

SECTION 5

5. THE 2009/10 REVENUE BUDGET REQUIREMENT

Introduction

- 5.1 This section details the proposals for the 2009/10 General Fund revenue budget.
- 5.2 The strategic context for the budget proposals for 2009/10 was set out in Section 3 on the budget process. The budget proposals in this section are intended to form the basis for delivering priorities of the council in the context of the Medium Term Financial Strategy. These are set out in the Corporate Strategy 2006-10, with the aim being to make Brent a Great Place, a Borough of Opportunity and One Community. Appendix J sets out priorities within the Corporate Strategy and the way in which resources are being used to help deliver these.
- 5.3 In his report to the First Reading Debate at Full Council on 24th November 2008, the Leader of the Council stated that the council had two overriding priorities for 2009/10: first, to protect services to the most vulnerable citizens and ensure that whatever hardships people face, the council used its skills and resources to help ameliorate them; and, second, to ensure that the council maximizes the effectiveness of ever tightening financial resources through the Improvement and Efficiency Programme.
- 5.4 This budget seeks to achieve these priorities, and maintain focus on the four main themes of this Administration - crime and community safety, young people, sustainability and regeneration - by:
- a. sustaining investment in those areas allocated additional resources in 2007/08 and 2008/09, including an improved street cleansing service, increased recycling, additional Police Community Support Officers, and improved youth services;
 - b. putting additional mainstream council resources into helping ensure children at risk are protected;
 - c. targeting additional resources available through Area Based Grant, Performance Reward Grant, and specific grants on support for volunteering, sport and other activities for young people, prevention of domestic violence, support for individuals to ensure they maximise allowances and other benefits, and initiatives to promote sustainability;
 - d. using increases in Social Care Reform grant to help deliver adult social care transformation and other one-off funding to support invest to save schemes as part of the Improvement and Efficiency Programme; and
 - e. ensuring budget reductions are primarily achieved through efficiency measures.

- 5.5 The reduction in Working Neighbourhoods Funding has affected plans to expand the council's employment initiatives. However, the council is continuing to make representations on this and is seeking to access other sources of funding. The council is also continuing to work with partners to support businesses in Brent through the recession. There are also specific proposals within the capital programme to accelerate capital spending to support the local economy (see Section 10).
- 5.6 In order to deliver corporate and service priorities, the budget needs to be robust and sustainable. And Members also need to balance the interests of service users and tax-payers. So, Members need to consider:
- a. The balance between spending and council tax;
 - b. The purpose and impact of budget growth proposals;
 - c. The deliverability and impact of budget savings proposals;
 - d. The adequacy of budget provision for central items;
 - e. The sustainability of the overall budget in the current year, including consideration of risks and the appropriate level of balances; and
 - f. The sustainability of the overall budget in future years, taking account of future commitments, the delivery of Corporate Strategy priorities, and the likely availability of resources.
- 5.7 Under the Local Government Act 2003, the chief finance officer of the authority (in Brent's case, the Director of Finance and Corporate Resources) must report on the robustness of the estimates made in the annual budget calculation, together with the adequacy of financial reserves. The budget proposals in this section have been developed following guidance from the Director of Finance and Corporate Resources and have been through a robust process of development and challenge. The Director of Finance and Corporate Resources is therefore confident about the robustness of the estimates. In addition, the level of balances recommended for 2009/10 of £7.5m is, in the Director of Finance and Corporate Resources' view, sufficient to allow for the risks identified and to support effective medium term financial planning.
- 5.8 This section of the report sets out:
- Movements since the First Reading Debate;
 - Service area budgets;
 - Proposed use of Area Based Grant, Performance Reward Grant and specific grants to support growth;
 - Provision for central items within the budget;
 - Forecast performance and activity levels;
 - The main risks within the budget;
 - The level of balances Members are recommended to agree; and

- The statutory calculations required for gross expenditure, income, and overall budget requirement.

5.9 The budget requirement that results from the proposals in this section is £261.836m (see Appendix B). After allowing for Brent's share of the deficit in the Collection Fund of £1.154m, this would produce a Council Tax at Band D for Brent services of £1,058.94, which is 2.5% above the 2008/09 level of £1,033.11. Details of the council tax calculation, and the GLA precept, are given in Section 6 below.

