

MINUTES OF THE BUDGET PANEL
Thursday 13 November 2008 at 6.00 pm

PRESENT: Councillor Mendoza (Chair), Councillor V Brown (Vice Chair) and Councillors Cummins, Butt, Gupta and John.

ALSO PRESENT: Councillor Lorber (Leader)

1. Declarations of Personal and Prejudicial Interests

None.

2. Minutes of the Previous Meeting – 23 October 2008

RESOLVED:

that the minutes of the meeting held on 23 October 2008 be approved as an accurate record.

3. Matters Arising

Icelandic Banks Situation – Verbal Update

Duncan McLeod (Director of Finance and Corporate Resources) updated the Panel and answered questions from members on the situation surrounding the Council's deposits of £15m in two Icelandic banks. Duncan McLeod circulated to members a letter from the Chairman and Chief Executive of the Local Government Association (LGA), which provided an update on progress on negotiations with the banks' administrators.

Duncan McLeod reported that the Council had lodged formal claims with the administrators, including for interest on the loans up to the date when they were due and when they were eventually repaid. Meetings regarded as unofficial creditors' meetings were taking place on 13 and 14 November in Iceland to discuss the situation around the Iceland-based banks, with the UK local authorities represented by the LGA and lawyers. An unofficial creditors' meeting had taken place with Ernst & Young, administrators of Heritable, and an official meeting was planned for 9 December, and more information should be available before then.

Duncan McLeod informed members that the Performance and Finance Scrutiny Select Committee had discussed the situation and was keen to have a role in monitoring the Council's investments in future. This was in addition to the Budget Panel's recommendation that the Audit Committee have a role in monitoring controls over investments.

4. **Corporate Budgets**

Peter Stachniewski (Deputy Director of Finance and Corporate Resources) introduced the report, which set out an update on budgets for corporate service areas to reflect the position in 2008/09, in order to help the Panel decide which aspects they would like to follow up as part of their scrutiny of the 2009/10 budget process.

Answering questions from members, Duncan McLeod informed them that the increase in Legal and Democratic Services charges was designed as an incentive to reduce the use of services. He also reported that the total value of the Pension Fund was around £420m, most of it managed by nine different managers, with UK equities managed in house on a tracking basis. The fund has lost around 20% of its value since 31 March 2008, but it was a long-term investment and could go down, as well as up. An important issue would be the actuarial valuation in 2010, as this would determine the employer's contribution rate for the three years from 1 April 2011.

After discussion, the Panel agreed to follow up the following areas as part of their scrutiny of the 2009/10 budget process: trading units in general and, in particular, those with external income such as legal services, communications and consultation, the People Centre, and trading with schools.

RESOLVED:-

- (i) that the report be noted;
- (ii) that further information be brought to the Panel on trading units in general and, in particular, legal services, communications and consultation, the People Centre, and trading with schools.

5. **First Reading Debate on the 2009/10 to 2012/13 Budget**

Duncan McLeod (Director of Finance and Corporate Resources) introduced the report, which set out the financial issues forming the background to the forthcoming debate on the first reading of the 2009/10 budget at the Council meeting on 24 November. He drew members' attention to the effect of the economic downturn on the financial assumptions originally put before the Executive in July 2008. For example, inflation was now higher than anticipated, with predictions of significant reductions and even deflation in 2009. The Council faced income reduction from areas such as land searches, and higher costs as a result of increasing demand for services. Despite economic uncertainty, the Council needed to move forward and close the budget gap in good time.

Measures that could be taken to reduce the gap included ensuring that a surplus was carried forward from the 2008/09 budget, identifying additional savings, reducing the provision of inescapable growth (arising from demand

pressures, inflation or loss of income) and reviewing spending on central items in the budget.

