

MINUTES OF THE BUDGET PANEL
Thursday, 7th December 2006 at 7.30 pm

PRESENT: Councillor Mendoza(C) and Councillors Cummins, John (part) and J Moher.

Apologies for absence were received from Councillors Pagnamenta and Shah.

Also present was the Leader of the Council (Councillor Blackman), the Lead Member for Children and Families (Councillor Wharton) and Councillors Dunwell and Mistry.

1. Declarations of Personal and Prejudicial Interests

There were none.

2. Deputations

There were none.

3. Minutes of Last Meeting – 21st November 2006

RESOLVED:-

that the minutes of the meeting held on Tuesday, 21st November 2006 be received and approved as an accurate record.

4. Matters Arising

There were none.

5. Adults Social Care Budget Issues

Further to a request at the previous meeting of the Budget Panel, Martin Cheeseman (Director of Housing and Community Care) updated members on the implications that the current financial problems facing the Brent Primary Care Trust (Brent PCT) would have for the Council. Those present heard that a meeting of the PCT Board had taken place on 23rd November 2006, at which the majority of proposed savings options had been agreed, with only a small number of items deferred for further consideration. It was also stressed that the PCT Board was now firmly recommending the figure of £9 million costs to be passed across to the Council. At a meeting of the Health Select Committee on 6th December 2006, PCT representatives had admitted that the current financial problems could not be solely attributed to the savings required by central government. Detailed information on the proposed savings had been made available at this meeting, which Mr Cheeseman agreed to circulate to Panel members.

Members were advised that representations would be made to central government departments and, in particular, the Secretary of State for Health, regarding the detrimental effect that PCT cuts would have on the Council's budget. It would also be argued that transition funding would be required if the Council was to be expected to absorb such a high level of additional costs within a short time period. At the same time, following the recent Health Select Committee meeting, a series of meetings had been arranged with PCT representatives to discuss the savings proposals in more depth, especially with regard to those areas where the Council would be strongly arguing against taking on additional costs.

In response to a question about the correlation between the PCT saving plan timetable and that of the Council's budget process, it was confirmed that the PCT would begin to implement savings with immediate effect. Whilst the Council would challenge some savings options, this could be a lengthy process, particularly if taken to judicial review. Both Housing and Community Care and Finance and Corporate Resources would present the Executive with predictions of funds required to deal with the PCT situation. However, it was emphasised that it was extremely difficult at present for officers to reach a reliable figure as to the amount required to manage this risk.

The Panel were advised that a meeting had recently taken place with PCT representatives to discuss the issue of outstanding debts owed to the Council. Those present were reminded that the PCT had recruited a new Director of Finance, and it was generally felt that there was a genuine intention within the organisation to resolve the issue. Where the level of debts had been agreed, the PCT had indicated a commitment to making payment. To date £1.8 million had been agreed and would be paid shortly, with an additional £1 million identified for future payment. Other outstanding amounts were subject to on-going negotiation. It was acknowledged that lessons had been learnt around the need to ensure that the same measures of credit control were used for all agencies with which the Council had contracts. Duncan McLeod (Director of Finance and Corporate Resources) also interjected to note that one of the clear outcomes from the meeting with the PCT had been an appreciation from both parties that the current situation did not benefit either, and that appropriate processes would need to be established to ensure that figures could be reconciled in the future. In response to a question raised, it was made clear that the implementation of a Turnaround Team within the PCT had not been due to the level of debts the organisation owed to the Council. However, it was commented that whilst a number of other London primary care trusts were currently experiencing financial difficulties, Brent was second only to Hillingdon in this regard.

6. Budget First Reading Debate

Following a request made at the previous meeting, the Deputy Leader of the Council (Councillor Blackman) was present to respond to members' questions on the budget gap and measures the administration planned to take to bridge this gap. Councillor Blackman reminded those present that the PCT financial

situation presented difficulties for both officers and members, and added a degree of uncertainty to the current budget process. Moreover, it was stressed that the anticipated £9 million additional costs required to manage this problem would effectively wipe out the Council's balances. It was also asserted that reductions in expenditure would be required to accommodate for the council tax capping regime and the fact that Brent had received a 'floor' level increase in grant funding.

Whilst acknowledging the need to make some provision for demand led growth within the budget, Councillor Blackman stated that there was a need to establish the level of "true" growth actually required. Furthermore, a number of the service priority growth areas identified had been allocated for year one of the administration, but in reality it would be necessary to spread these costs over a number of years in order to reduce the budget gap.