Movements since the First Reading Debate

5.10 The First Reading Debate report of the Director of Finance and Corporate Resources to Full Council on 24th November 2008 set out progress on the budget. The projected budget requirement for 2009/10 at that stage was £268.818m which was above the affordable level. The projections assumed a 1.75% increase in Formula Grant which was subsequently confirmed in the local government finance settlement, took into account the £2.821m of savings agreed at the Executive in October 2008, and built in provision for 'inescapable growth' of £2.644m. Service priority growth was to be linked to the Local Area Agreement and funded from growth in Area Based Grant and specific grants, together with one-off Performance Reward Grant.

5.11 The First Reading Debate report set out a series of measures aimed at reducing the projected budget requirement. Details of the progress that has been made are set out below:

a. Surplus carried forward from 2008/09

Balances at the end of 2008/09 are forecast to be £8.013m (see Section 4 above). On the basis of the assessment in this Section that the minimum prudent level of balances in 2009/10 is £7.5m, this allows £0.5m to be released to support the budget. Use of balances is one-off and the effect in subsequent years is built into the Medium Term Financial Strategy in Section 7.

b. The provision for 'inescapable growth'

Provision was made in the First Reading Debate report for £2.644m of 'inescapable growth' - growth arising from demand pressures, price increases above inflation, or loss of income. £644k of this growth was for items previously identified in the Medium Term Financial Strategy (MTFS) and £2m was provision for additional items in 2009/10.

'Inescapable growth' has now been reviewed. Agreement has been reached with the Metropolitan Police for them to carry on part funding additional PCSO posts in the borough. This means that £320k previously shown as growth to fund transfer of costs to the council is no longer required. However there are a number of items that require additional funding, which are detailed below:

- Child protection - a total of £1.073m per annum has been identified as needed to fund priorities within the safeguarding and child protection area. This is to ensure that the council fully meets its responsibilities in this area and can ensure that requirements arising out of the various recent national reviews are met.
- Youth Offending Service – a total of £170k to ensure the service is resourced to meet increasing demands on the service.
- Compulsory recycling – a total of £440k is required to fund additional refuse collection rounds resulting from the success of compulsory recycling. The recycling will lead to savings in the longer term from reduction in waste going into land-fill and other forms of disposal.
- Impact of introduction of New Housing Benefit Subsidy Scheme for Temporary Accommodation – a total of £500k is required for this. From 2010/11, housing benefit funding for temporary accommodation will be based on Local Housing Allowance (LHA), with the government currently proposing that it will deduct 10% from the standard LHA and add on £40 per week for housing management costs. Because LHA is much lower in some parts of the borough than others – and also lower for accommodation which the council has out-of-borough – leases are not being renewed in the north of the borough or outside the borough. This means that the council will incur higher costs in 2009/10, which will then limit the impact of use of Local Housing Allowance as the basis for housing benefit subsidy for temporary accommodation from 2010/11. Further additional funding, estimated at £869k, will be required in 2010/11 although this is less than if the actions planned for 2009/10 were not taken. This further growth is allowed for in the Medium Term Financial Strategy.
- Contract inflation – a total of £219k is required to meet additional cost of contract inflation for waste services and street lighting. Although inflation is reducing, this will not be sufficient to offset the large increases in 2008 which have contributed to the forecast overspend in Environment and Culture in the current financial year.
- ‘Playbuilder’ revenue growth – there is £25k revenue growth in 2009/10 to fund on-going revenue repair and maintenance requirements to ensure effective up-keep of the £1.1m capital money being spent on additional, high quality children's play facilities across Brent. Further growth will be required in future years and is allowed for in the Medium Term Financial Strategy.
- Street lighting growth – there is an additional £20k to fund maintenance of additional street lights provided under the street lighting PFI.

