

Budget Panel

First Interim Report

January 2009

Membership

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1. Introduction

Since the Budget Panel was first set up in September 2006, we have been keen to use the experience and knowledge gained each year to further develop the budget scrutiny process. Whilst the process enables a more in depth review of the budget and its development than had previously taken place the Panel has been keen to enable more members to become involved in the budget scrutiny process and therefore have the opportunity to gain a better understanding of the budget process, the issues and the options.

Since our last report the economic climate has changed dramatically. As a council we need to be able to help our local communities through challenging times, deliver on our corporate priorities, and ensure that we are spending money on efficient effective services. Within this climate the role of the Budget Panel is even more important in challenging the Executive, Service Directors and raising concerns about the impact of budget decisions on the borough.

The aim of the Budget Panel is to undertake an in-depth review of the key budgetary issues facing the council and influence the development of the administration's budget proposals. Then, using the knowledge and understanding gained through this process, to scrutinise and make recommendations on the administration's draft budget prior to it being agreed at Full Council. In addition we also see our role as a source of easily understandable information for all non executive members enabling robust challenge and debate on the administration's budget proposals.

Our remit is to examine the budget and assess whether or not it is realistic, and can deliver the main priorities in the corporate strategy. The terms of reference include:

- Examining the principles for budget setting
- The robustness of the budget and the ability to deliver savings
- The impact of 'invest to save' projects
- The impact of service transformation
- Key revenue budget outputs and decisions
- Key capital budget outputs and decisions
- The Medium Term Financial Strategy

We will have opportunities to make our 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 first of those opportunities, and as such contains the budget Panel's interim findings. The recommendations in the report fall into the following categories:

- Recommendations in our previous (February 2008) report in relation to the 2008/09 budget which need to be reiterated in relation to the 2009/10 budget.
- Recommendations in our previous report where we believe further action is needed to implement them.
- New recommendations which have come out of our work so far on the 2009/10 budget.

2. Recommendations

A. Recommendations reiterated from 2008/09

- 1) That balances should be set at an adequate level. In deciding what the adequate level is we strongly advise the administration to be guided by the Director of Finance and Corporate Resources.
- 2) That long term budgetary and service delivery risks should be assessed and explained when making decisions on savings.
- 3) That the budget should be robust, realistic and predictive of future demand to avoid overspends.
- 4) That there should be no increases in planned levels of unsupported borrowing given the impact this has on the longer term financial prospects of the authority.
- 5) That all members be encouraged to attend future meetings of the budget panel to raise awareness of the items within the budget and feed into the budget scrutiny process. The budget panel proposes that one of its meetings or a portion thereof be earmarked for the purpose of taking submissions from other members and that they be invited accordingly.

B. Further action required on recommendations carried forward from 2008/09

- 6) That, given on-going overspends in demand led budget areas, particularly adult care services, there is close monitoring of achievement of targets to achieve savings through transformation programmes.
- 7) That, in future, there should also be wider member involvement in the development of LAA priorities.

Other recommendations relating to our work on the 2009/10 budget

- 8) That given the current budget challenges and demands facing the council the administration should consider all options to ensure the delivery of high quality services to our residents. This includes:
 - The range of Council Tax increase available 0-5%
 - Identification of further savings on top of those agreed by the Executive in October
 - Using service transformation programmes to offset the impact of demand pressures on the budget
 - Using Area Based Grant and Performance Reward Grant to fund priorities linked to the Local Area Agreement

- 9) That Members from all three political groups receive a briefing on the results of the work being carried out in the Children and Families department to review cases following the Haringey investigation.
- 10) That the Audit Committee decides how to provide members with the opportunity to scrutinise the council's investments and investment processes.
- 11) That all measures are taken to lobby ministers about the proposed changes to the methodology for the Working Neighbourhood Fund Grant.
- 12) That the Budget panel is kept informed about the results of the process aimed at reallocating resources from the area based grant to deliver on LAA priorities.
- 13) That the detailed proposals for the new approach to funding the schools capital programme be brought to the Budget Panel when available.
- 14) That the fees and charges policy is again considered by the Budget Panel before it is adopted by the council.

