

MINUTES OF THE BUDGET PANEL
Tuesday, 17th July 2007 at 7.35 pm

PRESENT: Councillor Mendoza (Chair) and Councillors V Brown, Cummins, Gupta and John [part].

Apologies for absence were received from Councillor J Moher.

1. Declarations of Personal and Prejudicial Interests

There were none.

2. Minutes of Last Meeting

RESOLVED:-

that the minutes of the meeting held on 21st February 2007 be received and approved as an accurate record.

3. Matters Arising

Recommendation tracking – utility companies

Councillor Cummins queried whether any action had been taken regarding the Panel's recommendation to monitor the Council's endeavours to ensure that utility companies and contractors were held accountable for deterioration of repairs over a longer period of time, not just when the repairs were done. Duncan McLeod (Director of Finance and Corporate Resources) explained that whilst this issue had been included at point 14 in *Appendix G – Recommendations of Budget Panel in their report on the 2007/08 budget*, it would be amended to take on board the Panel's recommendation that utility companies should be held accountable for any deterioration of repairs occurring at a later date.

4. Deputations

There were none.

5. 2006/07 Provisional Revenue Outturn Report

Peter Stachniewski (Deputy Director, Finance and Corporate Resources) outlined the report before Panel members, which set out the provisional outturn for 2006/07 and showed an improvement in the position to that assumed when the 2007/08 budget was set. The report highlighted the impact on balances in 2007/08 of the 2006/07 outturn and emerging financial pressures in 2007/08. It was noted that this report had been considered by the Executive on 16th July 2007.

Commenting on the headline issues in the report, the Deputy Director of Finance and Corporate Resources explained that the balances of £10m remained above the Council's target range and that this was a positive starting position. Referring to the main variances identified in *Appendix A*, members were advised that there had been a significant overspend within the Children and Families department and that whilst more money had been identified for this area in 2007/08, this was likely to remain a risk area. The other area of significant overspend was adult care and this would also need to be closely monitored in 2007/08. The Deputy Director explained that these overspends had been offset by underspends in Finance and Corporate Resources and central items.

Panel members were updated about emerging issues for 2007/08 and the potential implications for future budgets. Members were mindful of the need to assess whether any issues could have been identified when setting the 2007/08 budget and, in the longer term, to assess what impact these might have on the 2008/09 budget and beyond. The Deputy Director then commented on the main budget risks that had already been identified for 2007/08 (*Appendix B*), but stressed that better information would be available on the 2007/08 budget position in September 2007. Early indications did however suggest that the Children and Families Department was a major risk area and financial stability depended on successful implementation of the "invest to save" programme for children's social care. Within Housing and Community Care, the main area of potential overspend currently identified was temporary accommodation costs. It was stressed that whilst the main focus of the Panel was the budget process for 2008/09, in considering this the Panel would have to be mindful of overspends and underspends in 2007/08 and previous years to ensure that they were taken into account in deciding budget requirements for 2008/09 and beyond.

In response to a question from the Chair concerning the realisation of savings from the "invest to save" programme in the Children and Families department, the Deputy Director explained that following a significant increase in the cost of placements in 2006/07, both costs and the number of children in care had subsequently stabilised. Whilst new measures were in place and the budget allocation appeared to be sufficient, the impact of staffing costs and other potential overspends would have to be monitored, with a better indication of the position by September 2007. Following a query about the potential impact of an increase in demand in this area, the Deputy Director explained that strategies were being developed both locally and nationally to reverse the upward trend in the number of children going into care and that a number of authorities had succeeded in doing this. As part of the arrangement to fund higher levels of underlying activity and "invest to save" activities in 2007/08, it had been made very clear to the Children and Families Directorate that there would be no further growth in subsequent years. It was also stressed that both adult care and waste disposal were two other major areas which were demand driven and which would require significant action to limit pressure on budgets in 2008/09 and beyond.

Duncan McLeod, Director of Finance and Corporate Resources stressed the need to continue monitoring spending and explained that it was too early in the financial year to consider implications for balances of emerging budget pressures in 2007/08. Members were advised that no fundamental budget issues had yet emerged and the accounts had yet to be audited, although the issue of PCT cuts and savings remained a significant consideration and there may be some impact on balances in the future.

RESOLVED:-

that the report be noted.

6. Budget Process 2008/09 Report

Duncan McLeod (Director of Finance and Corporate Resources) provided an overview of the report before members of the Budget Panel, which updated financial forecasts for 2008/09 and beyond in the medium term financial strategy and set out the process for compiling the 2008/09 budget for consideration at Full Council on 3rd March 2008. The report addressed a number of areas including the background to the 2008/09 budget process, measures to reduce the projected budget gap, the approach to risk management and confirmation regarding the budget timetable.

