



Budget & Finance Overview & Scrutiny Committee

Final Report

February 2012

Membership

Councillor Allie (Chair)
Councillor Mashari (Vice Chair)
Councillor S Choudhary
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Councillor Naheerathan
Councillor HB Patel
Councillor Ketan Sheth
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Chair's Foreword – Councillor James Allie

It is with great pleasure that I introduce the final report of Brent Council's Budget & Finance Overview & Scrutiny Committee.

This is the second year of operation for this committee and my colleagues, many of whom are new to the council and I have had to collectively develop our understanding of the issues and the budget setting process. We have focussed on the administration's priorities, the medium term financial context and changes to national priorities and policies that need to be considered when developing a robust budget.

The committee took evidence from a wide range of witnesses in the course of our enquiries. On behalf of my colleagues I would like to thank those officers and Executive members who took the time to prepare reports and presentations and attend our meetings.

Executive Members:

- Councillor John (OBE), Leader of the Council
- Councillor Butt, Lead Member for Resources.

Officers:

- Phil Newby, Director Strategy, Partnership & Improvement
- Peter Stachniewski, Head of the Programme Management Office
- Alison Elliott, Assistant Director Community Care
- Krutika Pau, Director of Children & Families
- Graham Genoni, Assistant Director Social Care
- Mustafa Salih, Assistant Director Strategic Finance (C & F)
- Sue Harper Director of Regeneration & Major Projects
- Michael Read, Assistant Director Policy & Regulation (ENS)
- Jenny Isacc, Assistant Director Environment & Neighbourhoods
- Bharat Jashapara, Assistant Director Strategic Finance (ENS)

I would also like to take this opportunity to thank members of the committee for their efforts during the course of our deliberations. Their proactive approach and dedication have ensured a lively and productive overview & scrutiny process.

Finally thanks must go to Clive Heaphy, Director of Finance and Corporate Services, Mick Bowden, Assistant Director of Finance & Corporate Services Jacqueline Casson, Senior Policy Officer, Strategy, Partnerships and Improvement, and Peter Goss, Democratic Services Manager for their support to the committee.



1. Introduction

The Budget and Finance Overview & Scrutiny Committee undertakes in-depth reviews 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 enabling robust challenge and debate on the administration's budget proposals.

The national economic outlook remains gloomy with predictions about economic growth being consistently and universally revised downwards. The recession and subsequent period of low growth was deeper than previous recessions and recovery will take longer. The context within which the council is setting the 2012/13 budget is therefore difficult and seems unlikely to improve in the near future. The coalition government's deficit reduction strategy as embodied in the Spending Review 2010 has provided local government with an ongoing challenge. The 26% real terms reduction in local government funding has meant that Brent Council has had to face some difficult decisions about the services that are delivered and the size and shape of the organisation. These difficult decisions are set to continue until 2016/17 and one of the Budget & Finance Overview & Scrutiny Committee's main areas of investigation will be how the administration proposes to achieve a balanced realistic budget while taking advantage of any opportunities that arise.

The council's budget setting process has changed significantly to ensure a planned approach to budget reduction while enabling the council to deliver the priorities contained in the Borough Plan delivered within the timeframe of the spending review. The One Council Programme continues to be the main driver within the council's medium term financial strategy delivering £39 million of savings from existing and completed projects by the end of the financial year 2011/12. The nature of the programme is changing from being focussed on efficiency to transformation. It is this transformation of services that is due to provide the bulk of the savings over the next few years. The committee's main interest in this programme has concentrated on its ability to generate the required 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 report is the final report of the Budget & Finance Overview & Scrutiny Committee and contains the committee's recommendations to executive members prior to the publication of the Executive's draft budget.

2. Recommendations

1. That a clear and detailed set of priorities be developed to help ensure the successful delivery of the council's budget and to report to the Budget & Finance Overview & Scrutiny Committee on how savings are being made in the context of the priorities
2. That substantial efforts be undertaken to ensure that the council's Procurement projects deliver the required savings and allay concerns regarding its low performance
3. That the council continues to fully fund concessionary fares
4. Continue 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 three main areas of overspend:
 - Adult Social Care
 - Children's Social Care and related legal costs
 - Temporary Accommodation
5. That the Committee continue to receive regular reports on the One-Council programme to ensure its achieving its savings target with particular focus on the Future Customer Services and Civic Centre projects
6. That the council urgently implements the 1:6 managers to staff ratio
7. That the Commercial Opportunities Group identify and report to the Budget and Finance O&S Committee its key initiatives on attracting businesses and shoppers to the area to increase future council funding and benefit the local economy.
8. That housing re-development across the borough is maximised in order to achieve the New Homes Bonus for the council
9. Clear and detailed plans be developed on the allocation of the recent £25m awarded for primary school investment with particular consideration to the continuing shortage of school places in the borough.
10. Robustly monitor measures being undertaken by Children's and Families to reduce budget pressures in regards to looked after children and those being prescribed with SEN statements
11. That the Waste and Recycling team report on the proposed extension of the Veolia contract and in particular the nature of the savings to be made without compromising on the level of street cleaning

