



Budget Panel

First Interim Report

January 2010

Membership

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1. Introduction

The Budget Panel was set up in September 2006 during the first year of the current administration. The aim of the Panel was to develop the budget scrutiny process to enable a more in depth review of the budget than had previously taken place, and to allow more members to become involved in the budget scrutiny process, the issues and the options. As this is the final year of this administration and the seminal year for the implementation of Brent Council's Improvement and Efficiency Strategy, the role of the Budget Panel in challenging the administration and leading officers about the implementation of Brent's Corporate Strategy during the life of the administration and future plans is of increased importance.

Following the launch of the Improvement and Efficiency Strategy in September 2008 the Budget Panel spent some time looking at the deliverability and impact of service transformation on the council's three big service departments. Since then the consequences of the financial situation nationally, the recession locally and the prospects of serious financial constraint coupled with rising customer expectations has meant that the council has had to take a more fundamental review of how the organisation operates and what it delivers. Detailed research, analysis and consultation with staff and members has resulted in the development of Brent's Improvement & Efficiency Action Plan 2010 – 2014, which was launched in September 2009. The Action Plan, how it is being implemented and the council's capacity to deliver the targets set out in the plan, has been the key focus of the Budget Panel this year.

The overall 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 the Improvement & Efficiency Action Plan
- Key revenue budget outputs and decisions
- Key capital budget outputs and decisions
- The Medium Term Financial Strategy

We 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 interim report of the Budget Panel and contains the Budget Panel's recommendations to executive members prior to the publication of the executive's draft budget. 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.
- New recommendations which have come out of our work on the 2010/11 budget.

2. Recommendations

A. Recommendations reiterated from 2009/10 Budget Review

- 1) That balances should be set at an adequate level. In deciding what the adequate level is, the Budget Panel 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. Recommendations from 2010/11 Budget Review

- 6) Given the current budget challenges and demands facing the council and future financial constraints facing the public sector, the administration should ensure that in setting a budget for 2010/11 future budgets are not further strained by the excessive use of one-off resources.
- 7) Given that there is likely to be reductions in government spending after the general election regardless of the political orientation of the new government, the council should undertake detailed scenario planning prior to the local and general elections on how it will address the need to make such savings taking

account of the main policies of all major political parties in order to assess where likely funding problems might arise.

- 8) That the overview & scrutiny function plays a key role in the governance of the Improvement and Efficiency Strategy and Action Plan.
- 9) That savings targets identified in the Improvement & Efficiency Action Plan are profiled and monitored, and that the lessons learned from the previous Invest to Save programme - both positive and negative - are brought to bear in ensuring that the ambitious efficiency targets are met. This information should be regularly reported to the Budget Panel.
- 10) That the council ensures that it learns from the experience of other local authorities undertaking improvement and efficiency programmes and shares our experience with others.
- 11) That the effectiveness of the council to deliver large scale change as set out in the Improvement and Efficiency Action Plan is assessed, and any weaknesses are addressed.
- 12) That the council lobbies the government on the currently proposed changes to concessionary fares and on any future changes that will have a detrimental effect on our local community and council finances.
- 13) That the council lobbies the government to ensure that sufficient funds are provided to meet all additional costs that arise from the proposals in the Personal Care at Home Bill.
- 14) That the council develops a long term sustainable Housing Revenue Account business plan and continues to lobby for changes to the current national housing finance system.
- 15) That at the end of the current administration a review is undertaken to assess where priorities in the Corporate Strategy have not been delivered and the reasons for this. This will provide the new administration with the necessary information to decide whether the items should be included in the new Corporate Strategy, as well as indicating whether the priority became obsolete or was not funded as other priorities were deemed more urgent.
- 16) That the future Corporate Strategy contains clear costs and risks set out against each priority.
- 17) That members receive regular information on performance against the corporate strategy.
- 18) That an assessment is made of the impact on the capital programme of improving the standard of roads and footways in Brent to the upper quartile of London boroughs.