Duncan McLeod also drew members' attention to alternative sources of funding for priority growth – Area Based Grant (including Supporting People) and Local Area Agreement (LAA) Performance Reward Grant. He briefed members on the effect of budget pressures on the level of council tax, the separate treatment of the Schools Budget, the guideline rent rise in the Housing Revenue Account, and the capital spending programme, in which a key challenge was the provision of school places. Key dates for finalising the 2009/10 budget included 28 January 2009 – release of the Executive's draft proposals, 11 February 2009 – agreement of GLA budget, 16 February 2009 – Executive's decision on recommendations to Council, and 2 March 2009 – Council budget-setting meeting.

Duncan McLeod reported to members that, since the report had been published, the Council had been informed that the government was consulting on changing the methodology of the Working Neighbourhood Fund Grant, which was likely to mean that Brent would receive less than anticipated – around £4.4m as opposed to £8m over a three-year period. The Council would be lobbying hard to challenge this proposal, as the impact on, for example, Brent In2 Work could be severe. Duncan McLeod agreed to circulate a briefing to members on this.

Answering questions from members, Councillor Lorber (Leader) said that the only way to protect services and improve was to continue the efficiency drive. He believed it was important to continue projects such as Brent In2 Work in order to be able to deliver regeneration in the future. Asked about the current budget gap, he reported that, while there remained challenges and potentially difficult decisions, the budget was in its early stages, and the administration aimed to achieve a balanced budget, protecting all front-line services. In response to questions, Councillor Lorber informed the Panel that members would be briefing MPs and lobbying against the proposal for the Working Neighbourhood Fund. The administration also planned to meet ministers.

In answer to a member's question, Duncan McLeod reported that the potential number of redundancies at Brent In2 Work, that is, if the methodology of calculating the Working Neighbourhood Grant were indeed changed, was 38. Also in answer to questions, Peter Stachniewski (Deputy Director of Finance and Corporate Resources) informed members that there had been a total of 16 redundancies across the Council in 2008/09, nine of them linked to the withdrawal of grant funding.

Asked for an assurance that the Council was not making savings that might have an impact on children's services and whether the Council was checking its procedures following a high profile case of the death of a child and criticism of the relevant local authority, Duncan McLeod informed members that money had in fact been put into children's services as a result of 'invest to save'

programmes. He added that children's services had been excluded from the 3% savings target. He reported that the Director of Children and Families had informed senior managers that day that a review had recently been conducted of every single child protection case, and that children's services had undergone a recent inspection. In the light of the recent publicity, however, all authorities were checking their procedures. Duncan McLeod also reported that, while the recommendations of the Laming Inquiry into the death of Victoria Climbié had been implemented, it was still difficult for councils to recruit permanent staff, and a report would be going to the next meeting of the Executive and of the Overview and Scrutiny Committee.

Answering a question about the level of balances, Councillor Lorber informed members that the balance was an estimate, and that the aim was to end the year with the same level – around £7.5m. Asked about the overspend in Environment and Culture, Duncan McLeod informed members that there were two main issues – the drop in income as a result of the economic downturn, and the fact that the success of waste recycling meant that more needed to be spent on this than anticipated. This directorate's saving targets related to projects that would take some time to work through, but it had had a good record in the past and was confident of breaking even.

Following a question on the Adult Social Care service transformation programme and the review of day centres, Jacqueline Casson (Senior Policy Officer, Policy and Regeneration) informed the Panel that the Overview and Scrutiny Committee had received a report on the recent consultation on modernising learning difficulties day centres. Members of the Overview & Scrutiny Committee had agreed to visit Strathcona day centre to meet users and will be meeting carers before the consultation is finalised. A member suggested that the group also visit the Stonebridge day centre. Duncan McLeod added that one of the presentations at the next meeting of the Panel would be on adult social care.

RESOLVED:

that the report be noted.

6. Date of Next Meeting

The date of the next meeting was scheduled for Tuesday 2 December 2008.

7. Any Other Urgent Business

None.

The meeting ended at 7.40 pm.

A MENDOZA

Chair