3. Methodology

The budget scrutiny process mirrors that of the budget setting process and started in July 2008, just prior to the first service and budget planning away day. At our first meeting we received information on the provisional revenue outturn, the budget process for 2009/10 and the implementation of the recommendations the Panel made last year. In addition, following concerns raised in our report last year, we wanted an early update on the budget pressures and budget management in Adult Social Care. The resulting discussions helped to inform the development of our work programme and highlighted the evidence we would need to receive. So far we have received the following evidence:

- Councillor Blackman Deputy Leader of the Council – on the budget gap 2009/10 and measures the administration may take to bridge the gap including the first stage savings.
- The Director of Finance and Corporate Resources – provided regular updates on the progress of the budget process, the budget gap and the future financial prospects of the council.
- Councillor Paul Lorber, the Leader of the Council, on the administration's policy priorities.
- A presentation from the London Borough of Hammersmith and Fulham on their response to budget pressures and service transformation.
- The proposed approach to priority growth in the 2009/10 budget.
- Regular updates on the Icelandic Bank situation.
- The council's progress on the Medium Term Financial Strategy
- The proposed new approach to the schools capital budget.
- The proposed new policy on fees and charges.

- Budgets for corporate services.
- Budget pressures, savings, and unavoidable growth in Housing and Community Care, Children and Families and Environment and Culture.
- Issues related to service transformation in Adult Social Care.
- The impact of the 'invest to save' investment for looked after children.

Discussion – The First Interim Report

4.0 Budget Gap

- 4.1 Since our first meeting in July we have received regular updates about the budget gap, and what the figures meant in relation to the range of possible council tax increases. We also heard about the measures that are being considered to close it.
- 4.2 The figures reported to Full Council as part of the First Reading Debate in November 2008 showed the budget gap ranged from £4.5m assuming a 5% council tax rise, to £9.4m assuming a 0% council tax rise. We understand there is considerable uncertainty in projecting these figures, particularly in view of the current economic crisis. For instance inflation is currently higher than anticipated, though it is predicted that this will fall or even become deflation in 2009. The council's income from land charges has reduced and this can be expected in other areas such as planning and commercial lets. It is also anticipated that demand for some services, such as temporary accommodation, will increase.
- 4.3 We heard that the budget gap could not be addressed solely through council tax and that the savings agreed by the Executive on the 6th October were £1.9m short of the 3% target set for services. Savings to make up the 3% were being identified and further savings options of up to 2% were needed to close the budget gap by £3.1 million.
- 4.4 The Budget Panel was able to look at the first stage budget saving prior to the report going to the Executive on 6th October 2008. We noted that a lower percentage of savings had been achieved at this stage than at the same stage in the previous year. Councillor Blackman confirmed that the process was not as far forward as hoped and more work was needed.
- 4.5 Members of the Panel queried the reduction of 8 posts in the library service and were informed that the implementation of the library strategy meant that staff could work more flexibly and the availability of the internet meant that less staff were needed to help service users with research. Consultation with staff was currently underway.
- 4.6 Concern was expressed about the way in which the travellers' site was currently being managed and whether or not those concerns would be resolved by the proposed retendering process. The Budget panel would like to ensure that this is closely monitored.
- 4.7 There were a number of other measures that were being taken to reduce the gap. These included:
- Identifying surpluses to be carried forward from 2008/9
 - Reducing provision for inescapable growth
 - Reducing service priority growth

- Reviewing central items

5.0 Budget Pressures

- 5.1 The Panel has spent some time discussing the budget pressures facing the council. We were not just interested in the short term issues but wanted to explore the longer term pressures, the implications and the measures that were being taken to address them. In particular we were keen to learn more about:
- The effect of the current economic climate
 - The impact of the Icelandic bank situation
 - Inescapable growth
 - Changes to the Neighbourhood Working Fund
- 5.2 We have heard from a number of services that the current economic climate is likely to have an adverse effect on their ability to generate income or will increase the level of demand for their services.
- 5.3 Environment and Culture currently have a projected overspend of £675,000 for 2008/9. They informed us that half of their expenditure comes from income and that the housing downturn was having an adverse impact on a number of sources of income in areas discussed above such as land charges but also the council's ability to obtain section 106 money from new developments. Concern was expressed that this would impact on council's ability to deliver on its priorities. We learnt that some action has already been taken to reduce the forecast overspend with, for instance, five posts being taken out of the planning service to meet the drop in demand. There is though little that can be done to mitigate the reduction of land charges and this represents a serious loss of income.
- 5.4 We were informed that there was evidence nationally that pressures on families in the current climate has led to an increased number of children being referred. Brent's Children and Families department have been experiencing an increased number of referrals rising from 160 last year to 198 already this year.
- 5.5 Responding to this increase the Director commissioned a review of cases which was commissioned prior to the Haringey report being published. The review will be completed in December and be reported to the Executive in January. This review and the results of the Haringey investigation are likely to mean that inescapable growth could amount to £800k. The Budget Panel was keen to ensure that all three political groups received briefings about the results of the review and the impact of the Haringey report.
- 5.6 Housing and Community Care told us that the rise in the number of repossessions had not yet resulted in an increase in the number of homeless applications. Changes to the housing benefit system to be introduced in 2010/11 have been modelled by the council and will have a significant impact on the budget in 2009/10 and 2010/11.
- 5.7 All of this is of real concern to the Budget Panel given that the capped £2.644m allowed for inescapable growth in the 2009/10 budget was significantly lower than in previous years. We accept that the new approach to treatment of Adult Social Care growth, whereby the intention is to contain any growth through service transformation reduces the need for inescapable growth funding, the evidence we heard about growth pressures in other services means that we question whether £2.644m will be sufficient. We also consider that, given the history of overspending in adult care services, the assumption that all growth

