

## SECTION 3

### 3. THE BUDGET MAKING PROCESS

#### Introduction

3.1 The budget making process is a key part of the overall strategic planning framework for the council. This framework consists of a number of inter-related processes involving:

- working with partners to determine the overall Sustainable Community Strategy for Brent;
- developing a Corporate Strategy which sets out what the council will do to deliver the priorities of the Administration;
- developing service strategies in the context of the Community Strategy, Corporate Strategy, wider statutory responsibilities and an assessment of needs;
- putting in place action plans to deliver the various cross-cutting strategies, including the Local Area Agreement and the Improvement and Efficiency Programme;
- agreeing annual service plans and individual project plans which set out key priorities and targets for individual services over the next year in the context of the wider strategic objectives of the authority and the individual service;
- backing these arrangements up with a performance and finance review framework in which budgets, activity levels and performance measures are agreed and monitored at service and corporate level, and linked down into team plans and individual staff appraisals.

3.2 The role of the budget making process in the strategic planning framework is to ensure that:

- there is a clear link between the strategic ambitions of the authority set out in the Community Strategy, Corporate Strategy and individual service strategies and resources likely to be available to the authority over the medium term – hence the importance of the council's Medium Term Financial Strategy which is set out in Section 7 of this report;
- resources are redirected to priorities for improvement where these priorities cannot be provided within existing resources;
- the benefits to service users in terms of improvements in, or protection of, services are balanced against the interests of council tax-payers;
- performance targets are realistic in the context of the budgets that are set;
- there is a basis for monitoring spending and income alongside the delivery of service priorities.

- 3.3 The statutory framework within which the council sets its budget is set out in Appendix O. Key elements are as follows:
- the budget and council tax for the following year need to be set annually before 11 March;
  - the government has the power to cap council tax increases if it considers them excessive;
  - the Director of Finance and Corporate Resources has to report on the robustness of the budget estimates and the adequacy of balances;
  - the Schools Forum, which consists of governors and heads, has a defined role in relation to decisions on the Schools Budget.
- 3.4 The government has a key role in the budget process because it determines levels of grant funding. There are now multi-year settlements which coincide with the period of government spending reviews intended to give local authorities and schools certainty about general grant funding and funding for the Schools Budget. A three year funding settlement was announced following the 2007 Comprehensive Spending Review, and this forms the basis for government resources available to the council in both 2009/10 and 2010/11.
- 3.5 Members have a key role in the process in different ways:
- as members of the Executive to determine the overall strategy and make recommendations on the budget;
  - as Lead Members, to ensure the budget will deliver the priorities for their areas of responsibility;
  - as members of the Budget Panel, to advise the Executive on factors it should take into account in making its budget proposals and scrutinise those proposals when they are made;
  - as members of Full Council, to make their views known on priorities for the budget in the First Reading Debate and to make final decisions on the budget and council tax.
- 3.6 There is a statutory requirement to consult business rate-payers. But there is also an expectation that the public will be involved. In practice, this is achieved through public consultation on corporate and service priorities of the council through the Citizens' Panel, use of residents' attitude surveys and user satisfaction to find out what people think of the services they receive, feedback from area consultative and service user forums, and so on. Most importantly, it is achieved through councillors understanding the needs and expectations of local residents and ultimately through the ballot box.
- 3.7 This section of the report sets out:
- links between the budget process, the Corporate Strategy, and the service planning process;
  - how the annual budget process fits in with the medium term financial process;

- the underlying budget assumptions used in the 2009/10 budget process;
- the process for developing the budget proposals;
- the involvement of the public and other stakeholders in the budget process.

### **Links to the Corporate Strategy and service planning process**

3.8 The 2009/10 budget is the third of the Administration formed following the May 2006 elections. This budget continues the focus of the previous budgets on priorities within the Corporate Strategy and in particular the emphasis placed on the Administration's four key priority areas – regeneration, young people, crime and community safety, and sustainability. The process for putting together the budget has also been influenced by the publication of the Improvement and Efficiency Strategy in September 2008 and subsequently by the need to respond to the impact of recession and increased national concern about child protection.

