



Scrutiny Committee
6 January 2015

**Report from the Assistant Chief
Executive**

For Action

Wards Affected: All

**Budget Scrutiny Task group
Interim Feedback**

1.0 Summary

- 1.1 The Budget task group was set-up to enable scrutiny members to undertake more detailed discussion and exploration of the council's financial position, current budget pressures and the emerging proposals for 2015 – 2017. This includes examining the main issues, risks and impacts arising from changes to the local population and legislation, while considering the actions being taken to militate against possible negative outcomes.
- 1.2 The task group's remit covers:
- Contributing to the budget setting process through discussions with Cabinet Members and Strategic Directors.
 - Considering the budget strategy and proposals within the context of the objectives set out with the Borough Plan and the aims of the Administration.
 - 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, and possible risks to the Council.
- 1.3 At the meeting of the Cabinet on 15th December 2014, Members considered a report from the Chief Finance Officer setting out officer options for delivering savings in the council's revenue budget. The budget options set out totalled possible savings up to £60m over the period 2015/16 and 2016/17. Approval of these proposals was not sought from the Cabinet at the December meeting. The total savings package required to set a balance budget over the two year period is £53.9m. Cabinet agreed consultation and other public engagement activities on the proposals in order that final decisions at the Full Council meeting on 2nd March 2015 can be taken with the benefit of as wide a range of views as possible.
- 1.4 This report covers the initial feedback from the Budget Scrutiny task group and forms part of the formal consultation process on the budget options. At this stage the Budget Scrutiny task group has not made specific comments on the individual savings proposals, as the group wishes to give further consideration to the results arising from the public consultation

planned during January 2015. The feedback from the Budget Scrutiny task group within this report is focused on the principles discussed and issues that should be considered when formulating the final budget proposals by March 2015. The task group will be producing a full report which will be submitted to Full Council following further input from the Scrutiny Committee.

2. Recommendations

Members of the Scrutiny Committee are requested to:-

- 2.1 note the activities undertaken by the Budget Scrutiny task group to consider the implications of the council's budget strategy for 2015 – 2017.
- 2.2 note the comments of the Budget Scrutiny task group to date on the budget options outlined at paragraph 3.18.
- 2.3 note the proposed next steps to engage with the public consultation on the budget options during January 2015.
- 2.4 provide any comments with regard to the budget options and strategy to the task group for consideration.

3. Detailed Considerations

Methodology of the task group

- 3.1 The budget task group was established in September 2014 and is a cross party group, chaired by Cllr Aslam Choudry. At the group's first meeting the Operational Director of Finance provided an overview of the budget strategy for 2015/16 to 2016/17 and the main factors that would influence the budget setting process. This included details about resource assumptions, the forecast budget gap and necessary savings, the Capital Programme and the One Council Programme. The resulting discussion helped to inform the development of the task groups work programme and highlighted areas for investigation. The task group has held discussions with the following Senior Officers in considering the budget strategy:

- The Operational Director of Finance provided regular updates on the budget process, budget gap, budget pressures and the future financial prospects for the council. (September)
- The Strategic Director of Regeneration & Growth and Operational Director of Finance provided information about the current budget position, budget pressures and risks and the capital programme. (October)
- The Programme Management Office Manager provided an overview of the One Council Programme and projected savings already agreed. (October)
- The Strategic Director of Environment & Neighbourhoods, Operational Director of Finance, the Operational Director of Environment & Protection and Operational Director of Neighbourhoods the current budget position, budget pressures and the department's One Council projects. (November)
- The Strategic Director of Children & Families and Head of Strategic Finance informed the panel about the department's current budget position, actions being taken to control high risk budgets and transformation projects that were aimed at making savings and efficiencies. (November)

- The 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. (December)
- Councillor Michael Pavey, Deputy Leader of the Council attended to answer questions and discuss the First Reading Debate Papers and set out the administration's approach to setting a robust budget. This discussion also covered the proposed arrangements for consulting on the budget options published on 15th December 2014. The task group receives monthly reports on all services summarising budget, spend, forecast and variances to date, with reasons and exceptions noted.