Members were reminded that in addition to the 2 per cent efficiency savings already agreed, officers had also been asked to examine whether 5 per cent savings might be achievable. It was stressed that the savings options outlined in Appendix 2(a) were currently officer recommendations, and further analysis of their potential impact would be carried out before any decisions were taken as to which of these could be implemented. Options for prioritising and phasing growth in line with priorities within the corporate strategy were also being reviewed.

Panel members considered the extract from the Budget First Reading debate that had taken place at the meeting of Full Council on Monday, 27th November 2006, copies of which had been circulated prior to the current meeting. Councillor Blackman reconfirmed the point he had made at that meeting that most of the savings proposals outlined in Appendix 2(a) would be required in order for the Council to balance its budget. Whilst this did not necessarily mean that all the individual savings proposals would be agreed, it was emphasised that £3.4 million was the minimum overall level of savings required.

The Chair questioned whether any analysis had been carried out on savings options from within the core budget. Councillor Blackman responded that officers had been asked to examine expenditure areas with a view to making planned reductions without impacting on service provision. It was hoped that large-scale redundancies could be avoided, and instead options were currently being explored to reduce the numbers of temporary staff. It was also noted that areas where previous reorganisation had already taken place were now being examined to see whether further efficiencies could be made. Members were advised that the results of this review would be brought before both the Executive and the Budget Panel before any decisions were taken.

One member queried whether the administration had taken a final decision to rule out a 5 per cent council tax increase. Councillor Blackman asserted that it was not the intention of the Executive to make increases of this level. However, given the requirements for funding services, as well as the current PCT financial issues, it was not possible to rule out such an increase.

Councillor Blackman also indicated that levels of unsupported borrowing would have to be tightly controlled given that excessive levels of borrowing would lead to future financial problems. Members also heard that officers were examining options for restructuring the Council's debts to bring down the level of capital financing charges within the budget.

There followed a question from the Chair about whether £7.5 million to £8 million represented a sufficient level of balances for a local authority. Councillor Blackman responded that whilst officers would generally argue for a higher level, in his opinion setting the level too high could provide a disincentive for service areas to control their spending within budget and also could be considered to be withholding council tax payers money. Nevertheless, it was noted that the administration had listened carefully to officer representations about balance levels required. In addition, current PCT problems would affect decisions on balances to be held.

One member queried whether the Executive might look at further savings beyond those currently identified once the full extent of the PCT situation was known. The Panel were advised that service areas had been asked to examine the potential impact of this problem, and it was anticipated that the initial cost implication figures would subsequently be revised and reduced. This "bottom line" figure would then have to be taken into account in determining how the budget would be balanced.

The Chair questioned whether consideration had been given to the Medium Term Financial Strategy (MTFS) in terms of the budget process and was advised that the intention was not to make any savings that could have a detrimental impact on costs in the long term. Thus, it was pointed out that the advantage of phasing growth was that it would then be sustainable over time, whereas increased borrowing was not an attractive option as this would impact on future years in terms of interest rate payments.

7. Children and Families Budget Issues

The Director of Children and Families (John Christie) introduced the item by providing a presentation on current budget issues affecting the service area and the extent to which these could be controlled both in the short and long term. Councillor Wharton (Lead Member for Children and Families) was also available to respond to members' questions.

Members were advised that Children and Families had an overall budget of £228 million. However, it was noted that the Council had a strategic and monitoring rather than an operational role regarding the £145 million ring fenced for the Schools Individual Budget. Moreover, the only elements of the budget funded from council tax and general government grant were the £44m spent on children's social care and central education functions.

The Panel were informed that the anticipated overspend for Children and Families had been revised down from £4.8 million in June to £3.3 million in November 2006. Drawing attention to the demand led nature of the service, reasons cited for the continuing overspend included increased numbers of care leavers within the borough and also the number of children requiring extremely expensive complex care. It was further noted a reduction in the Asylum Seekers Grant had come at the same time as new duties were being placed on the department to meet the needs of unaccompanied asylum seekers.

