

Budget Panel

First Interim Report

January 2008

Membership

Councillor Mendoza (Chair)
Councillor V Brown (Vice Chair)
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1. Introduction

As this is the second year of operation for the Budget Panel, we were keen to use the experience and knowledge gained last year to develop the budget scrutiny process. Whilst the process introduced last year enables a more in depth review of the budget and its development than had previously taken place the Panel was 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.

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 included:

- 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 2007) report in relation to the 2007/08 budget which need to be reiterated in relation to the 2008/09 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 2008/09 budget.

2. Recommendations

A. Recommendations reiterated from 2007/08

- 1) 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%
 - Efficiency gains
 - Savings
 - Phasing priority growth
- 2) 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.
- 3) That long term budgetary and service delivery risks should be assessed and explained when making decisions on savings.
- 4) That the budget should be robust, realistic and predictive of future demand to avoid overspends.
- 5) 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.
- 6) That members of the Budget Panel be given more time to analyse reports and data from the Executive at the equivalent periods in future years' budget cycles
- 7) 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 2007/08

- 8) That the Budget Panel is provided with details of progress on delivering the priorities within the Corporate Strategy and the way in which the recommended 2008/09 budget will support continued delivery of the priorities particularly given the reductions in priority growth.
- 9) That the Executive commissions a strategic review of trading units within the council to ensure that the council is getting value for money from their services.
- 10) That, given on-going overspends in demand led budget areas, particularly adult care services, there is close monitoring of achievement of targets to reduce budget pressures included in both the children's and adult care transformation programmes.
- 11) That there is greater member scrutiny of the capital programme and that, as a first step, the Budget Panel carry out a strategic review of the capital programme and the outcomes it delivers.
- 12) That the Budget Panel be provided with more information on the measures that are being taken to ensure that utility companies are being held to account for the on-going condition of roads and pavements that they have made right following work carried out by them.

- 13) That members with an interest in budget scrutiny be encouraged to attend the budget scrutiny event being arranged by London Councils.

C. Other recommendations relating to our work on the 2008/09 budget

- 14) That the council works with London Council to try to obtain a better financial settlement from central government in future.
- 15) That the council continues its efforts to establish the true number of residents in Brent and receive funding commensurate with this.
- 16) That, as part of recommendation 15, a full analysis is carried out of the impact of projected population change on the infrastructure and public services that are needed in Brent in the medium to longer term and the resources needed to ensure that the infrastructure and services are in place.
- 17) That the further provision of recycling facilities should be considered alongside the introduction of compulsory waste recycling as a way of increasing recycling rates and reducing waste going to land-fill.
- 18) That, in future, there should also be wider member involvement in the development of LAA priorities.
- 19) That the council makes all efforts to maximise commercial income.
- 20) That Performance and Finance Review Select Committee is provided with benchmarking information on the costs and staff numbers of core services.
- 21) That ward members should be provided with information about Section 106 money that relates to their areas and suggestions should be sought as to projects that would benefit from the funding.

3. Methodology

The budget scrutiny process mirrors that of the budget setting process and started in July 2007, 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 2008/09 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 received the following evidence:

- Councillor Blackman Deputy Leader of the Council – on the budget gap 2008/9 and measures the administration may take to bridge the gap and the first stage savings.
- Service unit head and directors – on the core budgets of corporate services.
- 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.
- An examination of the Parking Control Accounts
- Progress on establishing the new Local Area Agreement and the impact on council finance
- S106 planning obligations update and review

- The Budget Panel spent a whole meeting looking at budget pressures, savings, and unavoidable growth by taking evidence from the Director of Housing and Community Care, the Director of Children and Families and the Assistant Director of Environment and Culture
- The Director of Housing and Community set out issues related to service transformation of Adult Social Care
- The Director of Children and Families provided information on 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 2007 showed the budget gap ranged from £4.7m assuming a 5% council tax rise, to £9.4m assuming a 0% council tax rise. We understand there has been considerable uncertainty in projecting these figures. Some of the main uncertainties were caused by not knowing the level of government funding, the scale of the cost transfers between the from the PCT and the council relating to on-going responsibilities for health and social care, and the amount by which the West London Waste Authority levy would increase.
- 4.3 We heard that the budget gap could not be addressed solely through council tax and that the savings proposed to the Executive on the 8th October were only the first stage of closing the gap and that further savings would be required. There were a number of other measures that were being taken to reduce the gap. These include:
- Identifying surpluses to be carried forward from 2007/8
 - Reducing inescapable growth
 - Reducing service priority growth
 - Generating more income
 - Use of Area Based Grant funds
 - Maximising legitimate expenditure charged to the Dedicated Schools Budget