Background to the budget 2015/16 and medium term financial prospects

- 3.2 Since the election of the current coalition Government, the focus on reducing the national deficit within a tight-time table. This has resulted in very substantial reductions to the funding available to local authorities and radical changes to the way in which this is allocated across the country. The impact of policy reform across a range of areas and unprecedented macro economic circumstances have had a fundamental impact on Brent's residents and therefore on their expectations of what the council should do to help meet their needs.
- 3.3 At the same time wider changes in society have forced local authorities across the country to rethink the way in which they commission and provide services to meet local needs and aspirations. People are, on the whole, living longer lives, with increasing consequences for the way in which they need to access care services, and the length of time they continue to need such services. In Brent, the number of people aged over 80 years is up by 24% and the number aged over 65 years by more than 10%.
- 3.4 This has obvious implications for the council's cost base, driving up the number of vulnerable adults that the council may need to support, the level of their needs and the length of time for which those needs may need to be met. Local authorities have responded to these pressures by redefining models of care provision, increasing the emphasis on programmes designed to enable vulnerable residents to live their own lives without support and where this is not possible to exercise greater choice about how their needs are met.
- 3.5 In London, the combined impact of a growing and younger population is placing enormous pressure on the demand for school places, especially at the primary phase, and is creating increased competition for those employment opportunities that do exist. In Brent, the number of children aged under 10 is up by more than 10%. This too has implications on the number of vulnerable children for whom the council must provide services.
- 3.6 These demographic pressures are also driving housing prices to such a level that home ownership is becoming increasingly out of reach for many residents: in Brent the average cost of a two bedroom property is over 14 times greater than the average annual salary. Private rented tenancies as a form of tenure have therefore grown to levels not seen for many years, for those residents who are able to find housing in the borough at all.
- 3.7 These demographic changes also place particular challenges on those services that all residents access and will continue to need to access, such as street cleaning and refuse collection, the quality of the local built environment and open spaces and all the many other services that local authorities provide. As populations rise so the cost of providing services tends to increase, and the competing demands on the use of the local environment become increasingly difficult to reconcile.
- 3.8 Despite these changes and pressures, or perhaps because of them, residents' expectations of the council continue to change. This relates not just to the range and level of services that

the council provides, but also to the way in which it provides them. More and more of our residents expect to be able to deal with the council through digital means, with the ability to obtain information and perform at least routine transactions 24/7; yet whilst services are reconfigured to meet this demand the council needs to ensure that it remains open to those whose needs can only be assessed and met through more traditional service delivery routes.

3.9 These demographic and societal changes alone would be a challenge for any organisation to respond to. However, they have been coupled with deep and ongoing reductions to local government funding of a scale and pace not previously seen in the UK public sector.

3.10 The Council's budget for the period 2015/16 and 2016/17 is the most challenging that the council has ever faced and the scrutiny task group appreciates the difficult decisions that the Administration will be required to make to set a balanced budget. On March 2015, when the council will be required to set its budget for 2015/16 and its financial plans for future years, savings of at least £53.9m will need to be agreed, most of which will fall due in 2015/16. Over the medium-term, to 2018/19, officers anticipate that total savings of £100m will be required, forcing the council to reduce its net revenue budget by between one third and a half of the current level, on top of savings of £89m that have already been delivered since 2010. Table 1 below sets out the forecast core funding for Brent up to 2018/19. For Brent, the effect of these radical changes to the total amount of funding for local government and in the way it is distributed across the country have been significant.

Table 1 – Core Government Funding

	2014/15	2015/16	2016/17	2017/18	2018/19
	£'m	£'m	£'m	£'m	£'m
Revenue Support Grant	95.4	68.8	54.4	41.8	29.8
Assumed Retained Business Rate	32.5	33.2	33.8	34.5	35.2
Business Rate Top up	47.4	48.8	50.5	52.5	54.5
Core Government Funding	175.3	150.8	138.7	128.8	119.5
Total Funding	271.1	245.8	236.5	228.5	220.3

3.11 Meeting this unprecedented financial challenge will require radical re-thinking of services and the council structures that currently deliver them. The council will need to confront extremely difficult decisions about which services continue to be provided and at what level and shape of the organisation well beyond the life of the current parliament.