3. Methodology

The budget scrutiny process mirrors that of the budget setting process and started in July 2009. 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. 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 taken the following evidence:

- The Director of Finance & Corporate Resources provided a report on the budget strategy 2010/11 – 2013/14. In addition he provided regular updates on the budget process, budget gap and future financial prospects of the council.
- The Director of Policy & Regeneration provided detailed information on the impact of the recession in Brent.
- A report outlining the key issues and latest developments concerning the Housing Revenue Account (HRA).
- The Assistant Director of Policy provided a detailed presentation on Brent's Improvement & Efficiency Action Plan and achievements against the Corporate Strategy.
- The Director of Housing and Community Care provided information on the Adult Social Care budget and forecast for 2009/10, longer term budget pressures and service transformation both nationally and locally.
- Councillor Paul Lorber, Leader of the Council, set out the administration's priorities.
- The Director of Children and Families provided information about the budget and forecast for 2009/10, longer term budget pressures and the impact of service transformation.
- The Director of Environment & Culture provided information on their budget pressures and risks, budget solutions and how the service would contribute to delivering the Improvement and Efficiency Action Plan
- The Director of Business Transformation provided an overview of the project initiation document for the structure and staffing review (Gold Project)
- The Borough Solicitor provided an overview of the project initiation document for the strategic procurement review (Gold Project)

Discussion – First Interim Report

4.0 Budget Gap

- 4.1 At our first meeting in July 2009 we received a report on the medium term financial strategy. This set out assumptions about resources available to the council and presented the projected budget gap for the next four years on the assumption of a 0% Council Tax rise. The 2010/11 gap was identified as £14.1m. We heard that although this was within the range of previous years, the cumulative figure of £53.7m by 2013/14 supported the argument for a move away from an incremental approach to saving and budget setting to a more radical approach focusing on securing efficiencies, reducing waste and duplication and increasing income generation.
- 4.2 By the time the figures were reported to Full Council as part of the First Reading Debate in November 2009 the budget gap, assuming a council tax freeze, had been reduced to £8.9m. The main reasons for this were a reduction in the assumptions for pay and prices due to the low levels of inflation and an increase in the estimated council tax base.
- 4.3 The First Reading Debate report also set out measures that could be taken to reduce the gap. The main ones were:
- *Surplus carried forward from 2009/10* – work is being undertaken to identify a surplus. We heard that this had happened in previous years so was achievable though difficult.
 - *Identifying additional savings* – permanent changes would provide benefits for 2010/11 and future years.
 - *Fees and Charges* – members may wish to consider rises in specific areas.
 - *The Improvement And Efficiency Strategy* – the implementation of this via the action plan provides the greatest scope for closing the gap this year and in future years.
- 4.4 We were concerned that the report highlighted that, based on budget monitoring report to the end of September, the forecast level of balances at 31st March 2010 was £5.6m, which is below the £7.5m target set in 2009/10. The leader of the council told us that this was a similar level to that reported at a same stage last year. The Director of Finance and Corporate Resources stated that he believed that as departments got their overspends under control balances would return to the budgeted level, but any remaining overspends would impact on the level of balances.
- 4.5 The Panel questioned whether the *invest to save programmes* had delivered the projected savings in previous years. While it was acknowledged that some projects like that in Children and Families had delivered savings, others had been less successful in freeing up resources. We were informed that the invest to save concept was being pursued and the council had learnt from these programmes and was already getting better at managing the process.
- 4.6 We explored how robust the new approach to budget setting is. We heard that budget setting had become more straightforward since the introduction of a three year settlement. However the Budget Panel itself has previously raised concerns that large parts of the budget were not being scrutinised in any depth and changes to the budget were largely being made at the margins. This Improvement and Efficiency Strategy allowed for a fundamental analysis of what the council was spending money on and what was being delivered.

4.7 Given the importance of the implementation of the Improvement and Efficiency Strategy and Action Plan to the council's future ability to set realistic budgets, reduce costs and deliver services on behalf of our local community, a large part of the Budget Panel's work programme has focussed on the Action Plan and this is reflected later in this report.