3. Methodology

The budget scrutiny process mirrors that of the budget setting process and started in July 2011. At the Committee's first meeting the Deputy Director of Finance provided an overview of the budget strategy 2012/13 to 2015/16 and the main factors that would influence the budget setting process. This included detail of resource assumptions, 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 Director of Finance & Corporate Services & Deputy Director of Finance – Regular updates on the budget process, budget gap, budget pressures and the future financial prospects for the council.
- The Deputy Director of Finance informed us about the proposed changes to Local Government Finance
- The Director of Strategy, Partnership & Improvement and the Head of the Programme Management Office provided an overview of the One Council programme and projected savings.
- The Assistant Director of Adult Social Care provided information on the Adult Social Care budget and forecast 2011/12, service pressures, and the transformation projects aimed at producing savings.
- Director of Children & Families, Assistant Director of Strategic Finance and Assistant Director Social Care informed the committee about the department's current budget position, actions being taken to control the overspend, transformation projects aimed at savings and efficiency and pressures on the capital programme from government announcements and demand for school places.
- Councillor Ann John, Leader of the Council and Councillor Muhammed Butt, Lead Member for Finance and Resources attended to discuss the First Reading Debate Papers and set out the administration's approach to setting a robust budget
- Councillor Muhammed Butt, Lead Members for Finance and Resources presented the administrations draft budget
- The Director of Environment & Neighbourhoods, the Assistant Director of Strategic Finance, the Assistant Director of Environment & Protection and Assistant Director of Neighbourhood Services provided information about the role of the department since its restructure in 2010, the current budget position, budget pressures and the department's One Council projects.
- The Director of Regeneration & Major Project provided information about the current budget position, budget pressures and risks, future saving, the HRA account

4. Discussion

4.0 *The budget gap*

4.1 At our first meeting in July 2011 we received a report that set out the Budget Strategy 2012/13 to 2015/16 which included information on projected spending and resources. Assumptions for spending included pay and price inflation, pension fund contributions and provision for additional demand pressures. Resources included Formula Grant, Council Tax base and collection and income from fees and charges. After taking resources and spending into account we heard that the cumulated budget gap in 2014/15 would be £41.6m assuming a 0% per annum rise in Council Tax. A 3.5% annual rise in Council Tax would result in a budget gap of £30.3m.

4.2 By the time we received a presentation on the Budget and Medium Term Financial Plan for 2012/13 – 2015/16 at our November meeting it was clear that national economic predictions were becoming increasingly gloomy and that it was important that the council looked at the medium to longer term when taking financial decisions. Some of the key themes in developing the budget 2012/13 – 2015/16 were set out as follows:

- Continuously reducing budgets
- On-going demand pressures in key areas
- Small efficiency savings increasingly ineffective – looking to transformation changes or to stop providing services
- Need to have absolute clarity about what Brent in 2015/16 will look like

4.3 The Deputy Director of Finance also set out the key risks. These were:

- Level and complexity of savings
- Low reserves - £9.5m in 2011/12 – Raise to £12.0m in 2012/13
- 2011-12 outturn position – forecast £1.8m overspend
- Lack of clarity regarding future funding (Business Rate Retention)
- Lack of growth of Council Tax base
- Demand Growth
- Lack of clear prioritisation
- Pensions
- Economic stagnation
- Policy changes

4.4 In November the cumulative budget gap assuming a 0% rise in Council Tax was predicted to be £33.3m by 2014/15 after incorporating reduced forecasts of growth for future years and increased funding from the New Homes Bonus.

4.5 The latest figures show inflation is still running at around 5%. We will need to ensure that inflationary pressures are reflected in the Council's medium term strategy and that strategies contain its impact are robust.