3.9 The Corporate Strategy was developed in the context of the medium term financial strategy which envisaged tight constraints on resources. The following funding principles were therefore set out within the Corporate Strategy:

- Improvements identified in it would be funded within existing resources, wherever possible;
- Where growth is required to deliver the improvements, there would be rigorous assessment of the level of additional funding needed;
- There was an expectation of equitable sharing of costs of providing services with our partners;
- All services were expected to deliver annual savings built into cash limits by improving efficiency of service provision and disinvesting in services which are low priority;
- The corporate efficiency agenda would focus on those changes that could yield the most significant savings – particularly:
  - o reviewing support services, including identifying the potential for achieving efficiencies by sharing services;
  - o reviewing major service areas including customer service provision, children's services and adult day care to identify changes which would improve services whilst reducing cost;
  - o using IT to deliver process efficiencies e.g. remote working;
  - o delivering improved commissioning arrangements in adult and children's social care;
  - o maximising savings from better procurement;
- Fees and charges would be reviewed to identify opportunities for increasing income without compromising key council objectives including promoting healthy living and reducing poverty.

- 3.10 These principles continue to inform the development of the budget. However, significant changes in the approach adopted to the budget were set out in a report to the Executive in July 2008 on the budget process for 2009/10. The principal changes in approach from previous years are as follows:
- There was a more differentiated approach to delivery of savings. Not all services were set a specific savings target for 2009/10. Adult social care, children's social care, waste management and customer services were all involved in transformation or 'invest to save' programmes that meant it was not appropriate to also set them a flat 3% savings target.
  - Priority growth was linked into the Local Area Agreement process, with any funding for priority growth coming from Area Based Grant, Performance Reward Grant or specific grants.
  - Certainty associated with a three year grant settlement and the development of transformation programmes and the improvement and efficiency strategy has allowed the council to plan its budget over a longer time-frame. The council has had a Medium Term Financial Strategy for some years, but the arrangements agreed, for example, for adult social care and the funding of priority growth have provided greater certainty to services about their budget allocations over more than one year.
- 3.11 The council has subsequently had to respond to significant events outside its control. In particular, changed economic conditions and national concerns about the effectiveness of safeguarding children arrangements have had an impact on the budget process and the decisions that need to be taken.
- 3.12 Corporate priorities are not only delivered through the General Fund revenue budget. Significant amounts are spent through the Schools Budget on schools, through the Housing Revenue Account on the council's housing stock, and through the capital programme on the range of capital assets the council is responsible for. Details of the Schools Budget, HRA, and capital programme are in Sections 8 to 10 respectively.
- 3.13 The council service planning process is linked in with the development of the budget. Each service area within the council has a service plan which links service objectives to key drivers including the Community Strategy, the Corporate Strategy and the Local Area Agreement. The plans also set out the performance measures to be used to achieve the objectives, targets for the next three years, and key actions the service area will be undertaking to deliver the objectives. There is a clear link back to the financing of the services and increased emphasis within this year's plans on mainstreaming the efficiency agenda. Plans for all service areas will be in place by 31<sup>st</sup> March 2009. These form the basis for individual team plans and for priorities set for individuals as part of the staff appraisal process.
- 3.14 The corporate performance and finance review process has become embedded, enabling members of the Executive and Performance and Finance Select Committee to monitor delivery of the council's priorities and ensure

appropriate action is being taken to keep both performance and finance on track.

### **Links to the Medium Term Financial Strategy**

3.15 The Medium Term Financial Strategy (MTFS) sets out:

- The likely resource envelope available to the authority, taking account of likely government grant increases and a range of council tax assumptions;
- The underlying budget assumptions for future years;
- Spending pressures the council faces;
- Projections of the levels of savings the council will need to make to stay within the projected resource envelope;
- The scope for funding priority growth within the identified resource envelope, which in practice is determined by the level of savings that can be identified within existing budgets and the level of council tax increase Members are prepared to agree; and
- The process for bridging any budget gap identified for future years.

