

MINUTES OF THE BUDGET PANEL
Thursday 10th January 2007 at 7.30 pm

PRESENT: Councillor Mendoza (Chair), Councillor Pagnamenta (Vice Chair) and Councillors Cummins, John and J Moher.

Councillor Blackman (Lead Member for Corporate Resources) and Councillor Castle were also present.

Apologies for absence were received from Councillor Shah.

1. Declarations of Personal and Prejudicial Interests

None declared.

2. Deputations

None

3. Minutes of the Previous Meeting – 18th December 2006

RESOLVED:-

that the minutes of the previous meeting held on 18th December 2006 be received and approved as an accurate record.

4. Matters Arising

None.

5. Central Budgets

Members heard a presentation on the analysis of central budgets from Peter Stachniewski (Deputy Director of Finance and Corporate Resources). Peter Stachniewski reminded the committee that they had previously analysed the Children and Families, Environment and Culture and the Housing and Community Care budgets. The presentation was divided into three parts: Central Items, Central Services Budget and finally the Finance and Corporate Resources Budget.

With regards to the Central Items, Peter Stachniewski presented a pie chart, which explained how the Central Items budget of £36.6 million was divided. Capital Financing Charges were £18.1 million, Prudential Regime Charges £2.6 million, Levies £7 million, Premature Retirement Compensation £4.2 million and other items £4.7 million.

He stated that the Capital Financing Charges (including Prudential Regime Charges) included payment of principal and interest on roughly

£200m of General Fund debt. The impact of new borrowing to fund the capital programme was significant and this was reflected in the large projected increase in Prudential Regime Charges over the period to 2006 to 2011. This had to be taken into account in determining the level of borrowing that could be afforded to fund the capital programme.

The other areas where significant growth was expected in future years were levies, which would go up significantly if West London Waste Authority were not able to address significant amounts of waste going to land-fill, and the provision for a civic facility/maintenance of council buildings where significant funding would be needed to make council buildings suitable if the proposed Civic Centre did not go ahead. In response to a question from Councillor Castle, Peter Stachniewski stated that this budget included assumed costs of the Civic Centre.

The council had limited control over a number of the items. Peter Stachniewski explained to members that the council had no control over Premature Retirement Compensation budget – it represented payments to staff who had retired prematurely in the 1980s and 1990s. Agency/third party payments – for example, London Councils, the LGA, the council's external auditors – were also largely outside the control of the council, as were payments to Transport for London for the Freedom Pass scheme.

Peter Stachniewski explained that provision had been made for costs that might arise from negotiations on Single Status. In response to a question from Councillor John, he stated that the agreement needed to be implemented from 1 April 2007. Funding for decanting as part of the South Kilburn Development had been reduced in earlier years of the budget to reflect delay in the transfer ballot. Amounts for Investment in IT mainly reflected council commitments following on from the e-government programme.

With regard to Ward Working, Peter Stachniewski explained that the provision in 2007/08 had been reduced because it was not expected that recommendations from the Constitutional Working Group would have a full-year impact in 2007/08. Councillor John queried whether that would be the case and whether the amount included would be sufficient.

The Chair asked Peter Stachniewski what strategies the council had formulated to decrease the amount of debt owed. In reply, Peter Stachniewski explained that there were two main issues that affected the cost of debt to the authority. The first, which was a technical issue, was the council's borrowing strategy. Most of the council's debt was in the form of fixed interest loans but the council had been successful at restructuring debt to take account of low interest rates particularly for long term debt. A recent debt restructuring exercise had saved the £411,000 per annum. The second issue, which was about policy, was

the level of new debt required to fund the capital programme. Peter Stachniewski pointed to the demands on the capital programme – spending on additional pupil places in schools, maintenance of parks, council buildings and roads, social housing for homeless families and so on – but these needed to be prioritised as part of capital programme consideration. In addition, funding sources other than borrowing had to be fully investigated e.g. use of s106 agreements, Private Finance Initiative and so on.

The Chair raised the issue of the £11k each year for advertising/sponsorship which he felt was low. Peter Stachniewski stated that attempts had been made to increase this but proposals – such as advertising on lamp-posts – had been rejected by planning officers. Councillor John confirmed that this had been an issue for the previous administration and that planning officers had argued that the streets were already cluttered with adverts and that green spaces were not suitable for adverts.

The committee noted the report.

6. Central Services Issues – Update

Peter Stachniewski presented members with the central services net budget for 2006/2007, which amounted to £11.8 million. The presentation illustrated in the form of a pie chart the various departmental budgets. He emphasised that the main issue was how each department would deliver their service on the budgets given. The departments covered under the central services budget consisted of the Chief Executive's Office, Communication and Consultation, Human Resources and Diversity, Legal and Democratic Services, Policy and Regeneration, other corporate departments and finally the Neighbourhood Renewal Fund budget.

Councillor John informed members that the council had little control over the Neighbourhood Renewal Fund budget since it had to be approved by the Local Strategic Partnership. Councillor J Moher asked if there could be more transparency on central budgets, in particular the Legal and Democratic Service Budget, as he was interested in knowing how budget decisions were made with regards to members. He asked for details to be supplied of the basis for the decision to stop funding members' business cards.