4.6 Decisions about the level at which Council Tax is set for the period up to 2014/15 are complex. The council is receiving a £2.6m per year up to and including 2014/15 as a result of the freeze in Council Tax in 2011/12. In February 2011 Full Council agreed to use this funding to increase balances during a period of high risk rather than for temporarily increase spending levels. This was because when the grant ceased and

dropped out of the base budget the gap between spending and resources would widen requiring further difficult decisions to be made. In October 2011 the government announced a further £2.6m grant in 2012/13 only to freeze Council Tax in 2012/13. Accepting this into the base budget would result in a permanent loss of resources when it ceased in 2013/14 while not freezing Council Tax could have a negative impact on some of our residents during a time when their own resources are being squeezed.

4.7 Three possible options were illustrated:

- Possible Option 1 – 3.5% / 2.1% / 0%
- Possible Option 2 – staggered – 0%, 3.5%, 2.1%
- Possible Option 3 – staggered with no increase in 2014/15 – 0%, 3.5%, 0%

If, for instance option 2 was implemented then the funding gap after Council Tax increases and identified savings would be £27.8m in 2014/15. The Localism Act 2011 included a provision for members of the public to call a referendum if the proposed level of Council Tax is deemed to be excessive. It was not clear at this stage what level of increase will be deemed excessive for 2012/13.

4.8 In January we were informed that the Local Government Settlement for Brent for 20012/12 would be £152m which was a reduction of £13m on the £165m received in 2011/12. Furthermore we heard that it is likely that the cuts to local government would be extended from 2015/16 to 2016/17 making the need for longer term budget planning essential if the council was to achieve year on year savings for the next five to six years.

4.9 We heard that the council would therefore maintain a strategic approach as illustrated by the One Council Programme to closing the gap while using a variety of other tools to ensure that given the long term nature of the economic situation the council started to address the gap now. Tools would include:

- Identifying further savings through ceasing activities of scaling back the scope
- Keeping strict control of new commitments and match with corresponding savings
- Taking tough decisions early to deliver full year savings over the next three years
- Ensuring no over spends in 2011/12

Strategic actions would include:

- Develop clear and detailed understanding of Political objectives and priorities
- Stop things that are not priority
- All central items to be robustly reviewed
- “*Inescapable*” Growth to be minimised
- Council Tax Strategy for the medium term
- Consider limiting Capital Programme or repaying debt
- Learn and join with others

The Leader of the Council told us that there was no doubt that the council would look very different by 2014 as we will need to reshape services.

5.0 *The One Council Programme*

- 5.1 The committee heard that the One Council Programme is the mechanism through which the council will fundamentally change the way it carries out its business. The One Council Programme is designed to change the way the council organises itself, delivers services and delivers savings while minimising the impact of budget reduction on Brent residents.
- 5.2 The Director of Strategy Partnership & Improvement informed us that the programme has delivered gross savings of £11.8m in 2010/11 and was budgeted to deliver a further £27.8m in 2011/12 this would account for 60% of the savings required in 2011/12. One of the main areas of concern this year was delivering the budget savings from the Procurement Project. The original savings target has been reduced to £1m and this has been offset by a corresponding reduction in the budget for One Council costs. The programme therefore forecasted to produce cumulative savings of £38m by the end of 2011/12. The aim of the programme was to deliver a significant proportion of the additional savings required from 2012/13 onwards.
- 5.3 Initially savings from the programme were largely related to efficiencies, however as the programme has matured the projects and therefore savings are increasingly transformational in nature. To ensure that the programme can continue to deliver the required level of savings fifteen new projects have recently been added to the fourteen that were currently being delivered.
- 5.4 One of the main risks to developing a robust budget is the level and complexity of the savings that the council needs to make. Members of the committee explored how this was managed. We heard that the Programme Management Office ensured 'grip and traction' on project delivery and that savings were removed from departmental budgets as soon as they made.
- 5.5 The committee discussed some of the individual projects and the savings they were projected to make. The in year saving from the Future Customer Services project will be less than budget for at the start of the project. The Director of Strategy, Partnership and Improvement informed us that this can happen as projects enter delivery but he expected momentum to pick up as more aggressive channel migration took place and the savings will be delivered.
- 5.6 We raised concerns about the sustainability and management of the outcome of the managers to staff ratio of 1:6 implemented in the staffing and structure review. We were informed that the savings from the project had been delivered but the project would not be closed until this issue had been addressed.
- 5.7 Responsibility for Public Health will be transferred to the council in April 2013 this would include funding. Members explored issues around the amount of funding that the council would receive and whether or not an assessment had been made about the need to strengthen our reserves given the new responsibilities. We were told that the project had started to develop a baseline of activities and spend undertaken by the council and the PCT. However the government had not produced an outcomes framework yet which will make it difficult to produce the transitions plan that is required by the end of January. The project has a number of dependencies with other projects particularly Adult Social Care integrated commissioning. The West London Alliance is also running a Public Health programme to see what can be delivered on a sector basis.