These items total £2.447m. Added to the £324k of growth items already within the MTFFS (ie £644k less the £320k no longer required for PCSOs), total ‘inescapable growth’ is £2.771m which is £127k more than the £2.644m allowed for in the First Reading Debate. Details of all ‘inescapable growth’ are included in Appendix D(i).

c. Identifying additional savings in 2009/10

First phase savings agreed by the Executive on 6th October 2008 amounted to £2.821m. Additional savings amounting to £2.549m have now been identified. Details of the savings are included in Appendix D(ii).

d. Central items

There has been a reduction in the funding required for central items since the First Reading Debate of £2.367m. The main reasons for this reduction are: (a) agreement by General Purposes Committee to a revised package of measures to enable implementation of the single status agreement; (b) removal of the provision for potential increase in concessionary fare costs; and (c) inclusion of a target of £500k savings from the first year of the Improvement and Efficiency Programme on top of the £1.230m already in central items for cross-council efficiency savings. Details of central items are included in Table 5.4 and Appendix F.

e. Pay and inflation adjustments

Allowance within the budget for the 2009/10 pay award has been reduced from 2.5% to 2%. There are also minor changes to employer national insurance contributions. These items together have reduced the gap by a further £750k.

f. Use of Area Based Grant to part fund child protection growth

A total of £683k of Area Based Grant funding has been used to part fund the increase in child protection costs. Details are provided in paragraph 5.23.

g. Other adjustments

Removal of inflation provision within the adult social care budget for concessionary fares and other adjustments to service area budgets account for the balance of £260k.

5.12 The projected budget included in the First Reading Debate was £268.818m. The result of the changes outlined in paragraph 5.10 is to reduce this by £6.982m to £261.836m. The changes are summarised in Table 5.1 below.

Table 5.1 Revised projected budget gap for 2009/10

	£m
Projected budget requirement in First Reading Debate	268.818
Surplus carried forward from 2008/09 (para 5.10(a))	(0.500)
Additional savings (para 5.10(b))	(2.549)
Inescapable growth (para 5.10(c))	0.127
Central items (para 5.10(d))	(2.367)
Pay, inflation and other adjustments (para 5.10(e))	(0.750)
Area Based Grant adjustments	(0.683)
Other adjustments (para 5.19(g))	(0.260)
Budget recommended in this report	261.836

2009/10 Service Area Budgets

- 5.13 The process for developing service area budgets, including provision made for pay and price inflation, the development of growth and savings proposals, and the links to the Corporate Strategy and service planning, has been set out in Section 3 above.
- 5.14 The revised service area budgets are in Appendix C; the growth items are in Appendix D(i); the savings items are in Appendix D(ii); and other adjustments within the service area cash limits are in Appendix D(iii). They incorporate the additional growth items in paragraph 5.11 (b), the additional savings in paragraph 5.11 (c), and the pay and inflation adjustments in paragraph 5.11 (d). The savings within Housing and Community Care include £80k (£60k General Fund and £20k HRA) from rationalisation of financial support for the directorate. This involves setting up a new post of Assistant Director (Finance and Resources for Housing and Community Care) and deleting the existing posts of Assistant Director (Finance and Resources for Adult Social Care) and Head of Finance (Housing). The new post is Hay Grade and therefore requires the specific approval of the Executive. The job description for the new post is attached as an Annex to this report.
- 5.15 The fundamental change to the way in which adult social care is budgeted for – with budget pressures being managed through the transformation programme – means that growth and savings for adult social care are not shown in the appendices. However, budget assumptions for adult social care have been subject to the same degree of challenge as budget assumptions in

other areas. The main pressures on the 2009/10 adult social care budget are as follows:

- a. There is a current underlying overspend of £629k in 2008/09 which will need to be funded in 2009/10;
- b. The combined full-year cost of Learning Disability cases transferring from children's services in 2008/09 and part-year costs of transfers in 2009/10 is £590k;
- c. A £200k provision has been allowed for growth in client numbers for the Older People's, Mental Health and Physical Disability services. Currently client numbers are quite stable in these areas but in the past numbers have increased and it is prudent to make provision for future increases;
- d. A net full-year effect of £180k from 2008/09 cost increases for placements and additional provision for bad debts net of the increased income from fees and charges and the impact of transfer of responsibility for learning disability cases to the council.

These pressures total £1.599m.

5.16 The savings to offset these pressures will be delivered as part of the adult social care transformation programme. They include:

- a. Savings from commissioning – estimated at £330k in 2009/10. This includes savings from the fair pricing tool, placing of block contracts, changing the basis on which providers are paid to providers, and the setting up of a joint procurement unit in West London to secure efficiencies in the procurement of residential placements;
- b. Redesign of assessment and care management staffing arrangements - savings estimated at £400k in 2009/10. The aim is to make the process by which service users are assessed more efficient and effective;
- c. Self directed support – savings estimated at £200k in 2009/10. The aim is to increase control by service users of their care. It will involve an increase in direct payments and the introduction of individual budgets;
- d. On-going implementation of changes to the transport service – savings for adult care services estimated at £236k in 2009/10. The aim is to reduce use of institutional transport and increase independence and personalisation;
- e. Alternatives to residential care – savings estimated at £400k in 2009/10. This includes additional extra care places, additional housing related support, and use of Telecare, all aimed at maintaining people in their own homes.

