements**

- 7.1 For some time members of the committee have expressed concern about the amount of money the council spends on non-permanent staff and asked for a report on the review into this to come to our December meeting.

- 7.2 The Operational Director of Human Resources provided figures that showed total spend on non-permanent staffing arrangement had reduced for £24.6m in 2011/12 to just under £20m in 2012/13. We were informed that these figures had been calculated by internal audit and were at best estimates and it was estimated that the costs would fall again in 2013/14. The largest proportion of non-permanent staff were agency workers, though they were not the largest area of spend.
- 7.3 We heard that good progress had been made in reducing spend on agency workers, though there were times that they were more cost effective for the council and were necessary particularly in areas such as social work. While the reduction in agency worker spend is welcome, members of the committee were more concerned about the spend on consultants and interims, for which we were told there was comparatively less information held centrally about what they were being used for.

The Operational Director for HR told us that the council used the following definitions:

- Consultant – someone who does not fill a permanent post and works on a specific activity
- Interim – someone who covers an established post usually in the middle or senior manager level working to a job description

- 7.4 The council had experienced difficulties bringing in senior interim support via the Reed contract so managers frequently had to go 'off contract' either using other agencies or going directly to an individual. We were concerned to learn that the relationship with independents was one of mutual trust with no specification of work, contracts or timesheets agreed. We were also told that many of the individual interims used were known to the council for quality of their work and ability to deliver. We do not believe that this approach would secure the best value for money for the council and the council would not procure any other service through merely knowing the provider and working on the basis of mutual trust. This lack of transparency may leave the council open to abuse and potentially open to legal challenge. We were told that a new HR contracts manager had been appointed to tighten up on this process.
- 7.5 We were provided with figures for the number of consultants and interims for October 2013.

Directorate	Headcount	Total Spend (Net Invoice Value)
Adults	6	£222,500
Assistant Chief Exec Service	4	£273,028
Children and Young People	17	£273,805
Environment & Neighbourhoods	-	-
Finance	15	£362,805
Human Resources	4	£359,100
Legal & Procurement	1	£58,050
Regeneration & Growth	1	£26,278
Grand Total	48	£1,575,566

- 7.6 What we are not clear about was the period for which each consultant and interim has been working for the council and the mechanism for reassessing that their skills and abilities were still those required by the council as the organisation changed. We would therefore strongly recommend that there is a transparent process for the recruitment of all interims, a specification of work with KPIs and milestones and appropriate supervision are in place and arrangements are made to review and reassess the requirement for individual consultants and interims at agreed and frequent intervals.