in this area will be contained by service transformation needs to be kept under close review. We comment on this further within the next section of this report.

- 5.8 We have received regular updates on the Icelandic bank situation to ascertain the impact on the budget of the £15 million Brent has invested in them. We were recently informed that the council has now lodged formal claims with the administrators, though as this is likely to be a long process it may be some time before the council knows how much of the money will be returned. The recently announced local government settlement included a provision that will allow the council not to charge any losses suffered to the 2008/9 or the 2009/10 budget. We believe that members should have more of an opportunity to scrutinise investments made by the council and have recommended that the Audit Committee decides how to provide members with the opportunity to scrutinise the council's investments and investment processes.
- 5.9 The Budget Panel was informed that the government is currently consulting on changing the methodology of the Working Neighbourhoods Fund Grant, which is likely to mean that Brent will receive less than previously anticipated. It could mean that instead of receiving £8m over a three year period the council would receive £4.4m. The leader of the council informed us that members were meeting with local MP's and lobbying ministers against the proposed changes. We heard that if the changes go through there was likely to be significant impact on projects such as Brent In2 Work with up to 38 redundancies.

6.0 Impact of Service Transformation

- 6.1 The Budget Panel was keen to spend some time looking at the deliverability of service transformation and in particular on the budget pressures in Adult Social Care. At our first meeting in July we heard that following overspends of around £3m in the previous two financial years the department had received a significant net revenue budget increase in 2008/09. The Director's view was that the 2008/09 budget was challenging but realistic.
- 6.2 Key areas of concern expressed by the Panel were:
- The demand led nature of the service and what could be done to better predict demand.
 - The 'personalisation agenda' and the risks to individuals and the budget.
 - Commissioning and procurement practices and the risks to smaller providers in the current economic climate.
 - Budget monitoring
- 6.3 During the course of our meetings we heard that the demand led nature of the service was a significant cost driver. One way of reducing demand would be to change the council's eligibility criteria from 'substantial and critical' to just 'critical'. It was explained this would have a number of repercussions on the council and on service users. The largest single factor for increasing demand was older people coming out of hospital and requiring care packages. People with learning disabilities turning 19 and moving from being the responsibility of the Children and Families department to Adult Social Care was also expensive. We heard that the growth in demand was a national factor and in addition Brent had a higher proportion of mentally ill residents than the national average.
- 6.4 The transformation agenda was delivering savings, for instance in transport arrangements. Other savings would take longer, years in some cases, to deliver. This was because projects were more complicated than anticipated and would take longer to come to fruition.

- 6.5 It was acknowledged that the move towards self directed support and individual budgets would require a cultural change within the service and from service users. National research has shown that individual budgets will not save money though evidence in Brent shows that there have been savings so far.
- 6.6 The forecast overspend in Adult Social Care for this year was around £619,000 which we were informed represented 0.71% of the department's budget. In comparison with outer London boroughs Brent's spending on learning disabilities and physical disabilities was above average, but homecare prices were much lower than average. When asked how overspending would be avoided we heard that money was spent only when there was a statutory obligation to do so and to the minimum level of care required. We also heard that individual managers had been given more responsibility to manage their budgets
- 6.7 We heard from the Director of Children and Families that his department's transformation programme had largely been successful. Investment had been made in increasing the number of in-borough foster carers and targets were being achieved with more coming through the system. The department's current overspend was £300k, but it was expected to be on target by the end of the financial year.
- 6.8 Environment and Culture informed us that a number of their services including, waste, street cleaning, street lighting and environmental enforcement will shortly be the subject of service reviews as part of the council's Improvement and Efficiency Strategy.
- 6.9 In order to find out how other authorities are driving efficiency and service transformation the Budget Panel received a presentation from the London borough of Hammersmith and Fulham. We found that many of the steps that Hammersmith and Fulham were taking had either already been taken in Brent some time ago or given the difference in size, nature and starting point of the boroughs were inappropriate for Brent. The key learning point was that joint working was being undertaken via the West London Alliance to achieve efficiencies through joint procurement and exploring any other new ideas for savings.