Total target savings from these projects are £1.566m in 2009/10. Whilst there may be slippage in some of these projects, a number of them are already delivering part-year savings in 2008/09 and will deliver additional full-year savings in 2009/10. In addition, there are other measures which are expected to deliver savings including more use of intermediate care jointly with the PCT, developing a re-ablement service whereby short term post-hospital admission care is put to help service users, and a rapid response service. Whilst the position will need to be monitored carefully, overall it is considered that savings from transformation should be sufficient to meet the additional costs set out in paragraph 5.15.

- 5.17 There is additional Social Care Reform grant of £609k in 2009/10. This will be used to fund implementation of the transformation programme including the measures set out in paragraph 5.16. In addition, a total of £170k of Area Based Grant has been allocated to support implementation of new statutory responsibilities for safeguarding adults.
- 5.18 All social care responsibilities for learning disability clients which are currently still under the control of PCTs will be transferred to local authorities from April 2009. This transfer of responsibility will also include the transfer of all necessary funding. PCTs will only retain responsibility for the health needs of those individuals. The Department of Health expects that the exact amount of money to be transferred is agreed at a local level. This is a complex process and currently there has not been agreement reached between NHS Brent and ourselves. Until this is achieved and it is confirmed that sufficient resources are being transferred this needs to be identified as a potential risk.
- 5.19 In addition to the established budget monitoring mechanisms, there are various corporate mechanisms in place aimed at ensuring that adult social care spending remains within budget. These include:
- The High Level Monitoring group, chaired by the Chief Executive, which receives regular up-dates on progress of the adult social care transformation programme;
 - The Adult Social Care Transformation Board which oversees delivery of the transformation programme. This is chaired by the Director of Housing and Community Care and includes the Directors of Finance and Corporate Resources and Policy and Regeneration ;
 - Monthly budget and activity monitoring meetings with service managers of the main client groups. These are chaired by the Assistant Director (Adult Social Care) and include the Deputy Director of Finance and Corporate Resources.

The Budget Panel has highlighted adult social care spending as a key risk it intends to monitor closely as part of its 2009/10 programme.

- 5.20 Table 5.2 below summarises the changes in budget at service area level between 2008/09 and 2009/10.

Table 5.2 Service Area Budgets

	2008/09 Revised Budget	Inflation	'Inescapa -ble' Growth	Savings	2009/10 Budget Before Ad'jts	Change 2008/09- 2009/10	Other Adj'ts	2009/10 Budget
	£'000	£'000	£'000	£'000	£'000	%	£'000	£'000
Children and Families	58,291	841	1,376	(834)	59,674	2.4	(684)	58,990
Environment and Culture	47,673	952	719	(1,600)	47,744	0.1	114	47,858
Housing and Community Care:								
- Housing	20,330	233	809	(1,502)	19,870	(2.3)	(5,682)	14,188
- Adult Social Care	86,522	1,485	170	0	88,177	1.9	(436)	87,741
Finance & Corporate Resources / Central/ Business Transformation	21,478	616	0	(1,434)	20,660	(3.8)	4,882	25,542
Total Service Area Budgets	234,294	4,127	3,074	(5,370)	236,125	0.8	(1,806)	234,319

Member decisions on service area budgets

5.21 Members are asked to agree the service area budgets set out in Table 5.2 above and detailed in Appendix C.

Proposed use of Area Based Grant, Performance Reward Grant and specific grants to support growth

5.22 The budget strategy agreed by the Executive in July 2008 proposed use of Area Based Grant, Performance Reward Grant, and other specific grants to fund priority growth. Details of the Area Based Grant and specific grants are included in Appendix D (iv). The government is yet to announce its decision on the basis for allocation of Working Neighbourhoods Fund and the figures for 2009/10 onwards are therefore provisional.