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 Comprehensive Spending Review and resources over the next 3 years
 - The impact of population increases on services
 - Other growth pressures
 - On-going responsibilities of the PCT and council in relation to health and social care.
- 5.2 We heard that the Comprehensive Spending Review will have a significant impact on Brent's budget. In November we were informed that the expected national increase for local

authorities was 3.8% but as Brent was on the grant floor was likely to result in a 1% increase for Brent, in formula grant. Furthermore Councillor Blackman informed us that Brent was likely to remain on the 'floor' until 2011. The final figure for Brent was announced early in December and is, 2% in 2008/09, 1.75% in 2009/10 and 1.5% in 2010/11. This was a 1% improvement over what had been assumed and led to a reduction of the budget gap in 2008/09 by £1.6m.

- 5.3 Councillor Blackman informed us that significant under representation of the population figures by the Office of National Statistics (ONS) had adversely impacted on level of funding awarded to Brent. Work undertaken for the council has shown that the difference between their data and the actual number could be as much as much as 17,000. The council is currently trying to challenge the ONS figures and is lobbying the Department of Communities and Local Government to develop a robust and improved methodology.
- 5.4 The Director of Housing and Community Care informed us that the Adult Social Care service explained most of the inescapable growth in his department. This largely resulted from increased demand and the transfer of costs from the PCT following a review of the care needs of clients. We were advised that the majority of the continuing care cases had now been reviewed and agreed with the PCT, which had resulted in approximately £3.612 million of costs being transferred in a full year. One of the main remaining areas of dispute was whether or not these costs should be backdated, which could result in further costs to the authority of around £1.9 million.
- 5.5 We heard from the Director of Children and Families that his department had an overspend of £1.2 million for the current financial year. The Panel noted that this resulted from failure to fully achieve planned savings from the 'invest to save' programme, partly because start of the 'invest to save' initiatives was delayed and partly because of difficulty in recruiting in-house foster carers. There were other implications for the service, for example increased demand for special educational needs. We noted that there had been a significant rise in the Dedicated Schools Grant awarded to the borough. We were advised that one way of reducing future budget pressures would be to transfer appropriate cost to the Schools' Budget, which may in some cases require the approval of the Schools Forum. The Director of Finance and Corporate Resources subsequently reported to us that lack of headroom in the Schools Budget resulting from, amongst other things, increased Special Education Needs costs meant that it had not been possible, as hoped at the time of the First Reading Debate, to reduce the budget gap by charging additional legitimate charges to the Schools Budget.
- 5.6 The Assistant Director of Policy & Regulation from Environment and Culture said that his department accounts for approximately twenty percent of the council's overall budget.
- 5.7 Significant investment had been made in waste management and streetcare in recent years, which meant it was likely that service improvements within that area could be sustained without the need for increased resources. Central government targets to reduce the use of landfill linked to financial penalties meant moves towards compulsory recycling were needed to help address the increased budget pressures in relation to waste in future years. The Panel were concerned that the lack of recycling facilities in some properties in the borough, particularly flats would hinder progress.
- 5.8 We heard that a number of services within the department had already been reviewed from which efficiencies had been identified. The Assistant Director felt that further efficiency savings would not be possible and therefore any additional saving would require cuts and some reprioritisation would be required in order to meet the department's commitments in relation to the Corporate Strategy.

6.0 *Delivering the Corporate Strategy*

6.1 The Leader of the Council, Councillor Lorber, set out the administration's key priorities for coming year. The four themes these centre around are:

- Crime and community safety
- Regeneration
- Youth
- Sustainability

6.2 The Panel was concerned about how, given some of the issues we have been told about relating to the budget gap and budget pressures, these priorities would be funded. We were informed that there would inevitably have to be redirection of resources from areas regarded as non-priority as it was necessary for the council to safeguard essential services. It may also be that funds would have to be moved from areas previously identified for priority growth.

6.3 We heard that the new Local Area Agreement (LAA), which affords the council greater discretion when setting priorities and allocating resources would be based around the aspirations within the Sustainable Community Strategy and be structured around four themes. These were:

- Children and young people
- Safer and stronger communities
- Healthier communities and older people
- Economic development and the environment

6.4 There would be thirty five improvement priorities with negotiated targets and 16 statutory education indicators. The current area based funds would be pooled into a single LAA grant, and although this did not amount necessarily to any additional funds it would result in greater flexibility in the use of funds. The aim was to achieve a balance between local aspirations and addressing weaker performance while providing improvements in efficiency and effectiveness across partner agencies.

6.5 The implementation of the new LAA would be incremental and that the current stretch targets, which would be carried forward, would if met potentially result in £9m worth of one-off additional funding. The Panel was informed that decision making on the LAA was shared across the Executive and the LSP with the Executive being accountable for the funds distributed.

