



## **MINUTES OF THE BUDGET AND FINANCE OVERVIEW AND SCRUTINY COMMITTEE** **Wednesday, 10 November 2010 at 7.30 pm**

PRESENT: Councillor Allie (Chair), Councillor A Choudry (Vice-Chair) and Councillors Ashraf, Long, Mashari, Sheth and Van Kalwala

Also Present: Councillors Butt (Deputy Leader of the Council and Lead Member for Resources), Cummins, John (Leader of the Council and Lead Member for Corporate Strategy and Policy Co-ordination) and S Choudhary.

### **1. Declarations of personal and prejudicial interests**

None declared.

### **2. Minutes of the previous meeting held on 12 October 2010**

RESOLVED:-

that the minutes of the previous meeting held on 12 October 2010 be approved as an accurate record.

### **3. Matters arising**

None.

### **4. The Comprehensive Spending Review**

With the agreement of the Chair, the order of business was amended so that the Comprehensive Spending Review (CSR) was considered before the first reading debate on the 2011/12 to 2014/15 budget.

Clive Heaphy gave a presentation to Members on the outcome of the Government's CSR announcement made on 19 October. He began by outlining the economic situation. Whilst markets had reacted relatively favourably, there was an expectation that growth would slow or stall by the third and fourth quarters. Concerns that a double dip recession may occur remained. The UK's national debt of 68.1% of GBP was not as large in comparison with a number of other EU members, however the main problem was it was presently spending more than it was receiving to pay off the debt. Members heard that public sector employment had risen steadily between 1999 to 2009 and salaries had also risen more in comparison with the private sector.

Clive Heaphy confirmed that the Government announcement on 10 June in respect of grants had meant that the council had lost £6.85m in grants overall in-year. The CSR announcement represented a shift in cuts from Government departments to

welfare, whilst the NHS, schools and infrastructure had been identified as priorities. The purpose of the CSR was to eliminate the structural deficit over five years. However, Clive Heaphy advised that there may be a number of hidden and unintended consequences, for example reducing spending in one area could result in increased spending in other areas. For Local Government, there was a 7.1% reduction in real terms for the formula grant for 2011/12 and a 39% reduction over the four years up to 2015, whilst Council Tax Benefit would be reduced by around 10% once rates were localised from 2013/14. Although the Schools budget had increased by 0.1% per annum, in real terms this would be negated by inflation and increases in pupil numbers. The increases in support social care overall represented an additional £2.9m funding in this area for Brent. Members noted that the tightening of the budget had lessened in the CSR compared to the June 2010 budget. In terms of the impact upon the community, Clive Heaphy advised that research by the Institute of Fiscal Studies suggested that the poorest would be hit the hardest, along with families with children.

Mick Bowden (Deputy Director, Finance and Corporate Services) then focused on the council's financial situation. He reported that forecast overspend had risen from £5.6m to £7.1m, however he stressed the need to bring finances back in line before the end of 2011/12 as there was no intention to use the council's reserves. The reserves currently held were the very least that should be maintained as next year would be even more challenging. The overspends were mainly in Children and Families, which had an overspend of £3.041m and in Adult Social Care, of £3.5m. Members noted that the £404,000 overspend in Environment and Culture was in the process of being bought back in. The £500,000 overspend in Central Units was mainly attributable to increases in housing benefit claims and that this would be offset through underspends in other areas in Central Units. The funding reductions were significantly deeper and quicker than forecast in June, however Mick Bowden advised that the gap between spending and resources had been calculated using national projections and could either be larger or smaller once the Local Authority Settlement was announced in December. Members heard that the grant funding floor currently in place for London boroughs may also be lowered or even removed altogether. The cost assumptions made included and inescapable growth allowance of £7.1m, inflation of £1.4m, and an increase in Central items of £7.4m. The council's contribution to concessionary fares for public transport would also increase as this would now be calculated by public transport use as opposed to a blanket contribution from each borough. The withdrawal of the Carbon Reduction scheme would also mean a £500,000 cost to the council. However, the residual gap had improved from £24.6m in July to £15.9m in October. The budget gap remained the same over the four year period 2011-2015, however greater savings would be required in the early years. Members noted that if the Council Tax was to be increased by 2.5% from 2012-13, this would make a contribution of around £2.5m a year. Mick Bowden then drew Members' attention to the contribution to savings from the One Council Programme.