5.23 Area Based Grant, excluding Working Neighbourhoods Fund, will increase from £13.806m in 2008/09 to £14.606m in 2009/10. The introduction of Area Based Grant has provided councils flexibility to use grant funding to meet local priorities although the grant does include indicative allocations. As part of the council's budget strategy for 2009/10 it was agreed to freeze ABG allocated to services at its existing level (or reduced level where funding was being phased out) pending a review of use of the funds. That review has now been carried out and it is proposed to allocate the growth funds, as follows:

- £369k has been allocated for Positive Activities for Young People. Use of this funding will be decided following the Improvement and Efficiency Review of Youth Services. In the meantime, this funding is held within central items.
- £170k has been allocated to meet new statutory requirements relating to safeguarding adults.

Funding from Area Based Grant for Extended Schools Start-up Costs has been maintained at £450k. The report on the Schools Budget to the Executive on 16th February proposes additional funding from the central element of the Schools Budget for extended schools set-up costs. This would release £472k of ABG to fund growth for child protection. A review has also been carried out of the amount of funding required to implement the requirements of the Care Matters White Paper. This has identified a spending requirement of £211k. £207k, which is the balance of the £408k Care Matters allocation, is being used to contribute towards the cost of increased spending on safeguarding children.

5.24 Other specific grants will increase from £50.975m in 2008/09 to £55.984m in 2009/10.¹ Areas of growth include:

- Increased nursery provision for 3-4 year olds – an increase of £1.276m;
- Extension of the children’s centre offer – an increase of £1.289m;
- Aim Higher funding for aimed at widening participation in further education of under-represented groups – an increase of £237k;
- Funding to support schools achievement by children from ethnic minorities - an increase of £196k;
- Extended schools on-going costs – an increase of £338k;
- Social care reform – an increase of £609k;
- Free swimming for under 16s and over 60s – a new grant of £217k.

5.25 In addition, the council anticipates that it will receive £8m of Performance Reward Grant subject to achievement of stretch targets included within its first Local Area Agreement which runs from 2006/07 to 2008/09. £4m of the grant will be revenue and £4m capital. The grant will be payable in two instalments in 2009/10 and 2010/11.

5.26 It is proposed that the capital element of the grant is used to fund ‘invest to save’ schemes as part of the council’s Improvement and Efficiency Programme. Proposed use of the £4m of revenue funding is set out in Table 5.3 below and further details are given in Appendix D(i). It includes support for delivery of Local Area Agreement priorities, funding for additional costs incurred by the council as a result of recession, and provision of additional advice and support to Brent residents during the recession. The LAA priorities supported from the grant have been subject to consultation with the

¹ Specific grants included Supported People funding. It had been intended to transfer this into Area Based Grant in 2009/10 but the government subsequently decided to maintain it as a separate grant.

Local Strategic Partnership. Funding of projects after 2011/12 is taken into account in the Medium Term Financial Strategy in Section 7. .

Table 5.3 Proposed allocation of Performance Reward Grant

	2009/10	2010/11	2011/12	Total
	£'000	£'000	£'000	£'000
Revenue grant received	2,000	2,000		4,000
Balance carried forward		406	1,161	
Total to be allocated	2,000	2,406	1,161	4,000
Allocations				
Support for Local Area Agreement process	209	209	209	627
Sports development	287	287	287	861
Prevention of domestic violence	71	71	71	213
Volunteering	60	60	60	180
Green zones	90	90	90	270
Climate change National Indicators	155	155	155	465
Publicity for recycling	60	0	0	60
Support for residents to help maximise income	90	90	90	270
Advice agencies - additional caseload	22			22
Surveys - Disabled Facilities Grant	50	83	83	216
Library stock fund	100	0	0	100
Reduction in land search income	400	200		600
Total allocated	1,594	1,245	1,045	3,884
Balance carried forward	406	1,161	116	116

Central Items

5.27 Central items are items not included in individual service cash limits. Table 5.4 below sets out 2009/10 budgets for central items, compared to the provisional outturn for 2008/09. They include new funding of £500k each year to support the council's Building Schools for the Future programme. There is also a capital financing reserve to smooth out the impact of the significant change in interest rates between 2008/09 and 2009/10, with additional interest earned in 2008/09 being applied to offset the reduction in interest in 2009/10. Further details of the items are included in Appendix F.