3.16 The MTFS has a key role in determining the ambitions set out in the Corporate Strategy and individual service strategies. It also ensures that decisions are not taken which might yield benefits in the short term but which undermine the budget strategy – and the ability to deliver services – in the longer term. Details are provided in Section 7 below which up-dates the strategy agreed in the 2008 budget.

### **Underlying budget assumptions used in the 2009/10 budget process**

3.17 The underlying assumptions in the budget are as follows:

- Pay inflation of 2% has been allowed in the budget. This is less than the 2.5% included in last year's Medium Term Financial Strategy and reflects the expected impact of reduced levels of inflation and recession on the pay settlement that will be reached. It should be noted however that the 2008 settlement is currently at arbitration and there is no certainty that the employers' offer – which comes just within the 2.5% allowed in 2008/09 cash limits - will be agreed. This is therefore a risk to the budget (taken into account in Section 5 of this report) and a risk to achievement of service targets if cuts have to be made to fund a higher than budgeted pay award in either 2008/09 or 2009/10. Cash limits for future years – from 2010/11 - still include 2.5% but this will be reviewed when the Medium Term Financial Strategy is up-dated in the summer.
- Price inflation has been allowed at 2%. This is in line with the assumption in last year's Medium Term Financial Strategy. This level is high compared with most forecasts of inflation for 2009. However, inflation has been a lot higher in 2008/09 than the 2% included in 2008/09 budgets and, whilst most services have managed to make offsetting one-off savings, it would be difficult to sustain these in addition to savings services have been required to make for 2009/10. Lower levels of price

inflation in 2009/10 should however offset other risk in the budget. As with pay inflation, the assumptions for future years will be reviewed when the Medium Term Financial Strategy is up-dated in the summer.

- The employer's contribution to pensions has remained at 22.9% of pensionable pay following the actuary's valuation of assets and liabilities at 1<sup>st</sup> April 2007. It will remain at this level for the first three years covered by the Medium Term Financial Strategy. Recent turmoil in the stock markets means that this is likely to have to increase from 2011/12 following the next valuation in 2010.

### **The process for developing the proposals**

3.18 The proposals in this budget have been developed by the members of the Executive, taking account of the advice of officers. The key processes for doing this are as follows:

- Development of the budget approach, based on the Corporate Strategy and last year's Medium Term Financial Strategy, which was agreed at the Executive in July 2008;
- Away-days involving both Executive and Corporate Management Team members to consider the key service and budget issues likely to affect the council in future years;
- Development by officers, in consultation with relevant Lead Members, of budget proposals for individual services within the context of the Corporate Strategy and the Medium Term Financial Strategy;
- A process of challenge of budget proposals through Star Chambers and Round Tables involving the Leader, Deputy Leader and relevant Lead Members;
- Key decisions by the Executive at various stages of the budget process – for example, decisions on the first phase of savings by the Executive in October 2008;
- Agreeing the publication of the detailed budget proposals in this report.

3.19 Full Council had a First Reading Debate on 24th November 2008 which was informed by a report from the Leader of the Council setting out the priorities of the Administration and a report from the Director of Finance and Corporate Resources setting out budget projections and options. The minutes of that meeting are attached as Appendix E(i) to this report.

3.20 The Budget Panel have met on a number of occasions during the budget process. All Members have been invited to a session of the Budget Panel on 11<sup>th</sup> February 2009 where they will have an opportunity to pose questions to the Deputy Leader and Lead Member for Resources on the proposals in this report and the separate report on the Executive agenda on fees and charges. The Panel will also meet on 25<sup>th</sup> February to finalise their report on the 2009/10 budget following the decisions of the Executive. The first interim report of the Budget Panel is attached as Appendix E(ii). The

recommendations made by the Budget Panel in their first interim report were taken into account in drafting the proposals in this budget report.