Clive Heaphy then referred to some of the key risks emanating from the CSR, which included the need to balance the 2010/11 outturn, and the lack of clarity regarding funding and the new formula grant methodology. It was essential that the One Council programme was successful as it would be delivering approximately 60% of the total savings. Reserves should be maintained to at least the present level, however it was desirable that these be increased. Clive Heaphy advised that the council paid around £25m in interest each year and it was important to control

debt interest through judicious use of prudential borrowing. As well as delivering the One Council Programme, Clive Heaphy advised that there would be a need to identify further savings through ceasing activities or reducing their scope, or delivering them in a different way. He concluded by stating that there were tough decisions to be made, in terms of:-

- Things the council can stop doing
- Things the council can do less of
- Things that another organisation could do better
- Things that can be done more efficiently

With the approval of the Chair, Robert Dunwell addressed the committee. Robert Dunwell enquired whether consideration was being given with regard to ceasing to provide some services that were non-statutory and further details as to how the budget gap would be bridged. With regard to the spending cuts for the police, he commented that this would raise staffing issues and increase the risk of officers no longer being available for Safer Neighbourhood Teams and was there a strategy in place to address this.

With the approval of the Chair, Councillor S Choudhary addressed the committee. Councillor S Choudhary expressed concern that a supplier would be able to find it easier to raise prices if their services had been jointly acquired by several local authorities.

Members then discussed the item in detail. Councillor A Choudary sought reasons for the need for the £1.5m in the One Council Programme to be set aside for contingency spending in 2011/12. He asked whether the council was working with other local authorities to help reach procurement targets. Comments were also sought with regard to the council's population estimates being at variance with those of the Office of National Statistics. Information was also sought with regard to the Finance Modernisation project and whether there were plans to outsource auditing activities. Councillor A Choudry stated that as interest rates were low, was any consideration being given to borrowing in advance. Councillor Van Kalwala enquired what the council's variables limit was with regard to funding. He sought views on the ability of the One Council Programme to address the current overspend and enquired why the overspend in Adult Social Care remained. He asked what would be the worst case scenario in terms of any changes to the grant floor funding level. With regard to shared services, Councillor Van Kalwala enquired if this could also entail sharing staff amongst partner organisations. He also asked whether it was intended to maximise revenue opportunities through property disposals.

Councillor Long enquired what preparations could be made in view of the change in emphasis of cuts to welfare and its effects on Brent's community and whether this was likely to mean some residents on housing benefit having to move to outer London areas. She asked whether there was concern that Council Tax collection rates may dip because of the difficult economic circumstances. Further details were sort with regard to cuts to policing and the NHS and what the impact on the council would be. Councillor Long also asked for information on the Total Place concept. Councillor Mashari, in noting the overspends highlighted in Adult Social Care and Children's Social Care, commented that these areas faced especially challenging circumstances, such as the increases in children in care, the high

turnover in social workers and the rise in demand in Adult Social Care. In view of this, she suggested that there should be a separate process in which to scrutinise these areas.

The Chair asked what measures were being undertaken to address the overspends in Adult Social Care.

In reply to the issues raised, Clive Heaphy advised that borrowing would only be undertaken if there was an essential need for it and there would be no advanced borrowing and the variable funding limit was 25%. With regard to addressing the Adult Social Care overspend, he advised that each service area had been asked to consider areas of potential savings across their whole portfolio, including use of administrative support, interim and contracting staff, training arrangements and attendance of conferences to make the necessary short term savings. Clive Heaphy felt that the targets set by the One Council Programme were realistic and achievable and that even greater savings could be achieved by it. Areas such as Adult Social Care were exposed to increases in demand, however by benchmarking in such areas consideration could be given as to delivering such services in different ways. Members heard that a Fundamental Review of Services was being undertaken and the savings identified as a result of this would be used to achieve the base budget position. Clive Heaphy advised that there had there had been a recent re-negotiation of the Council Tax Collection contract which resulted in a 25% reduction in costs to the council. Despite the economic situation in the last two years, there had been no reduction in Council Tax Rate collections and this could be attributable to there being an increased number of ways and more flexibility in paying Council Tax. There had also been a reduction in the number of complaints concerning housing benefit. He acknowledged that there could be further scrutiny in areas such as Adult and Child Social Care particularly as they faced external pressures such as increase in demand for services. He also stated the importance of the accuracy of the 2011 Census so that the council could use the opportunity to strongly challenge the Office for National Statistics population figures for Brent.