5.0 *Budget Pressures*

5.1 The Panel has spent some time exploring the budget pressures facing the council. We were keen to explore medium and longer term issues as well as some of the immediate pressures facing our services. In particular we were keen to hear about:

- The local impact of the recession
- Inescapable growth
- Government funding decisions.

5.2 The Director of Policy & Regeneration informed us that economic data indicated that the impact of the recession in Brent had been mixed. The biggest impact was on our most deprived wards, which were also the council's priority for regeneration. Unemployment has seen a steep rise, and the take up of housing and council tax benefit has increased. Acquisitive crime had increased, in particular burglaries. However, the level of street crime had decreased.

5.3 A number of actions were being taken to mitigate the effects of the recession which included a benefits take up project and an income maximisation project. However we heard that difficult decisions would need to be taken in relation to successful projects like Brent in2 Work given the reduction in funding available via the Working Neighbourhoods Fund.

5.4 The Director of Environment and Culture told us that his service's budget pressures, which amounted to a total of £2.2m, were mainly driven by the recession. A drop in land charges amounted to £150k in 2009/11. Future income levels are uncertain following a recent ruling from the Information Commissioner meant that under the Environmental Information Regulations requests for information about land charges could no longer attract a charge. The biggest budget pressure in 2009/10 was the £1.1m shortfall in the parking account. We were told that the number of penalty notices had reduced as a result of increased compliance and possibly as a result of the recession. This reduced income could continue to be a pressure on the 2010/11 budget.

5.5 In some areas income was related to expenditure, so it was easier to adjust costs, such as staffing levels when income fell. In other areas, such as land charges, this correlation did not exist so reducing expenditure was not possible. Measures were being taken by the department to reduce the projected overspend which included a zero based budget exercise in Libraries and StreetCare, holding posts vacant, reducing the use of agency staff and service unit target savings. There remains a predicted residual shortfall of £600k which was proving intractable.

5.6 The Budget Panel explored ways in which the shortfall could be reduced, in particular the suggestion that street cleaning could be reduced in some areas. The Director of Environment & Culture said that this was being explored and there were areas where a reduction to once or twice a week would have minimal impact, though the Director stated that in other areas a reduction in service would generate complaints. We pressed for other options for reducing the shortfall. We were informed that the use of overtime was being

examined. We were also told that a quicker than expected economic upturn would have a positive impact.

- 5.7 The Director of Housing and Adult Social Care told us that the projected overspend for the Adult Social Care budget was relatively small at £127k. Work was being undertaken to reduce this but he emphasised that this budget was volatile and demand led. Key longer term budget pressures identified were:
- Demographics – more people living longer with more years of dependency. An increase in transition cases from young people to adults
 - Possible legislative changes – Adult Social Care Green Paper
 - Managing the personalisation agenda – cost of choice, twin tracking of types of provision and ensuring the service remains in the overall budget envelope.
- 5.8 The main strategy for reducing the shortfall and tackling the longer term budget pressures was service transformation both nationally and locally. Nationally the focus of transformation was on preventing need, providing choice and maximising the independence of service users. Locally this is being picked up as a gold project in the council's Improvement and Efficiency Action Plan.
- 5.9 The Department of Health has recently issued a consultation paper on the Personal Care at Home Bill. We heard that this focuses on helping more people with care needs to stay at home for as long as possible and could guarantee free personal care for up to 400,000 people nationally. If agreed this will be funded via a specific revenue grant from October 2010. The grant will cover extra cost relating to loss of income from charges and additional service users who currently do not receive publically funded care. Some of the funding, 37%, is planned to come from local government efficiency savings. Initial calculations by the Government estimate that for Brent this would be between £497k and £635k in 2010/11. As implementation is planned for 1st October 2010 this figure will at least double in 2011/12. We would therefore like to ensure that the council lobbies for sufficient funding to meet new demand.
- 5.10 The Director of Children and Families informed us that an overspend of £2.5m for 2009/11 had been predicted in May 2009, but by November this had been reduced to £400k. Without the current invest to save project the projected overspend would have been much worse. However, the department was still working to increase the number of in-house foster carers in Brent and had commissioned an independent review into this as an increase would not only generate significant savings but would provide a better outcome for children. The children's services transformation had now become a gold project in the Improvement and Efficiency Action Plan.
- 5.11 The Director told us that there had been a general increase in social care activity, for example referrals under section 47 of the Children Act 1989 were predicted to be 5,456 in 2009/10, this compared with 3,434 in 2008/9. Increased awareness following Baby P and on issues such as domestic violence had contributed to this. The council had put an extra £1m into children's social care, which has been used to increase the number of social workers and specialist staff for audit and quality control of cases.
- 5.12 Other budget pressures outlined to the Budget Panel included an increase in the proportion of young people, an increasing birth rate and greater movement into the borough. In addition there was concern about the impact of the Southwark judgement by the House of Lords, which ruled that looked-after child status should be extended to 16 and 17 year olds.