- 3.21 A particular priority of the Budget Panel has been to secure more involvement from Members of all groups in the budget process. The invitation to Members to attend the Budget panel meeting on 11th February is part of this process. In addition, the Director of Finance and Corporate Resources has made presentations on budget issues to individual groups.
- 3.22 Other decisions have been made on items that have been taken into account in these budget proposals. The Executive on 15th December 2008 agreed the 2008/09 balance on the Collection Fund and General Purposes Committee on 12th January 2009 agreed the council tax tax-base for 2009/10 – both of these decisions are taken into account in the council tax calculation in Section 6 below.
- 3.23 Decisions of external bodies affect the budget process. Government confirmed the final grant settlement for 2009/10 on 21st January 2009, with the total amount in line with the three year settlement announced last year. Levying bodies, including the West London Waste Authority, have confirmed their levies and these are taken into account in central items included in Section 5 of this report. The precept for the GLA will be set by the Greater London Assembly on 11<sup>th</sup> February 2009.

### **Involvement of the public and other stakeholders**

- 3.24 There have been a number of ways in which the council has sought to obtain views of the public and other stakeholders to inform budget decisions:
- Use of results from the residents attitude survey and user satisfaction surveys to help determine corporate and service priorities;
  - Feedback through area consultative forums and service user forums;
  - Feedback from partners through the Local Strategic Partnership;
  - Meetings on the budget with voluntary sector organisations, the unions, and local businesses.
- 3.25 Residents' surveys have consistently shown the top priorities of residents to be low levels of crime and clean and well maintained streets. The last residents' attitude survey was carried out in 2005. It showed that 50% of residents surveyed felt a low level of crime was one of the most important things about where they live, with 43% citing public transport and 37% citing clean streets. When asked what most needs improving, crime was again the most often cited with 32%, followed by clean streets and road and pavement repairs both with 28%, and activities for teenagers with 22%. These results were confirmed by the citizens' panel survey in August 2006 and the 2006/07 Best Value Performance Indicator user satisfaction survey although there is clear evidence that levels of concern about crime, though high, are reducing from levels in earlier surveys.

- 3.26 London Councils carries out surveys of residents' perceptions across the 33 London boroughs. This includes information on the importance residents attach to council tax. Council tax has generally been second to crime as the most cited concern although the proportion of people mentioning it has reduced from a peak of 36% in 2003 to 28% in 2007 to 26% in 2008. Crime remains the main concern with 54% citing it as a concern. The last survey was carried out before the full impact of the economic downturn which might have affected people's responses on the council tax issue.
- 3.27 Resident attitude surveys have also previously highlighted concern by residents about lack of information on financial and budget issues. The council held focus groups with residents in 2007 to find out what further information they would like. In response to the results of the surveys and issues raised at the focus groups, the council now provides a range of information to members of the public on its budget. This includes regular articles in The Brent Magazine, a summary of the accounts in the Annual Review (now included as an insert in The Brent Magazine), and summary budget information circulated at area consultative forums. The council tax leaflet has also been redesigned and there is improved information on finance issues on the web.
- 3.28 Partner involvement in the budget process is primarily through the Local Area Agreement (LAA). The Local Strategic Partnership was involved in developing the priorities in the LAA and have also been involved in determining priorities for use of Performance Reward Grant in 2009/10. The council is also now sharing more information on its financial projections with partners at the Local Strategic Partnership, including a summary of the proposals in this report at the LSP meeting on 25<sup>th</sup> February 2009.
- 3.29 Summary details of budget issues have been sent to local businesses and the Deputy Leader presented details of the budget issues to a meeting of the Employer Partnership on 13th January 2009. Around 50 businesses attended the meeting, which also included presentations from various organisations on support that could be provided to businesses during the recession. Issues raised by businesses on the budget included support that would be provided for businesses during the recession, the extent to which efficiency savings in the council might require redundancies, the need to ensure there were things for young people to do, and the extent of additional funding required for safeguarding children.
- 3.30 The Director of Finance and Corporate Resources has met union representatives on a regular basis to keep them informed of the budget issues and the key decision making dates so that they can feed in their views as appropriate.
- 3.31 Managers and staff are kept informed about the overall budget situation through regular up-dates at the quarterly Senior Management Group events and in the Chief Executive's Bulletin.