



MINUTES OF THE BUDGET AND FINANCE OVERVIEW AND SCRUTINY COMMITTEE **Wednesday, 11 January 2012 at 7.30 pm**

PRESENT: Councillor Allie (Chair), Councillor Mashari (Vice-Chair) and Councillors Naheerathan, Sheth and Van Kalwala

Also Present: Councillors Butt, John and RS Patel

Apologies were received from: Councillors S Choudhary, Leaman and HB Patel

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 6 December 2011 be approved as an accurate record of the meeting.

4. Matters arising

Jacqueline Casson (Senior Policy Officer) confirmed the action taken since the last meeting on the following:

- Circulation of examples of equality impact assessments related to projects included in the One Council programme,
- Further information supplied to Councillor Mashari on trade waste, and
- Information requested on the New Homes Bonus to be provided at this meeting.

5. Regeneration and Major Projects budget issues

Andy Donald (Director of Regeneration and Major Projects) circulated a Powerpoint presentation outlining the context in which the department's budget was set, the budget pressures and other issues facing the department and the major capital projects underway. Andy Donald explained that because the department had only been formed in October 2010 the current year was one of transition. The year ahead was the first chance to view the department's budget as a whole and plan for the future. The biggest pressure on the current year's budget was the level of

spend on temporary accommodation which was forecast to overspend by £928,000. Andy Donald explained that the main reason for the overspend was due to the Local Housing Allowance cap introduced in April 2011. The service had in the past been managed largely as a demand led service but with a rise since 2010/11 of 38% in the number of homeless applications received and an 86% increase in the placing of families into hotels and bed and breakfast accommodation, a different approach was needed. Actions being taken to mitigate the overspend included the provision of advice, strategies to prevent homelessness and encouragement to take housing out of the borough. However, Andy Donald stated that the situation was only likely to get worse as Housing Benefit and wider welfare reforms were implemented. The committee noted that a contingency budget of £1M was being held centrally to fund any final overspend in this area for the current year. The department's agreed savings of £3.8M remained on track with £1.2M coming from the supporting people budget, £440,000 from the staffing structure review and a collection of smaller changes to the housing service.

Andy Donald drew attention to the budget issues for the future. By 2014/15 the borough would need the equivalent of 70 additional classrooms to cater for the increased demand for school places. A sum of £25M had been secured from the Government to help address this but a figure in the region of £60-65M was needed. Therefore work was underway on reviewing the Council's entire portfolio of school buildings to assess how best to use the funding secured and meet the demand. The New Homes Bonus would appear in the Council's budget for the first time in 2012/13 in the sum of £1.068M. It had been decided that this money would be used to support the Council's capital programme. Andy Donald reported that it was anticipated that new rules would be passed to allow Councils to recover the total cost of their planning service which would lead to an increase in income during 2012/13. He further explained that presently planning fees were set nationally, but if the Council was allowed to recover its total cost it would generate an additional £800,000 approximately. More savings were to be taken from the supporting people service and from the housing needs transformation project. There would also be revenue savings taken from capital projects. A big change to the Housing Revenue Account would take place on 1 April 2012 following the Government making a one-off settlement to the Council of £197M to pay off a proportion of the HRA debt and no longer provide subsidy of £8.5M in return for the Council taking responsibility for the remaining debt and retaining the rental income. A business plan for how the Council would in future manage, maintain and improve the housing stock was being developed but one risk already identified were the proposed changes to Housing Benefit which would result in benefit being paid direct to the tenant rather than to the Council with consequences for rent collection levels. It was pointed out that the national rent convergence scheme would continue and so rent levels would still be determined by the Government.

Andy Donald outlined the major capital projects included in the Council's programme, including South Kilburn, the new Civic Centre, the Willesden Green redevelopment and the schools programme.

In answer to questions asked by members of the committee concerning housing and homelessness, Andy Donald explained that when someone first presented themselves as in need of housing the first action was to see if they could be prevented from becoming statutorily homeless but if this was not possible the Council then had a duty to house them. If there was no permanent accommodation

available then temporary accommodation was used. The Council provided advice to people in an effort to support their housing needs before they were determined statutorily homeless. Reference was made to the rent deposit scheme and Andy Donald stated that further details on this could be provided to members. In answer to a question about enforcing standards, it was explained that the Council could only use housing legislation to take action against sub-standard housing if it was at least three storeys high and was only resourced to carry out its statutory role, although action could be taken using planning laws. A review of the Council's private housing service was to be carried out.

Addressing questions around the provision of school places, Andy Donald stated that, whilst there were a number of variables that would need to be considered including land availability and building types, at best the £25M would only meet between one third and half the anticipated increased demand for primary school places.

Regarding the New Homes Bonus, Andy Donald explained that this money was provided by the government effectively matching the Council Tax for each new property built for a period of 6 years following completion and so was based on the number of new homes provided within the borough and distributed according to a formula. Therefore the £1.68M would continue to be received over the next five years with additional funding arising from new homes subsequently built within the borough. He stated that more detail on this could be provided if necessary.