This would cost Brent Council between £800k and £1.6m. While there had been no significant financial impact this year, it was clear that there would be in 2010/11 and beyond.

- 5.13 The First Reading Debate papers published in November 2009 revised the itemised inescapable growth to £2.038m from £1.849m identified in March 2009, leaving £1.811m within the general provision for inescapable growth. It was reported that any new inescapable growth above this figure would increase the budget gap.
- 5.14 The Budget Panel was concerned to hear that potential changes to how the government grant for concessionary fares will be allocated could result in an additional cost to the council of £1.1m.
- 5.15 Given the Budget Panel's previous interest in the population figures and what that means to the council in terms of government grant we were alarmed to hear that the Office for National Statistics (ONS) 2008 mid-year population estimate amended Brent's population down to 261,000. Brent Council's own estimate and the GLA's estimate both indicated a population of around 280,000. This would not affect the 2010/11 budget, but it would impact on the 2011/12 budget. The council would be responding to a consultation on this and would be lobbying to change the figure. This underlines the importance of ensuring a good return on the next census.

6.0 Improvement & Efficiency Action Plan

6.1 The Budget Panel received a presentation of Brent's Improvement and Efficiency Action Plan, which was developed to implement the Improvement and Efficiency Strategy. The economic situation had given the Improvement and Efficiency Strategy added significance emphasising the need for a more radical approach to future budgets while removing costs from the base budget. The Action Plan sets out a programme of projects designed to reconfigure the way in which the council provides services to the public, at the same time as achieving substantial efficiencies and effective service delivery. The projects contained in the action plan cover a balance of cross cutting and individual services and are aligned to at least one of the following savings strands:

- Service transformation and review
- Civic centre and property management
- Better procurement, commissioning and contract management
- Delivering the One Council proposals
- New and more flexible ways of working
- Stopping lower priority activities
- Increased income generation
- Independent review of structure and staffing.

The projects have been categorised as gold, silver and bronze depending on their strategic importance, organisational impact or complexity and capacity to deliver savings. Savings targets and timescales have been included in the Action Plan. The total savings target is a minimum of £50m, but equal emphasis is on improving service delivery.

6.2 We heard that the Improvement and Efficiency Strategy and Action Plan ensured that the council could deliver other strategies. The savings target had been arrived at using a range of methods including benchmarking with other London councils, the PricewaterhouseCoopers (PwC) staffing and structure review and the development of detailed business cases as with, for example, the financial management review. However,

some targets in the Action Plan were provisional and independent validation and external consultants will be used to firm these up.