Clive Heaphy acknowledged that a significant number of Brent residents would be affected by the welfare cuts with an overall national reduction in the housing benefit budget of 27% in the next four years, even though the number of housing benefit claims in Brent was increasing. He stated that it was difficult to predict what effects there would be on residents, however this was being analysed and more would be known after the Local Authorities Settlement in December. Members heard that spending cuts in the police were even more acute than for local authorities, whilst some patient services in the NHS had been protected. However, there had been a 67% cut in management costs and discussions were taking place with regard to collaboration between Brent and Harrow NHS trusts. Clive Heaphy felt that the overall concept of Total Place was sound, however further explanation was required as to how it would function in each area. It was noted that the Council was presently £7.5m above the grant floor funding, therefore £7.5m was likely to be the most that the council may lose in this respect. Clive Heaphy advised that £1.5m contingency savings had been built-in to the One Council Programme to cover costs such as consultancy fees where money was spent initially to achieve greater savings overall. There was a target of £35m in procurement savings and a proportion of this could be achieved through joint procurement exercises with the West London Alliance (WLA) which had already undertaken a joint Adult Social Care procurement exercise. Other areas to be considered for shared services and

shared procurement included transportation, including schools transportation, local authority-owned properties bordering the boundaries of neighbouring London boroughs and whether there was a need to continue to use some buildings. With regard to reducing staff costs, this would focus on opportunities for shared back office functions and savings in management posts.

Clive Heaphy advised that overall significant savings could be made in procurement and property, whilst savings made through changes in financial management would be smaller. However, there had been some discussion by London councils about introducing a London council-wide financial system possibly in the longer term. With regard to external auditing, Brent had taken advantage along with a number of other councils for a joint arrangement that had been instigated by the London Borough of Croydon and Deloitte which saved the council costs in fees. Members noted that greater collaboration between local authorities in procurement exercises placed further pressure and incentive on the supplier to provide value for money as the scale of the contract would be larger. Clive Heaphy stressed the need for good contractual management to ensure the council received best value for money for services secured. In respect of Safer Neighbourhood Teams, he advised that it was not yet known what future police arrangements would be in respect of this.

Mick Bowden added that London councils had requested a narrowing between the floor and ceiling of the grant funding during consultation undertaken in the summer. He advised that financial systems in the council had previously been highly decentralised, however under the Finance Modernisation project finances had been centralised under the new Corporate Finance System and this would enable all spends to be captured and monitoring of spending much easier. This would also be of benefit to procurement and audit exercises.

Councillor John (Leader of the Council and Lead Member for Corporate Strategy and Policy Co-ordination) commented that areas of the council had been divided up into separate business units in the 1990s, however the opportunity had been taken to bring back financial processes centrally in keeping with the One Council approach. In respect of the grant funding floor, Councillor John explained that this had been created after the council and other London local authorities had asked for such a measure as they had been disadvantaged under the previous funding formula. She advised that the council could again be disadvantaged if the grant funding floor was revised or even removed altogether. Councillor John advised that significant savings had been made as a result of the WLA procurement exercise in Adult Social Care and such joint activities empowered local authorities with much more bargaining power. It was possible that a similar joint procurement with WLA could be undertaken for Children's Social Care. Members noted that the council worked jointly with the London Borough of Harrow in respect of trading standards and cemeteries and ran registrar services on behalf of the London Borough of Barnet. Greater value for money was also being sought through re-negotiation of other council contracts, such as the waste contract. Potential savings were being considered in all service areas and not just non-statutory functions and Councillor John stressed the need to improve its procurement activities. Members heard that since the Baby P case there had been changes to child social care arrangements and this meant more referrals and rising costs. Savings were being made by reducing the number of agency staff in social services. However, Councillor John advised that no matter how good arrangements were, high profile cases could occur at any council and the corporate parenting role of the council needed to be

considered carefully. Members noted that the council paid for 16 police sergeant community officers in respect of leading the Safer Neighbourhood Teams and discussions were taking place with the police in respect of future arrangements.