Andy Donald explained more fully the new arrangements for managing the HRA but pointed out that financial rules relating to the HRA remained so it would continue to be ringfenced. Clive Heaphy (Director of Finance and Corporate Services) added that as a result of the rent convergence scheme the average rent increase in Brent for 2012/13 would be 7.2%.

The committee had previously been informed of the new arrangements proposed for retaining business rates. A question was therefore asked as to how competing land use would be managed with the pressure to attract new businesses into the borough to increase the level of business rates and to build new houses to benefit under the New Homes Bonus. Andy Donald acknowledged that both would generate income but would have to be managed according to planning policy and complex modelling arrangements for different parts of the borough.

A question was asked on whether the Council was working with any neighbouring boroughs on joint projects. Andy Donald replied that there were some discussions taking place but that Brent was generally making the running on these. They included the potential to share some facilities management functions, housing management services and some other service provision.

Andy Donald was asked to explain more fully the demand on temporary accommodation. He stated that for the year November to November just gone the number of households in hotels and bed and breakfast had increased from 139 to 250. It was expected that by the end of the year 1635 new homeless applications would have been received of which 580 would have been accepted. There was a need to understand what was driving this increase but it was already known that a significant number came from landlords evicting tenants. With regard to the supporting people budget, it stood at £10.8M but £1.2M savings had been made

during the current financial year with an additional £600,000 being made next year and £900,000 the year after taking the budget to £9.3M by 2013/14. The service worked with the most vulnerable people through a raft of support mechanisms all of which were now commissioned out. This expenditure was no longer ring-fenced. A review of the housing needs service would result in an additional 20-25 posts being deleted but Andy Donald was confident that an effective, efficient service would continue to be delivered. He offered to forward members more detail on the restructuring if they wished to receive it.

The Chair thanked Andy Donald for his attendance.

6. Budget update

Clive Heaphy (Director of Finance and Corporate Services) reported that the case concerning the money owed by the Icelandic banks was now settled and almost all of the £5M Glitnir loan would end up being recovered with a small element of interest added. Clive Heaphy then presented an economic forecast that suggested interest rates would remain low, inflation would come down and unemployment would continue to rise. The pay freeze for the public sector would continue into 2012/13 and thereafter only increase by 1% for the next two years. Activities within the Eurozone would continue to have a potential impact on the British economy and GDP was forecast to contract during 2012 and increase slightly in 2013.

The local government settlement was published on 8 December 2011 and Clive Heaphy reported that the Council received the grant it largely expected which was £13M less than in 2011/12 and set to fall by £1M in 2013/14 and by a further £12M in 2014/15, with an extended period of reduction up to 2016/17. He felt this was a critical period for local government which was now faced with the likelihood of having to make further significant year on year cuts up to 2017.

The Chair commented that the role of local authorities would continue to be to provide for the basic needs of the most vulnerable people in society with other elements of society responding to fill the gap left by a diminished public sector. Councillor John expressed her fear for the future of local government as it was presently constructed and saw a threat to local democracy from the removal of services from local councils and an increase in a regional approach to procuring services.

In answer to a question, Clive Heaphy reported that the education settlement had resulted in the schools grant remaining static in cash terms (thus falling in real terms after taking account of inflation) but that the pupil premium had increased from £488 to £600 per pupil.

7. Discussion on the Committee's first interim report

Clive Heaphy (Director of Finance and Corporate Services) 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. He took members through the main elements of the report. He pointed out that as a result of the Local Government Resource Review, from April 2013 the Council would receive little in the way of direct grant from government and instead would have to rely on income from the business rates and the New Homes Bonus. He also drew attention to the

proposal to localise Council Tax benefit which would mean Councils have to devise their own scheme instead of administering the present subsidised national scheme which would potentially add considerable costs to the Council.

Councillor Mashari asked that the recommendations in the report should include submitting regular reports to the committee on how the Council was achieving the savings it had identified. She also asked that the committee be kept informed of the income being generated by the New Homes Bonus. Members asked that the committee monitor spending in three key areas of pressure - Adults Social Care, Children's Social Care and Temporary Accommodation.

The first interim report as drafted was agreed subject to amendment to include the points raised above.

8. Any Other Urgent Business

The Chair asked what the implications were of the Trade Unions position on pension reform. Clive Heaphy (Director of Finance and Corporate Services) reported that whilst Unite had come out against the new proposals, to the best of his knowledge, Unison and GMB had yet to express a final view. He stated that the recent Government proposals had significantly amended the scheme. From the Council's perspective it was important to stabilise the fund and the Government's proposals went some way to doing this.

9. Date of Next Meeting

It was noted that the next meeting would take place on 8 February 2012.

The meeting closed at 9.30 pm

J ALLIE
Chair