7.0 Delivering the Corporate Strategy & Priority Growth

- 7.1 A report we received from the Leader of the Council, Councillor Lorber, stated that the administration's aims for the coming year were: to invest in the priorities that will meet the effects of the current economic conditions, to ensure continued delivery of the Local Area Agreement (LAA) targets, and to use 'invest to save' capital and revenue to deliver the Improvement and Efficiency Strategy. The administration's four key themes remain:
- Crime and community safety
 - Regeneration
 - Youth
 - Sustainability
- 7.2 The budget strategy agreed by the Executive in July 2008 proposed the removal of main stream funding within the budget for priority growth. It also agreed alternative sources of funding would be used.
- Area Based Grant – We were told that this would grow from £16.108m this year to £17.695m in 2009/10.
 - LAA Performance reward grant – Subject to achievement of LAA stretch targets the council expects to receive £8m in 2009/10 and 2010/11. It is proposed that the

revenue element will be allocated through the LAA priorities process and the capital element will be used as invest to save funds.

- Other non Area Based Grants
- Supporting Peoples funding from 2009/10

7.3 We heard that the approach for identifying priorities for allocating resources had been developed. The approach was first to gather data to establish what the area based grant was currently being used for; then challenge that data and ask a number of critical questions including whether the spend is value for money and contributing to delivering the LAA; and finally, where possible and where agreed by members, redirect some resources to other areas of work. It was expected that this process will be completed in mid December / January. The approach has subsequently been affected by the proposal to amend the funding for Working Neighbourhoods Fund (see above) which reduces growth in Area Based Grant. The Budget Panel have asked to be kept informed about the results of this process.

8.0 *Schools Capital Programme*

8.1 The Budget Panel received a report which set out a proposed new approach which was aimed at ensuring that capital resources would be available to fund efficient effective spending on schools. The proposal involved developing a Schools Capital Programme over a ten year period separating out major elements of the programme such as the Primary Capital Programme and Building Schools for the Future (BSF), and combining resources available to schools with mainstream council resources and developer contributions.

8.2 There are significant challenges faced by the schools' capital programme. The key challenges include the need for additional places in the borough, ensuring sufficient funds for Building Schools for the Future for secondary schools and meeting the shortfall of funding available for the primary capital programme.

8.3 We heard that initial discussions had been held with the Schools Forum, which consisted of head-teacher and school governor representatives. It is believed that this approached provided the opportunity for the council and schools to work in partnership.

8.4 The Panel was concerned that the proposed ten year strategy would not be able to meet the pressing need for school places, but accepted that a short term perspective and approach had not worked in the past so there was a need to take a long term view.

8.5 We were also keen to ensure that any new school developments were not only fit for delivering on school curriculum but were also able to provided facilities for local community use. We have asked for more detailed proposals on the proposed new approach to be brought to the Panel when available.

9.0 *Fees & Charges Policy*

9.1 The Budget Panel received a report on the proposed new council policy for setting fees and charges. This policy would only apply to fees and charges where the council has discretion over the level of fees charged and the services provided. The proposed policy, which is in line with the latest advice from the Audit Commission, sets out the proposed principles and processes for setting fees and charges, aims to provide consistency across the council and sets a policy framework which supports the achievement of the council's wider corporate objectives.

- 9.2 We heard that the level of income generated from charges in Brent was broadly in line with the national average of 9%.
- 9.3 There was some concern that the time frame for introduction of the policy and what fees and charges would be delegated to officers. We heard that the development of the policy was work in progress and that it would not directly impact on the setting of fees and charges in 2009/10. Nevertheless we have concerns about the way in which delegation to officers will work and propose that the policy is again considered by the Budget Panel before it is adopted by the council.

Background papers

Budget Papers Full Council 24th November 2008

Budget Panel Minutes 15^h July 2008, 2nd October 2008, 23rd October 2008, 13th November 2008,