The Director of Finance and Corporate Resources referred to the Council's medium term financial strategy which reflected the effect of a more pessimistic outlook for government funding, the on-going impact of PCT cost transfers and the inclusion of options for council tax increases ranging from 0% to 5%. He then went on to summarise the measures included in the report to reduce the projected budget gap from that forecast at Full Council on 5th March 2007, including a review of inflation and central item assumptions. With regard to provision for pay inflation, it was noted that the intended allowance had been reduced from 3% to 2.5%, although this would have to be reviewed further in light of on-going pay negotiations between employers and unions on the 2007 pay award. It was stressed that whilst the Council had protected itself against increasing interest rates, the costs of borrowing were likely to further increase and this could pose a future risk to the Council.

Commenting on service priority growth, the Director of Finance and Corporate Resources explained that it was unrealistic to assume that £3m service priority growth could be fundable in 2008/09 given the resourcing position. Consequently, options were being reviewed for reducing service priority growth both in 2008/09 and up to 2010/2011. It was stressed that the focus would remain on delivering services in the most cost effective manner. With regard to the budget pressures arising from the PCT cost transfers members were advised that although the Council continued to dispute PCT cost transfers, pressures on the service meant that costs would rise. It was noted that a large factor was the budget pressure arising from demographic changes. Consequently, the amount of funding required for budget pressures and PCT cost transfers would be subject to further review as the budget process continued.

Members of the Panel were then updated about the additional savings that were required including those arising from the Council's efficiency programme for a range of council tax increases. The Director of Finance and Corporate Resources advised the Panel that difficult decisions would have to be taken in due course if savings of the level identified in the report were to be achieved. Members were advised that each service area had been asked to identify savings options and work up suitable proposals as soon as possible. It was noted that proposals would be agreed following a report to the Executive in October, which would set out the potential impact of savings on service provision. Members of the Panel stressed that they would be keen to consider the savings options in advance of the Executive meeting. Referring to the Budget Panel's recommendations following its review of the 2007/08 budget process (*Appendix G*) the Director of Finance and Corporate Resources explained that this table would serve as a checklist for the Panel to enable on-going monitoring.

In response to a query from the Chair concerning the Council's longer term approach to dealing with future year-on-year budget gaps, the Director of Finance and Corporate Resources explained that work was underway to address both the short and long term implications of increasing budget pressures and the need to identify future savings. Members were advised that the efficiency agenda, options for service area transformation and prioritisation of service provision were already being explored in an effort to deliver longer term financial savings and cost effective service delivery.

Following a further query regarding the projected population increases in Brent and the implications for resources, the Deputy Director of Finance and Corporate Resources explained that there were discrepancies in the Office of National Statistics' (ONS) population forecasts as they failed to take into full account the scale of migration into the borough. Consequently, the population in Brent was estimated at 270,000 but this was more likely to be closer to 280,000 and set to increase to 315,000 by 2010. It was stressed that Brent was one of many local authorities trying to challenge the ONS about its statistics and in particular its population forecasts. The Council was also endeavouring to challenge the Communities and Local Government Department regarding its use of the statistics, particularly in respect of grant funding. However, it was stressed that the figures were unlikely to be changed until the full census in 2011 and that the grant "floor" mechanism limited the Council's loss of grant as a result of under-counting of population.

Councillor Cummins expressed concern about the time until the next census in 2011 and suggested that the onus was on the Council to ensure that accurate data was routinely collated on residents. Members considered the importance of maintaining awareness about being on the Electoral Register amongst residents as a method for collating accurate population statistics. The Director of Finance and Corporate Resources explained that great effort was made each year to promote registration and raise awareness about the annual canvas. Members were asked to be mindful of the fact that some people opted out of registration due to a perceived linkage with Council Tax liability.

Commenting on the potential to reduce expenditure as a result of increasing parking fines, the Director of Finance and Corporate Resources explained that a fundamental review of the roll out of borough wide parking restrictions was underway but, it was stressed, would not necessarily lead to an increase in funds. Members were advised that this was one area of revenue and expenditure which the Panel could explore in greater detail in the future. In response to a query regarding future funding for housing in the borough, the Director of Finance and Corporate Resources explained that the Council would have to monitor the anticipated changes in 2007/08, which would provide local authorities with new funding opportunities to create additional housing. It was confirmed that some aspects of priority growth would not be delivered by 2011 and priorities were likely to change over time.