In response, Peter Stachniewski informed members that each head of department and lead member was responsible for their budget but that there was oversight by Performance and Finance Select Committee. He also stated that the Committee may want to focus on central services budgets in their work on future years' budgets, due to the time constraints of the Budget Panel's work programme.

Peter Stachniewski explained the budget trends and gave a detailed account on the various departmental budgets under central services. The budget trend graph illustrated that budgets for central services had been relatively stable in cash terms over the past two years, with growth for inflation offset by annual savings of 2%.

Peter Stachniewski then explained that central services included both core services, such as communications and press, and traded services, such as printing. There followed a discussion on traded services and members agreed that there was a need to investigate the operation of the internal market, including the efficiency of services provided, competitiveness of charges, and whether it was best for services to be provided in-house or by external providers.

Lastly the Finance and Corporate Resources net budget was discussed. Peter Stachniewski explained in detail the four areas that came under the Finance and Corporate Resources umbrella - Financial Services, Revenues and Benefits, Property and Asset Management and the Information Technology Unit.

Peter Stachniewski circulated details of the proposed additional savings in central services and Finance and Resources, which had been included in Appendix 2 of the First Reading Report. The Chair enquired whether any of the proposals would have a direct impact on service users. Duncan McLeod (Director of Finance and Corporate Resources) explained that there was a proposal to close the front desk of the cashiers' office at the Town Hall in light of declining usage and the various alternative mechanisms for making cash payments including Pay Point and the Post Office. Peter Stachniewski explained that the heads of the various central units were not present to explain impact of the proposals in their service areas; however some of the savings would inevitably impact on capacity of the council to deliver its overall agenda.

Given the complexity of the additional information, Members requested that the material be produced in advance.

6. Update – Capital Programme 2006-2011

The Deputy Leader of the council attended to respond to members' questions.

Peter Stachniewski introduced the Capital Programme Report. The key drivers of the programme were the priorities set in the corporate strategy and condition of assets. The key constraints were unavoidable capital spending (for example, repairing roads and pavements), restrictions on the way resources can be used (for example, Transport for London and lottery money), limited access to capital receipts (Right-to-Buy receipts are declining), and the limited

capacity to fund borrowing - although there was no direct constraint on borrowing, councils must consider the impact on future revenue spending. He went on to explain the key issues with reference to Children and Families, Environment and Culture, Housing and Community Care and corporate departments.

After Peter Stachniewski had introduced the report, members directed questions to Councillor Bob Blackman (Deputy Leader). The Chair enquired what changes had been made or were planned to reflect the priorities of the new administration. In response, Councillor Blackman emphasised the key constraints that Peter Stachniewski had pointed out. He stated that the council needed to explore what resources would be available to meet the requirements set out in the Corporate Strategy. An example would be to obtain s106 agreements to supplement the roads and pavements programme. Councillor John pointed out that the previous Administration had faced similar issues.

In response to a question about the administration's views on increased levels of borrowing, Councillor Blackman informed members that although borrowing rules had changed the administration was not favourably disposed to increasing overall borrowing until all other avenues had been investigated, such as PFI and S106.

Members asked what the impact was of transferring funding from social housing grants to the proposed affordable housing PFI. Peter Stachniewski explained that the PFI was targeted at achieving the same outcomes as social housing grant in the capital programme and that in practice more affordable housing would be provided than if it had been funded through the capital programme – up to 300 additional affordable homes compared to 90 that would be provided over three years from capital programme funding.

With regards to parks, members enquired how funds would be provided to maintain the parks and from where else could funds be provided. Members had particular concerns about the use of sports facilities in parks and whether this could be increased by fairly simple measures such as up-grading changing rooms. Councillor Blackman advised members that all departments, including parks, have been requested to identify and report on all funding sources available to them. He also advised members that the review of sports facilities would be reported to the Executive shortly and that this would address issues of usage.

The Chair enquired why Right-to-Buy receipts had decreased and what measures could be taken to increase them. Councillor Blackman informed members that a number of factors had affected Right-to-Buy sales including the reduction in the discount – as a result, people who could afford to buy were more likely to buy other properties rather than their council home.

Members asked the intention of the administration with regards to spending on the schools capital programme. Councillor Blackman informed members that the council had been successful in achieving an additional £2m from government for the expansion of Preston Manor School. More funding would be needed to meet expected pupil growth in future years. He pointed out that devolved capital grants were available to schools (around £50k per school each year), although it was up to schools how the money they receive would be spent. He also advised that in certain circumstances capital charges could be met from within the Dedicated Schools Budget.

In response to a question about more extensive use of City Academies in other areas such as those proposed recently in Manchester, Duncan McLeod explained to members that, in order for an existing school to be converted to an Academy, it needed to have relatively poor exam results whereas Brent schools have generally had good and improving results.

The Chair thanked Councillor Blackman for his time and ability to answer questions in detail.

7. Discussion on Interim Report

The Interim Report summarised the findings of the Budget Panel since the first meeting in September 2006.

Panel members welcomed the report and after amendments and additions made to the report; it was agreed that the final copy would be e-mailed to committee members for agreement.

8. Date of Next Meeting

It was noted that the next meeting would take place on Monday, 5th February 2007.

9. Any Other Urgent Business

None

The meeting ended at 10.00pm

A MENDOZA
Chair

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