3.12 The council had been planning on the basis of a budget gap of £52.8m over the next two years. This was a planning assumption, and it is normal practice to update such assumptions annually, to reflect changed circumstances. However, before reductions in costs can be considered it is essential to understand the various spending pressures that will also need to be managed as part of the budget process. These can be driven by changes to legislation; they can arise as a result of changing demographics within Brent and they can arise as a result of locally determined policy choices.

3.13 The budget gap was subsequently updated in a report to Cabinet in October 2014 to incorporate:

- Legislative changes introduced by central government, including parking enforcement and the Care Act, which will cost the council more than the equivalent of a 4% increase in council tax
- Demographic changes, reflecting the anticipated increase in the borough's population to 322,000 in the next four years
- Updated funding assumptions, including an increase in the council tax base, reflecting new housing developments in the borough.

3.14 The overall impact of these changes was a deterioration in the outlook for 2015/16 and an improvement for 2016/17, as set out in table two, below.

Table 2: Revised Budget Gap

	2015/16 £m	2016/17 £m
Original Gap	33.0	19.8
Additional Pressures	4.0	0.5
Funding Changes	(1.2)	(2.2)
October 2014	35.8	18.1

Budget savings proposals 2015/16 and 2016/17

3.15 The report considered by the Cabinet on 15th December 2014 set out officer proposals for delivering savings from the Council's revenue budget of up to £60m. These are currently the subject of public consultation with final decisions required to reduce expenditure by £53.9m. The principles adopted in developing these options followed a clear hierarchy, so that decisions to cease services are only proposed once all other options have been exhausted.

- Driving organisational efficiency - £34.9m identified.
- Building independence and community resilience - £14.3m identified
- Leveraging in resources and income - £3.4m
- Stopping services completely - £9.1m

3.16 The draft budget options were designed to protect front-line services by focusing spending reductions on support services. Target reductions of 40% in the cost of support services are underway, and will amount to total savings of £12.1m alone.

Initial Feedback from the Budget Scrutiny Task Group.

3.17 The budget scrutiny task group has held discussions with all the relevant Members and Strategic Directors and will be meeting during January to consider the implications of the detailed budget options published on 15th December 2014. During this period of public consultation the task group will be listening to the findings of the various consultation events planned and also considering the recently published draft Borough Plan 2015 – 2019. The task group does not at this stage intend to make detailed comments on the individual savings options. A final report will be produced during January 2015 as part of the consultation process.

3.18 However the task group has considered a number of principles and issues which the group felt should shape final decisions on the council's budget. These are set out below and

reflect the discussions of the task group to date, following consideration of the various financial and service challenges facing the council.

Budget Process

- The range and extent of public consultation, both with regard to the draft Borough Plan and the council budget options was welcomed by the scrutiny task group. However, given the severity of the financial reductions the group was concerned that the degree of 'choice' between various options was still limited and this needed to be clearly set out during the consultation events planned for January 2015.
- The four 'criteria' adopted for identifying savings and their hierarchy is right for shaping the reductions in budgets. The group supported the emphasis on organisational efficiency wherever possible and was encouraged that £34.9m of the required total had been identified under this heading. However implementation of efficiency savings can require significant time and management input to be effectively delivered and concerns were raised regarding the organisational capacity to secure this level of change within the necessary time frame.
- Members of the task group were similarly concerned about the feasibility of achieving full year affect of savings with such a significant budget reduction to be implemented. They sought reassurance on the steps being taken to manage the associated risks and the role of the One Council Programme in ensuring transformation programmes and savings are kept to timetable, with appropriate corporate overview.
- The setting of a two year budget through to 2017 was welcomed, which will assist service planning and stability during a time of great change. Yet the period beyond 2017 will be even more challenging, with ever diminishing options available to the council. Strategic discussions on the period post 2017 need to start as soon as is practical.