6.6 There was some concern within the Panel about the lack of member involvement in the LAA consultation process. We were informed that the new LAA would form part of the agenda at the Performance & Finance Select Committee and that the final agreement would have to be approved by the Executive.

7.0 *Impact of 'invest to save' and service transformation*

7.1 We learnt that there were six themes to the Adult Social Care service transformation. These are:

- Self Directed Support
- Modernisation of Day Care
- Transport
- Assessment and care management
- Maximisation of staff effectiveness

- Service development and commissioning
- 7.2 The Director of Housing and Community Care informed us that the savings target for 2007/8 of £1m had been achieved and the target for 2008/09 was £1.4m.
- 7.3 We were also informed that significant efficiencies could be achieved by the move to self directed support and it was likely that they would lead to a reduction in the number of client groups using day care services.
- 7.4 The Panel raised some concerns about plans to modernise day care centres, in particular the impact of the Albert Road Day centre relocation. We were informed that this was necessary due to the South Kilburn Regeneration Scheme and that some regeneration money had been allocated for relocation costs. One option currently being considered was a redevelopment of the Stonebridge Day Centre to accommodate the current users of the Albert Road Centre.
- 7.5 The Director of Children and Families informed us that as a result of the implementation of the 'invest to save' programme the budget for his department would remain at approximately the same level for the next three years.
- 7.6 The main objectives over the next three years are:
- To reduce the numbers in care by at least 25% - 100 children
 - To improve the quality and variety of placements for looked after children
 - To reduce the cost of placement for looked after children
 - To deliver budget savings.
- 7.7 We heard about a number of projects that are currently being rolled out to meet these objectives. Most of these projects are on target with a key success in the reduction of residential places required in Brent. However problems with recruitment meant that it had been difficult to increase the number of in-house foster carers.

8.0 Corporate Budgets

- 8.1 As part of the Budget Panel's work last year we concluded that there needed to be greater transparency about how the budgets of the corporate units are developed and that consideration needed to be given to how they were presented within the overall budget. Some of the key questions for us included: value for money of in house services, ensuring that charges for in house services are competitive, capacity of in house services and accountable for performance. The Budget Panel was therefore pleased that the information presented to us was concise and aided our review by setting financial information beside performance and other information about the service.
- 8.2 We heard evidence from individual Directors and Heads of Corporate Services and a number of issues were highlighted. Our key concern from the Policy and Regeneration Unit was that of developing capacity, particularly around project management, in order to secure large scale, lucrative regeneration projects in future.
- 8.3 When discussing Communications and Consultation we probed for areas of work that could be outsourced which included: management of magazine advertising space, design, print and languages. We heard that for each of these there are particular reasons, mainly cost, why outsourcing would not be viable. We did however hear that the long term viability of keeping the print shop on its current site would need to be examined. We also heard from the Director of Communications and Consultation that the council was not maximising

opportunities to secure income from advertising hoardings, lamp posts and other commercial opportunities.

- 8.4 The Director of Human Resources and Diversity told us that overall staffing levels in Brent were comparable to those of other local authorities. We heard that Human Resources were currently exploring options for efficiencies through sharing services with other local authorities across West London.
- 8.5 Members of the Budget Panel were keen that benchmarking was undertaken for each service units both in terms of numbers of staff and cost.
- 8.5 We were informed by the Borough Solicitor that although the majority of legal advice was provided in house it was occasionally necessary to use external providers. We also heard that requests for unnecessary legal advice were more likely to come from areas with high staff turnover and where problems were identified work was carried out with the service to reduce this.
- 8.6 The Director of Financial and Corporate Resources identified transaction processing and financial systems as areas where greater efficiencies could be achieved. Some members of the Panel cautioned that although service improvements may result it was difficult to transfer these into direct savings.