Emphasising that Children and Families was an efficient service, it was noted that the last Joint Area Review had assessed Children's Services as providing a good service at good value for money. Moreover, areas such as Referral and Assessment Teams and support for disabled children had been identified as being under funded. The Panel also heard that the department had asked the Policy and Regeneration Unit to examine its service provision in comparison to other local authorities. The conclusion of this analysis had been that the Children and Families Service was well run, with below average unit costs and numbers of Looked after Children in line with expectations. It was noted that the department had been successful in keeping to the target of a £3.3 million overspend set in July 2006 through implementing a range of measures, including a freeze on spending. However, whilst currently working to achieve the required 2 per cent budget savings, members were reminded that further savings of up to 5 per cent would not be achievable due to the current pressures on the service.

Further to questions raised, it was confirmed that the significant increase in costs within the department were due to a number of factors common across London local authorities. A shortage of foster carers and lack of residential care facilities within the borough were both indicated as problematic, given that the result was costly out of borough placements. Furthermore, changes in legislation regarding private fostering placed additional responsibilities on the Council, and the current PCT financial problems would also have resource implications for the department. Whilst acknowledging the continued reliance on agency social care staff, it was stressed that the department had made improvements in recruitment. These included transferring agency staff to permanent posts and examining options for overseas recruitment. Whilst there was currently no bursary scheme in operation, this was also noted as another option for future consideration.

Members heard that there were a number of necessary areas of priority growth within Children and Families. Attention was drawn to several options requiring initial funding that could eventually lead to long-term revenue savings. These included plans to increase the number of Brent foster carers, a planned programme to recruit social workers from the United States and options for sharing services with other West London boroughs on a consortium basis. At this point, Duncan McLeod (Director of Finance and Corporate Resources) added that in order for funds to be made available for such schemes, a clear business case would first need to be established.

The Panel were informed of the possible cost implications of proposals for changes to children's services outlined in a recent government green paper. At the invitation of the Chair, Councillor Mistry commented that at a recent meeting of the London Councils Children's and Families Forum concerns had been expressed by several other local authorities that the green paper aspirations might not translate into additional funding. However, members were reminded that this issue would be examined further if the recommendations were taken forward.

In response to additional questions, it was confirmed that the department was currently working to address the current lack of speech and language therapy services at one school within the borough, and that management costs for the Gordon Brown Centre had been reduced. Noting the significant progress that had been made in terms of special measures schools, one member sought assurances that such support would be available to any school finding themselves in this situation in the future. In response, it was advised that whilst this was a key priority, the funding came from the School Standards Grant rather than being directly funded by the Council.

The Chair concluded the item by thanking both the Director of Children and Families and the Lead Member for attending to respond to members' questions, and noted that this presentation had been useful for Panel members in understanding the particular demands of the service area.

8. Key Themes and Issues Arising from the First Budget Reading Debate

Members had before them a paper outlining the key themes that had emerged from the Panel's discussions to date. Duncan McLeod (Director of Finance and Corporate Resources) reminded those present that this had been compiled in order to provide a framework for future meetings and should not, therefore, be regarded as prescriptive.

One member commented that it might be useful to invite further service area directors to attend future meetings of the Panel. The Chair suggested that the Director of Environment and Culture should be asked to the next meeting, given the levels of spending covered within this area. Some concerns were expressed about the potential risk to the Council of setting balance levels too low and, therefore, it was generally felt that this issue required further examination. Duncan McLeod commented that the Panel might want to consider looking at the risk based analysis carried out by the department on balance levels. The Chair also felt that given its overall importance to the budget, the medium term financial strategy was something that should be examined further at the January meeting.

It was commented that suggestions made by members in the First Reading Budget debate should be tracked to identify how they were addressed by the administration when agreeing their recommended budget for 2007/08. Duncan McLeod agreed to report back with this information, as well as updating on the PCT situation, at a future meeting of the Panel. Members were advised that it would be useful to request that the Deputy Leader of the

Council attend a meeting in the New Year to respond to questions on the capital budget.

RESOLVED:-

that at the next meeting of the Budget Panel on Monday, 18th December 2006, the following items would be considered:

- (i) the core budget issues relating to Environment and Culture, as well as the priorities for growth and potential impact of savings options on this service area (the Director of Environment and Culture had been asked to attend for this item);
- (ii) possible options for the content and format of the interim report due to be produced by the Panel prior to the publication of the draft Budget in February 2007;
- (iii) current budget issues and the Council's position in terms of the budget process (it was agreed that the Director of Finance and Corporate Resources would update members on this item).

9. Date of Next Meeting

It was noted that the next meeting of the Budget Panel would take place on Wednesday, 10th January 2007.

7. Any Other Urgent Business

There was none.

The meeting ended at 9.30pm

Councillor Mendoza
Chair

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