- 6.3 The Budget Panel heard that in developing this Action Plan, Brent Council took the view that it was possible to address improvement and efficiency without destabilising services. The Budget Panel explored what risks could derail the implementation of the Action Plan. We heard that the main risks were:
- Keeping up the pace of change
 - Effective project management
 - Capacity, and
 - Staff engagement
- 6.4 Members of the Budget Panel believe that this is an interesting approach in addressing the need for improvement and efficiency. We were therefore keen to follow the progress of the Action Plan and in particular the Structure and Staffing Review gold project and the Strategic Procurement Review gold project.
- 6.5 The Director of Business Transformation informed us that the Structure and Staffing review was one of the most important projects as it is likely to influence or impact on all of the other projects within the Action Plan. It has two main objectives. Firstly to transform Brent's organisational design by ensuring that the shape of the council reflects future need. Secondly it will reduce the workforce by at least ten percent and in doing so will streamline management structures, removing layers of management and addressing the current narrow spans of control. The PwC staffing review, undertaken earlier this year had provided evidence that a relatively small number of full time equivalent (FTE) post were engaged in 'front line' service delivery (29%) compared with 71% engaged in enabling front line delivery and other back office functions. The council would be aiming for a 50-50 split by the end of this project. We were told that Deloitte's are currently helping with the overall programme management and are scrutinising the project to help to clarify the projected savings of £8.5m and profile when the savings could be realised.
- 6.6 Key issues that will be addressed by this project include:
- Reducing the workforce by a minimum of 10% over 4 years
 - Reducing the layers of staffing and broadening the ratio of staff to managers
 - In-depth reviews of departmental structures and staffing
 - Monitoring/encouraging other gold, silver and bronze projects to contribute to this work
 - Ensuring downsizing is done in an intelligent, rational and creative way with minimal impact on frontline jobs and services, but
 - Ensuring that both front line and support services are properly scrutinised.
- 6.7 The Budget Panel was concerned about how this would impact on staff morale. We heard that communication was key to ensuring that all members of staff understood the need for change and how that change would come about. Engaging staff was not easy, but vital to success and tools were available to monitor whether or not messages were getting through. The recent staff survey would provide more detailed information about how staff feel once the results had been analysed.

- 6.8 We were keen to explore the risks that might prevent the council successfully completing this project. The Director told us that most local authorities didn't have much in house experience of managing change on this scale and this was one of the reasons that the council needed external consultants like Deloitte. The challenging financial climate would continue to be a risk, particularly as some projects would require investment at the same time as aiming for big savings.
- 6.9 The Borough Solicitor, project champion for the Strategic Procurement Review, informed us that the main issue the project was trying to address was the highly devolved nature of the function which meant that there was limited use of collaborative contracting and framework agreements. The PwC work had indicated that as well as the nine full time staff employed in the Corporate Procurement Unit, a further 145 FTE were involved in procurement in one way or another across the council. Further work needed to be done to verify this figure and external support was needed complete the project. Issues that will need to be addressed include:
- Devolved procurement approaches
 - Duplication of procurement effort
 - Procurement strategy should address Community, Equalities and Sustainability in greater detail
 - Need for greater focus on cost management in procurement projects and contract management
- 6.10 To complete the project a range of actions will be taken. These are:
- Review staffing structure* – determine the most appropriate staffing levels and structure to support a cohesive, unified approach to procurement across the organisation. Deliver cost reductions highlighted above and minimise the risk inherent in a fragmented procurement.
- Switch to category management approach* – Benefits include: cost reductions due to aggregation of demand and spend, collaborative working, long term planning, Risk reduction due to use of cross-functional teams addressing all relevant issues and the establishment of a high-level decision making board.
- Update core strategy and create sub-strategies related to Community, Equalities and Sustainability* ensuring that key areas of legislation/drivers are uniformly applied across all our procurement processes and that community partners are able to benefit from appropriate procurement opportunities.
- 6.11 We heard that the savings targets for this project were ambitious. The current estimate was that around £2.8m would need to be invested over the next four years to achieve a saving of over £11m. Contract reviews would produce further savings but it was too early to set savings targets for these.
- 6.12 In exploring the risks to this project we were told that quantifying and profiling the savings from improved procurement was difficult and the processes were long. It would be six months before firmer information was known.
- 6.13 Given some of the risks outlined above we wanted to explore further the mechanisms that were being put in place to ensure effective delivery of the Improvement and Efficiency Strategy. We therefore received an update on the council's programme management partnership with Deloitte.