9.0 Parking Control Accounts

- 9.1 The Budget Panel was keen to learn more about the Parking Control Account, in particular the expenditure and income that goes through it, the overall strategy adopted and the potential for efficiency savings.
- 9.2 We heard that although the income generated from parking had increased in recent years, Brent remained in the mid to lower rankings as compared to other London boroughs. The new Parking Enforcement Plan (PEP) that was due to be discussed by the Executive and included option for residents' parking permit charges, off street parking tariffs and operating hours for CPZs. In addition officers are investigating introducing a number of other measures including one hour controlled parking zones, developing a more flexible approach to business parking permit allocation and upgrading the vehicle removal service to provide opportunities to increase revenue.
- 9.3 The number of penalty charge notices (PCN'S) collected at the discount rate has fallen, along with the numbers collected through CCTV evidence. These were both attributed to increased public compliance with parking control measures. It was conceded though that further analysis was needed in order to determine the reasons for reduction to on-street parking income and options for offsetting this reduced income were being explored.
- 9.4 For a number of reasons, including false number plates, it is not possible to collect all PCN income. Similarly on-street meter thefts contributed to reduced income, though work within the service had started to reduce this problem.
- 9.5 The Panel asked for specific details about how savings were achieved within the Parking Control Account. We were told that staffing was kept to a reasonable level with agency staff used at peak times. It was noted that Wembley event day parking restrictions had led to additional staffing costs, and additional income was received on these day due to increased PCNs. This did not completely offset staffing costs, though it was anticipated that these would be reduced over time.

10.0 Section 106

- 10.1 The Budget Panel heard that a Section 106 agreement represented a legal document setting out terms between the council and a developer and was a measure only intended for circumstance where the authority would otherwise refuse planning permission. The previous Section 106 system allocated funds for a specific purpose, which meant that it was not always possible to spend the monies received. The new standard charging policy was beneficial to both the authority and developers in that it was clearer, more flexible and quicker to implement.
- 10.2 We were told that agreements were carefully negotiated to ensure maximum benefit for Brent without pushing fees so high that developers could take cases to appeal. At present Brent already charged a higher rate than a number of other London boroughs.
- 10.3 The Panel was concerned about the current level of Section 106 funds that the council was unable to spend because of the terms of the agreement. We were informed that this was a small amount of the overall fund and the new standard charge meant that the problem would not occur in the future and the council could direct funds to specific projects in other parts of the borough.
- 10.4 Although it was confirmed that Section 106 contributions should relate to the development on which they had been obtained, we also heard that it was important to adopt a strategic approach to how the funds were spent in order to attract grant funding from the government and other agencies.
- 10.5 We queried whether greater efficiencies might be achieved by getting developers to build facilities, such as schools, rather than providing funds for the work. We were advised that generally it was better for the council to receive the funds so that we could retain quality control over the project.
- 10.6 The Panel felt that ward members should be provided with information about Section 106 money that relates to their areas and suggestions should be sought as to projects that would benefit from the funding.

11.0 Involving all Members in budget scrutiny

- 11.1 The Budget Panel was keen to develop proposals to enable more members to become involved in the work of the Panel and gain a better understanding of the budget process, issues and options. This would enable more informed debate and challenge to the Executives budget proposals at Full council. There are three ways that this can be achieved.
- 11.2 Firstly the Budget Panel wanted to encourage all political groups to invite the director of Finance and Corporate Resources to attend their group meetings in January 2008 to provide a presentation about the budget position and key issues.
- 11.3 Secondly the Budget Panel's First interim Report should be distributed to all members of the council as this will provide an overview of the evidence and main issues we have encountered.
- 11.4 Finally all members are invited to attend the Budget Panel's meeting on 7th February 2008 when the executives draft budget will be discussed.

The chair of the Budget Panel has written to all members to outline the above proposals.

12.0 Capital Budget

12.1 The current capital programme , agreed as part of the 2007/08 budget, covers a four year period 2007/8 – 2010/11. The development of the capital programme was driven by the following:

- Priorities in the corporate strategy
- Service development strategies
- Asset management plans including schools, council housing, council buildings, roads and parks.

12.2 We heard that there were a number of constraints on implementing the capital programme which included:

- Unavoidable capital spending requirements eg the condition of assets
- Restriction on how resources can be used eg school funding regimes and the lottery
- Limited capital receipts
- Borrowing

12.3 The principal risks/pressures identified for the capital programme were identified as:

- The schools programme, including the provision of additional school places and the condition of schools;
- Funding for the community infrastructure as part of Kilburn NDC programme; and
- Maintaining the condition of the council owned housing stock following completion of the decent homes programme.

12.4 We raised a number concerns around the transparency of the some areas of the capital programme particularly in relation to the Schools Budget and we felt that this should be discussed in greater detail next year. It was also felt that while it was important that schools were consulted on the programme a strategic view needed to be taken and scrutiny could have a role in that process .

12.5 We welcomed the fact that the Budget Panel's recommendation from 2006/7 to include more detail on the capital programme risks including overspending and slippage or non-delivery of projects in budget reports had been implemented. We do believe however that there should be greater member scrutiny of the capital programme and that as a first step the Budget Panel should carry out a strategic review of the capital programme and the outcomes it delivers.

Background papers

Budget Papers Full Council 26th November 2007

Budget Panel Minutes 17th July 2007, 8th October 2007, 31st October 2007, 21st November 2007, 15th January 2008