- 5.8 There were a number of questions about the removal of the consultancy project from the programme. The Head of the Programme Management Office informed the committee that much of the previously estimated spend on consultancy had been miscategorised and was not actually spent on consultants specifically. In addition the majority of the consultants the council does engage are technical consultants on capital projects. Given that, he felt that the issues around consultancy could be managed via the procurement project.
- 5.9 One of the major risks to the capacity of the council to deliver future budgets is the capacity of the new projects to deliver the required savings and close the budget gap. Members of the committee were keen to ensure that the commercial opportunities group looked at opportunities with partners and linked this to the need to attract businesses into the borough to increase future council funding and benefit the local economy. We heard that many of them were at a very early stage but once a business case had been produced the expected savings from each project would be more apparent. If there was a shortfall in the overall savings needed then further projects would be brought forward

6.0 *Budget Pressures*

- 6.1 The committee spent some time exploring the main pressures the council faces when setting its budget. We were particularly interested in exploring the longer term pressures and the impact they would have on the council and the measures that were being taken to address them. To do this we focussed on the four largest spending departments:
- Children and Families
 - Environment & Neighbourhoods
 - Adult Social Care
 - Regeneration and Major Projects
- 6.2 The Director of Children and Families informed us that the main pressures the department faced was from the cost of Special Educational Needs (SEN) and Children's Social Care.
- 6.3 Over the last two years expenditure on SEN had resulted in a cumulative overspend of £5.7m being brought forward into the 2011/12 schools budget which was funded by the Dedicated Schools Grant (DSG). This had the effect of reducing the schools delegated balances from £13m to £7m. In September the current level of overspend for the SEN budget 2011/12 was £1.5m which is in addition to the £5.7m mentioned above. This level of overspend will continue to have a negative impact, unless cost are reduced. The schools forum are being asked to endorse a three-year recovery plan to bring the account into balance by 2014/15.
- 6.4 The committee was told that the numbers of children with SEN statements in Brent and the cost of those statements did not compare favourably with other London boroughs. The committee was keen to hear what actions were being undertaken to achieve savings in order to reach a balanced position. We heard that a number of actions have already been completed under phase one of the SEN One Council Project. A number of actions were currently being implemented which centred around expanding local provision, improving management information and developing a strategy on commissioning and monitoring out of borough places. Phase 2 of the SEN One Council Project was currently being developed. This would

continue to develop in-borough provision, though we heard that this had been adversely affected by the loss of Building Schools for the Future funding as Brent's programme had included schemes designed to expand SEN places in the borough. Additional actions included collaborating with the West London Alliance on commissioning and a restructure of the SEN and Inclusion Service to better align services to support the SEN strategy.

6.5 We heard that over recent years pressure from increasing numbers of looked after children (LAC) had been the main cause of departmental overspends. Members were concerned about the reasons for this but heard that while this pressure had been felt by most local authorities since Baby P the Social Care Transformation Programme had enabled Brent Council to maintain the number of LAC below that of our statistical neighbours.

6.6 Measure being taken to reduce the pressure on this budget included:

- Reduce the cost of residential placements and semi independent placements
- Reduce cost of fostering by increasing the number of in-house foster carers
- Reduce the number of families with no recourse to public funds supported by the department
- Reduce the money paid out in support to families who are caring for children who are no longer 'looked after'
- Focus the work of the Crisis Intervention and Support Team on prevention

6.7 Capacity in Brent primary schools was currently insufficient to meet demand, which has resulted in 388 pupils without a school place as at July 2011. We heard that the responsibility for the capital programme for school expansion was with the Regeneration and Major Projects department while the Children & Families department retained responsibility for place planning and allocation. The latest LGA projections showed an upward trend in the demand for primary school places which would continue beyond 2014/15. Given the fact that the council had a statutory duty to provide a school place for every child the loss of Building Schools for the Future had made this duty significantly more difficult to fulfil. It was difficult to estimate the impact the changes to Housing Benefits would have in terms of the number of children moving in and out of the borough but the situation would be closely monitored.