- 6.14 The contract with Deloitte will be delivered over a six month period and is composed of four work streams:-
- Leadership of change
 - Project activity
 - Establishing a programme
 - Training activity
- 6.15 The leadership work stream aims to embed appropriate governance at an operational and strategic level, ensuring timely and effective decision making and detailing the type of information that is required for each level of governance.
- 6.16 The project activity work stream is designed to ensure that the thirty two individual project within the programme are robustly scoped and designed and are able to meet their objectives. From this work five 'focus projects' have been identified that are central to delivering efficiency savings across the whole council. These include the Staffing and Structure Review and the Procurement Review discussed above.
- 6.17 We were informed that the establishment of a Programme Management Office (PMO) is critical to both effective delivery of the programme and sound governance. Actions undertaken to date include:
- Design of the PMO staffing, core function and service offer
 - Development of standard templates for reporting, risk management, benefits realisation and project design
 - Development of a communications strategy
- 6.18 A small number of posts for the PMO will be advertised externally but all other posts will be filled internally on a secondment basis. This expenditure has been factored into the efficiency targets for the programme.
- 6.19 The training activity work stream is designed to gain maximum benefit through skills transfer in programme and project management. Activity has included a two day project management training course provided to all 40 project leads and a skills and capability self assessment. Further training will be delivered over the next four months and individual support and coaching is provided.
- 7.0 *Housing Revenue Account*
- 7.1 The task group was informed about the key issues around the Housing Revenue Account (HRA), the HRA business plan, consultation on the reform of public housing finance, and a forecast based on current outturn
- 7.2 We heard that the HRA business plan 2009 had modelled income and expenditure over a 30 year period and had shown a significant long term shortfall, which is in the region of £518m. This raised issues how investment needs and decent homes standards could be funded in the long term and the sustainability of the HRA.
- 7.3 One of the main causes of the problem was the way in which the national finance system for public housing works. Currently two thirds of councils contribute to the surpluses to the government and one third, including Brent, gained subsidies.

7.4 The government has recognised the problems with the current system and is in the process of consulting local authorities on proposals to move to a self financing system. This would mean that the debt of those that currently receive subsidy would be transferred to those that currently contribute to the system. This would bring significant resources to Brent

7.5 Although the government would like to negotiate an agreement there is currently some resistance from those authorities that would have to take some of the debt. If a negotiated settlement could be agreed it could come into force in 2010. If not, the government would need to introduce legislation, which would be unlikely to happen before 2012/13.

8.0 *Delivering the Corporate Strategy*

8.1 Given that we are coming to the end of the current administration and this is the fourth year of the Budget Panel we were keen to look in detail at how many of the Corporate Strategy priorities have been delivered.

8.2 We heard that of the 212 priorities contained within the Corporate Strategy 31% have been completed, 62% were still in progress but on course for completion and 7% were either not achieved or were no longer required.

8.3 Key successes outlined to us included:

- Improved educational attainment
- An increased recycling rate
- The majority of LAA targets achieved
- Crime and community safety – crime reduction of 21%, and
- Gains achieved through improved speed of assessment for council tax and housing benefit.

8.4 There had been a number of key challenges. These included:

- Adult sports participation
- Recruiting in-house Brent foster carers
- Low levels of adult skills and qualifications, and
- Demand for school places

8.5 We explored further why the 7% of targets were unlikely to be achieved. One of the reasons given was that the council was unable to find external funding, for example to build new sports facilities. In relation to roads and pavements it was because the council was unable to fund the work to a sufficient level.

8.6 The Budget Panel is keen that in future the Corporate Strategy contains clear cost and risks against each priority. We would also like to ensure that members receive regular information about performance against the Corporate Strategy.