## **5. First reading debate on the 2011/12 to 2014/15 budget**

Clive Heaphy introduced this item and drew Members' attention to the report circulated in the supplementary agenda. He advised that because of the economic circumstances, it was much more difficult to make forecasts and therefore the report would still be subject to a number of revisions before and after the First Reading Debate at the Council meeting on 22 November. The final details of the council's funding would not be known until the Local Government Settlement announcement in December.

Councillor John added that this was the most challenging budget that the council had faced and circumstances would continue to be difficult for the years ahead. She advised that the council could not afford to deliver some services in the same ways it did now. There had already been a transformation programme in respect of Adult Social Care and it was expected that this would deliver some savings. Members heard that it was not anticipated that there would be any growth items for the report to go to Council on 22 November and a number of important details would not be known until after the Local Government Settlement. However, protection of frontline services was a priority and all service areas were being considered in respect of making savings.

With the agreement of the Chair, Robert Dunwell addressed the committee. Robert Dunwell enquired what strategy was in place in respect of the council considering tendering services to other providers where they could do better, could any service be tendered for and would the council take a flexible approach in respect of this.

With the agreement of the Chair, Councillor S Choudhary addressed the committee. Councillor S Choudhary suggested that libraries could be improved by providing *i* books to users.

Members then discussed this item. Councillor Long asked if details of spending for each item would be provided as in previous first reading debate reports. Councillor Van Kalwala enquired how the council intended to build upon its reserves and how had the inescapable growth figures been calculated. Councillor A Choudry asked whether unexpected and exceptional events and circumstances would be factored in to the report to go to the Council meeting on 22 November. He stressed the need to inform the community of the need for the council to make tough decisions and that some services would need to be changed in the way that they were delivered or even stopped altogether.

The Chair sought views on the possibility of achieving the increased savings target from the One Council Programme. He asked if there was a vision of how the council would operate two years from now and commented that difficult situations often presented opportunities too. He expressed concern that the council may become too remote from residents if there was an over-reliance on communicating through technology. The Chair also sought assurances that decisions taken did not disadvantage those living in the less privileged parts of the borough.

In reply to the issues raised, Clive Heaphy advised that he was confident that the One Council Programme could achieve the increased savings targets that had been projected. Members noted that budget details for individual items would not be provided until after the Local Government Settlement announcement in December. In respect of increasing reserves, Clive Heaphy advised that this was desirable because the council was now at higher risk financially and there needed to be careful consideration in respect of methodology of how the balance could be added to. The possibility of making greater savings to build reserves was an issue that needed to be debated. It was noted that the Government grant available in respect of freezing Council Tax was only temporary and consideration needed to be given as to whether this was the best option. Clive Heaphy advised that the inescapable growth figures were devised based on historical knowledge and 5% inflation had been built in.

Councillor Butt (Deputy Leader of the Council and Lead Member for Resources) advised that the council needed to be leaner and better prepared for the future in two years time and needed to consider how services were provided, how technology could be utilised and to take full advantages afforded by the move to the civic centre. Service areas were already working together and using technology to speed up processing times.

Councillor John stressed the need for some services to be delivered in a different way, including the need to transform library services and residents would be consulted as to what they wanted from this service. She commented that technology increased residents' access to council services and demand for on-line based services was increasing. However, she acknowledged that some services, such as those in Adult and Children's Social Care, face to face contact was still a necessary form of contact and every effort needed to be made to ensure such services were as accessible as possible. Councillor John commented that where expertise had been demonstrated, an alternative provider could be considered and there were already a number of cross-council collaborations. The example of Brent's registry service being provided to the London Borough of Barnet also meant that the council could offer services to other organisations where it had proven expertise. Councillor John acknowledged that there was a need to address inequalities in the Brent and every effort was being made to close this gap.

**6. Date of next meeting**

It was noted that the next meeting of the Budget and Finance Overview and Scrutiny Committee was scheduled for Tuesday, 7 December 2010 at 7.30 pm.

**7. Any other urgent business**

None.

The meeting closed at 9.50 pm

J ALLIE  
Chair