6.8 At our November meeting we were informed that the council had been awarded £25m for primary school investment, which was the third highest allocation in London. While the Leader of the Council welcomed this she said that all London boroughs and the Mayor of London had agreed that more money was needed and were coming together to lobby the government. How the council spends this money would require careful consideration and the committee was keen to receive further information about this when available. When we talked to the Director of Regeneration and Major Projects we asked what proportion of the places the council need the £25m would provide. He informed us that work was taking place to develop plans for how the money would be spent. There were a number of variables that would need to be considered which include whether land was available and what sort of building would be needed. Given that, he estimated that it could possibly provide between a half and a third of the spaces required.

6.9 We heard from the Assistant Director of Adult Social care that the biggest problem her department faced was delivering a service within a reduced budget at a time of

rising demand. There was an historic problem of overspends in the department resulting from the dispute with the PCT, funding for continuing healthcare and demographic pressures. When Adult Social Care was part of a wider department Housing was able fund overspends from within its budget, but as a stand-alone department Adult Social Care needed take a more strategic approach to making savings. The department's savings target for 2011/12 was £9.8m, which in addition to the need to reduce its £1.1m overspend from 2010/11 meant that the total savings requirement for the department was £10.9m or 12% of its budget in 2011/12.

6.10 The key areas that savings were being found for 2011/12 were:

- Commissioning – to get the best service for the best price
- Mental Health – redesigning the community network scheme, adopting and effective placement strategy and redesigning social worker roles.
- Direct Services – the personalisation agenda
- Customer Journey project – redesign of social services and staffing levels to provide a better more efficient service. Enhanced reablement service to enable people to live more independently for longer – early results has shown that long term cost could be controlled though further assessment of the impact would be needed.

The main areas of risk to delivering the department's saving was Mental Health and the high cost of placements for which negotiations were underway.

6.11 The committee was told future savings would require a more radical approach. This would include working with the health service to look at more efficient joint commissioning to meet demand and avoid duplication for instance between health visitor and carer roles. In addition a new project was being developed to improve the outcomes for children with disabilities transitioning into adult care whilst reducing the pressures this places on the Adult Social Care budget. Currently responsibility transferred from the Children and Families department at 17½ but funding to support them was not transferred until they were 19. The Assistant Director believed that the department needed to be involved with the children at a younger age, 14 onwards.

6.12 Members were concerned about how the level of need was assessed and what safeguards were in place to ensure that those receiving direct payments were not subject to financial abuse. In terms of assessment we heard that the Assistant Director currently sees all assessments to ensure that service users receive robust and consistent decisions as early as possible. It was also explained that in the past there had not been stringent enough tests carried out to ensure the council only provided support for those who were in fact Brent residents. When it came to light that a person was the responsibility of another borough the borough was given six week's notice that responsibility would be passed over to them. We were told that in such cases it was very difficult to recover past costs but efforts were made to do so. When asked about raising the assessment criteria from critical and substantial to just critical the Assistant Director told us that this would only delay demand and increase costs on the long run. Whilst it was recognised that direct payment to clients offered them more freedom and choice it also increased financial risk. It was explained that advice was given to those seeking services and that a number of mechanisms were in place to ensure that the money was properly spent. These included the use of pre paid cards, doubling the size of the review team and the work of the safeguarding team.

6.13 Members of the committee asked about the transfer of the public health function from the PCT to the council. We heard that this was a One Council project though details

such as an agreed definition of what constitutes public health were still not clear. It is likely that the council would get about £25m to take on the function but it was currently difficult to validate this figure. The council viewed public health as preventative and the key challenge would be to ensure government guidance was not prescriptive so we could use the money creatively.

- 6.14 The Director of Environment and Neighbourhoods informed the committee that a large part of the department's budget came from income a significant proportion of which was from parking charges and funding from Transport for London.

- 6.15 One of the key budgetary in 2011/12 pressures came from the Libraries Transformation Project. The delay in closing the affected libraries had meant a slippage in part year savings of £408k which would have to be made up with savings from other parts of the department. The challenging economic climate had also led to a further fall in income, particularly in parking income. In addition it had not been possible to achieve the targeted full year savings in the negotiations with Veolia regarding the waste and street cleaning contract and again the shortfall would need to be found from within the department.

- 6.16 We heard that a number of areas of operation would be reviewed in order to contribute to council wide savings. These included One Council Projects on parking and highways. The need to retender the parking contract offered opportunities to work with other boroughs to improve performance and make significant savings. Members were concerned that increased income targets from parking charges and penalty charge notices (PCNs) would lead to increased complaints. We were informed that Brent currently had the lowest success rate against PCN appeals in London which illustrated a good level of quality in relation to the issuing of PCNs. The end of the Highways contract in 2012 presented the council with the opportunity to look at joint procurement options that would build on current performance and modernise approaches to delivery. It was too early to say what the savings target for each of the projects would be.