Members raised issues on items within the priority growth schedules on additional museum exhibitions and 5-day opening for all libraries. The Director of Finance and Corporate Resources responded that all these items were subject to review. In relation to the library issue, the Director of Finance and Corporate Resources said that there were differing needs and varying usage levels throughout the borough's libraries and with the growth of extended schools, this issue may no longer be such a priority.

In response to a query concerning improved credit control procedures, the Director of Finance and Corporate Resources confirmed that new procedures were now in place and that lessons had been learnt as a result of the PCT cost transfers. Members were advised that the Council now utilised a PWC tool to measure the impact of debt across the service areas and data was collected quarterly and routinely monitored. It was stressed that the debt situation had vastly improved and KPMG was working with Adult Social Care to monitor and improve the existing procedures in place for collecting all debts. It was suggested that because both the social care debt and parking fines were difficult areas for collection, these areas could be monitored further by either the Budget Panel or the Audit Committee in the future. Councillor Cummins expressed some concern that small debts were being overlooked across the Council but was advised by the Director of Finance and Corporate Resources that a central review had been done on all outstanding debts across the Council to ensure on-going action was underway to retrieve outstanding monies.

Following a query regarding the late assessment of liability for Council Tax in new build properties, the Director of Finance and Corporate Resources explained that the majority of issues had been resolved some time ago and that he was not aware of any recent complaints about late assessments or notification. He urged members to provide information in the event that there were any existing concerns.

RESOLVED: -

- (i) that the report be noted;

- (ii) that the issue of collection of social care debt and parking fines be monitored further by either the Budget Panel or the Audit Committee in the future; and
- (iii) that the savings options proposal be considered by the Budget Panel at its meeting in October 2007.

7. Budget Panel Work Programme

Panel members considered the report before them which provided a brief overview of the work undertaken by the Budget Panel in 2006/07 and sought to assist members with their discussions about the Budget Panel's Work Programme for 2007/08. The report also outlined possible training opportunities for Panel members in 2007/08.

At this point the Chair referred to a written request from Councillor J Moher for the inclusion of a number of items in the 2007/08 work programme, as follows:-

- (i) that in relation to the current budget gap at different levels of Council Tax, savings required be circulated to Panel members for early consideration
- (ii) that a list of savings identified during the Budget and Planning Away-Day be circulated; and
- (iii) that a detailed update be provided to the Budget Panel concerning the areas of risk arising from the anticipated PCT cost transfers.

The Director of Finance and Corporate Resources explained that information regarding the current budget gap and the identification of potential savings options could be circulated to Panel members with immediate effect. With regards to the list of saving options identified at the Budget and Planning Away-Day, this information would not be available until later in the year, at which point Panel members would be able to scrutinise the information ahead of decision-making by the Executive in October 2007. At this point it was confirmed that the date of the next scheduled meeting would not enable Panel members to consider the savings options that would be presented to the meeting of the Executive in October. Consequently, the Budget Panel agreed that the date of the next meeting should be bought forward to enable full consideration of the proposals and the opportunity for scrutiny's comments to be submitted to the Executive along with the relevant report.

The Chair requested that there be a further and more detailed exploration of the existing core budgets across the Council at the October Panel meeting and that information be obtained from the service areas on this aspect and the Lead Member for Finance and Corporate Resources be invited to attend the October meeting and respond to questions. The Director of Finance and Corporate Resources confirmed that the list of recommendations made by the Budget Panel as part of their consideration of the 2007/08 budget would continue to be progressed and monitored.

RESOLVED:-

- (i) that the issues identified by Councillor J Moher be incorporated in the 2007/08 Budget Panel Work Programme;
- (ii) that any available information be circulated by the Director of Finance in due course concerning the current budget gap and potential savings options;
- (iii) that the date of the next meeting be brought forward to a date ahead of the meeting of the Executive in October 2007;
- (iv) that information be obtained from the service areas regarding the Council's core budgets and presented to the October 2007 meeting for consideration and the relevant officers and Lead Member for Finance and Corporate Resources be invited to attend the meeting and respond to questions; and
- (v) that the Budget Panel's Work Programme and training for 2007/08 be agreed.

8. Date of Next Meeting

RESOLVED:-

- (i) that the next meeting of the Budget Panel be re-arranged to an earlier date in October taking into account the timescales for decision making by the Executive; and
- (ii) that members of the Budget Panel be consulted about a proposed re-arrangement of the October meeting, prior to confirmation.

9. Any Other Urgent Business

There was none.

The meeting ended at 8.55pm

A MENDOZA
Chair