Impact on local communities

- Members of the task group expressed their concern regarding the problems faced by the most vulnerable residents in Brent as a result of the continued government reductions in public spending. This was not just in relation to council cuts to expenditure but the combined impact of the benefit cap, the introduction of Universal Credit and rising living costs. Residents are being affected by an 'accumulation' of factors, which are national, local and economic. The savings proposals need to be assessed in relation to the combined impact across a number of services which could impact disproportionately on groups who use a number of services, provided by a range of public agencies, not just the council. This should be reflected in the equality assessments that support the transformation and budget process.
- Given the future outlook for public expenditure levels, it is vital that actions and services to promote long-term community resilience and independence are prioritised. The voluntary sector are vital to achieving greater community resilience and members of the task group asked for reassurance that the structures and capacity is in place to take this agenda forward.
- During the public consultation for the Borough Plan, residents found it difficult to identify areas for budget reductions. Communications on the budget need to clearly articulate the reality that not all the required savings can be achieved by 'efficiency' measures. Some services will need to be reduced to a statutory level, with a focus on those most in need or in some cases stopped entirely to achieve a balanced budget.
- More effective management of current and future demand is a critical lever in reducing the council's costs. Behaviour change is central to this, whether this is more recycling or helping to reduce the need for children's social care. The task group would like more information on the programmes that will prevent future need for more intensive, higher cost services and will be looking at proposed savings in this context.

- Recent data from the Residents Attitude Survey has suggested that many people are capable and happy to access services digitally. This needs to be a central focus of the Community Access Strategy and service delivery in the future.
- A pressing concern for many residents is the high cost and availability of decent housing. Creative working with partners to secure more and better provision of all types of housing tenures within the borough should be a future priority to support stable local communities.
- It is vital during this period that the Council maintains a focus on attracting economic investment to the borough, supporting growth and fair employment for local people.

Organisational efficiency

- Increasingly the council will be engaged in strategic commissioning of services, either individually or with partners. This will require a different skills set and approach. Actions to put in place the necessary senior management structure have already been taken. The task group recognised the council's commissioning and procurement strategy is a key part of delivering ongoing savings, while maintaining service levels. The capacity of the organisation to commission effectively and to 'client' contracts to achieve optimum performance and value for money is critical.
- Where it is appropriate to collaborate with other local authorities for reasons of cost or sustainability of service levels, the council needs to ensure that there is not a loss of future autonomy or control of the service within the procurement process.
- Concern was expressed that the number of temporary and agency staff is still above target, even while permanent staff are likely to be made redundant. Clearly in some areas this may be necessary but Members of the task group would expect redundancy payments to represent best value within the overall staffing and savings strategy.
- It is important that the council continues to produce and circulate regular performance management information to enable members and officers to be alert to any unexpected negative impacts and service risks. While it is inevitable that savings of this level will impact on services the mitigating actions and performance outcomes need to be closely monitored and reported.

Next Steps

- 3.19 The Budget Scrutiny task group will be considering the individual budget savings options at its next meeting on 15th January 2015. It will also be considering the results of the public consultation with regard to the Borough Plan 2015 – 2019 and the budget options. This will shape their final response to the budget proposals which will be circulated to Members of the Scrutiny Committee at the end of January 2015 prior to its formal submission.

4.0 Financial Implications

- 4.1 There are no direct financial implications arising from this report. However the process of establishing a Budget Scrutiny task group is to ensure that there is appropriate member engagement with both the process for establishing a robust budget and opportunity for scrutiny of the Administrations budget proposals

5.0 Legal Implications

- 5.1 There are no legal implications arising directly from this report.

6.0 Diversity Implications

- 6.1 There are no diversity implications arising directly from this report.

Budget Report – Full Council 3 March 2014
Budget Strategy – Cabinet 13 October 2014
Budget Report – Cabinet 15 December 2014

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