- 6.17 There were plans to review how the garden and trade waste could be improved and review the grounds maintenance contract. The department was also taking part in a review of youth services. It was also hope that savings of around £75k would be achieved on the arboricultural contract.

- 6.18 The Director of Regeneration and Major Projects told us that the main budget pressure faced by his department was from the cost of temporary accommodation. This had resulted in a forecasted overspend of £928k in 2011/2, which was mainly due to the Local Housing Allowance cap introduced in April 2011. There had been a 38% increase in the number of homeless applications and also in the number of applications accepted as homeless. This has led to an 86% increase in the number of families in emergency accommodation (hotels and bed & breakfast establishments). Mitigating actions were being taken focussed on advice, prevention and encouragement to take housing out of the borough. We heard that this situation is likely to get worse as Housing Benefit and wider welfare reforms are implemented. A contingency budget of £1m is being held centrally to fund any potential overspend in this area.

- 6.19 In terms of savings for 2011/12 we were informed that the department was on track to meet the agreed target of £3.8m with £3.5m saved by November 2011. Planned saving for the next two to three years included the new ability to look at total cost recovery for planning applications, Housing Needs Transformation which would

generate a total of £1.8m savings and better procurement in relation to major projects.

- 6.20 We were keen to hear more about the New Homes Bonus, which in 2011/12 brings an initial £1.07m non ring fenced grant into the Borough, rising year on year. The funding is directly related to the number of new homes built in Brent, with the government effectively matching the Council Tax for each new property built for a period of six years following its completion. Given the changes to local government finance discussed in section 7 below Members focussed on the tension between building new homes and the need to attract new businesses into the borough. The Director of Regeneration and Major Projects told us that work was currently underway to model which of these would generate the most income in different areas of the borough. Issues to consider when looking at this include what sort of places the Borough is looking to create, planning policy, and the additional service pressures that new homes could also generate. The new Community Infrastructure Levy will partly mitigate these additional pressures.
- 6.21 The Director of Regeneration & Major Projects told us that the Housing Revenue Account (HRA) subsidy of £8.5m would be abolished in April. Instead the government would repay £197m of Brent housing debt and introduce a new HRA borrowing cap. In return the council will now be able to keep all rental income from Council housing and use this to manage, maintain and improve the housing stock, service the outstanding debt of £180m and ultimately repay the loan. A business plan was being developed and would be put before the Executive for agreement. One of the main risks identified in the business case are the proposed changes to Housing Benefit which mean that the benefit is paid directly to the tenant rather than the council, the consequence of which could be significant reductions in rent collection levels.
- 6.22 The Deputy Director of Finance provided the committee with an analysis of spend on central items. Many of the areas of spend were not within the council's control and were either decisions made by others, for instance levies or the cost of decisions made in the past, for instance premature retirement compensation. As such many of the cost were known so were not a risk in terms of in-year budget monitoring. The main issue raised by members was the need to ensure that the council maximises its income from the new homes bonus while balancing that with the need to attract new businesses to maximise its future business rate income (see section 7 below).
- 7.0 Local Government Resource Review
- 7.1 At our September meeting The Deputy Director of Finance provided an overview of the proposals set out in the Local Government Finance Review for which an initial consultation paper had been issued on in July 2012. The proposed scheme would enable local authorities to retain their business rates and benefit from business rate growth as a replacement to the current formula grant system.
- 7.2 We were informed that the government would set a baseline level of funding for each authority based on the 2012/13 formula grant. Local authorities like Brent whose business rate income was below the funding level would be paid the difference from the government funded by tariff placed on authorities whose level of funded exceeded the baseline. Since July eight technical papers outlining some of the details had been released detailing a number of complex aspects of the scheme.

7.3 Members of the committee were concerned to hear that the top ups and tariffs were only likely bridge the shortfall in the short term and asked for further information about how we could become more efficient at identifying businesses, attract businesses to set up in Brent and collecting the rates. Immediate actions included:

- Prompt identification and referral to the Valuation Office for assessment
- Capita undertaking a lean review of their NNDR process identify efficiencies
- Regular inspection of high turnover properties
- Maximise take up of reliefs
- Prompt and appropriate recovery

In addition discussions were taking place with the Regeneration and Major Projects Department to ensure new developments are highlighted early to assist with forecasting.