Table 5.4 2009/10 Budget for Central Items

	2008/09 Forecast Outturn	2009/10 Budget	Change
	£'000	£'000	£'000
Coroners courts	198	208	10
Local Government Association subscription	69	69	0
London Councils subscription	217	203	(14)
Local Government Information Unit subscription	19	20	1
West London Alliance subscription	20	30	10
Park Royal Partnership subscription	25	25	0
Copyright licensing	15	17	2
External audit	432	447	15
Corporate insurance	280	300	20
Capital financing charges	23,912	25,223	1,311
Net interest receipts	(6,003)	(2,409)	3,594
Capital Financing Reserve	1,996	(1,996)	(3,992)
Levies	7,872	9,802	1,930
Premature retirement compensation	5,075	5,330	255
Middlesex House/Lancelot Road	454	489	35
Remuneration strategy	448	875	427
South Kilburn development	200	570	370
Investment in IT	820	820	0
Insurance fund	1,800	1,800	0
Civic centre/property repairs and maintenance	1,200	1,668	468
Neighbourhood working	1,038	850	(188)
Local authority business growth incentives	(1,500)	0	1,500
Affordable housing PFI	514	764	250
Corporate Efficiency Savings/Improvement and Efficiency Programme	(860)	(1,484)	(624)
Income generation initiatives	(5)	(213)	(208)
Future of Wembley	350	350	0
Leasing costs (internal scheme)	(120)	(70)	50
Invest to save	(156)	0	156
Capitalisation adjustment	(600)	(600)	0
Building Schools for the Future	0	500	500
Other items	30	108	78
TOTAL	37,740	43,696	5,956

Member decisions on Central Items

5.28 Members are asked to agree these amounts for central items, subject to the level of borrowing in Section 10 being agreed.

Forecast Performance and Activity Levels

5.29 The council has developed its performance and finance review process to bring together finance, activity and performance monitoring in one report which goes to both the Executive and Performance and Finance Review Committee once a quarter. In the past the target activity levels which are used to inform budget allocations have not been reported to Members prior to the production of the first quarter Performance and Finance Review report and performance targets have been agreed separately as part of the development of the Best Value Performance Plan. This information will be included as an appendix to the version of this report to Full Council on 2nd March 2009.

Risks

5.30 It is important that an assessment is made of potential risks as part of the budget process. This helps the council set an appropriate level of balances and also ensures that risks can be monitored and managed effectively during the year.

5.31 The most significant risks in the 2009/10 budget arise from the uncertainties caused by current economic turmoil, the impact of the recent investigations into child protection in Haringey and other authorities, the effect of introduction of Local Housing Allowance on costs of temporary accommodation, and the ability to contain budget pressures in adult social care through transformation measures.

5.32 The main risks from current economic events in 2009/10 are bank failure, reduced short term interest rates, additional borrowing as a result of reduced capital or section 106 receipts, the potential for loss of income from fees and charges, and increased demand for services. In the case of Icelandic banks, regulations issued by government means no provision needs to be made in 2008/09 accounts or 2009/10 budgets pending more clarity about the ability of the banks to repay loans. The extent to which risks from current economic events impact beyond 2009/10 depends on the length of the recession. There are however other longer term risks which will not impact in 2009/10 or 2010/11 but will need to be addressed from 2011/12 onwards including the impact on the Pension Fund and the expected tightening of government funding.

5.33 Funding growth of over £1m has been put into child protection following the events in Haringey and subsequent enquiries. The government is still in the process of developing its full response and there may be additional new requirements. In addition, the number of referrals from the public of children who might be at risk has increased and this could impact on the number of children that need to be looked after, with a resulting direct impact on the placements budget.

5.34 The application of Local Housing Allowance to the calculation of benefit subsidy for homes leased directly by the borough will affect spending on

temporary accommodation. Details of the measures the council is taking were set out in paragraph 5.11(b) above. The additional funding put in the 2009/10 budget of £500k may not be sufficient and additional costs may have to be incurred to avoid further additional costs in 2010/11 onwards.

5.35 Adult social care spending is also a significant risk. Details of the issues and the monitoring arrangements are provided in paragraphs 5.15 to 5.19 above.

5.36 These risks fit into the existing categories which the council uses to assess its budget risks. These are as follows:

- a. demand risks where the level of service provision depends on projections of need. These include children's and adults' care budgets, the temporary accommodation budget, and the waste management budget. There are also likely to be more general demand risks associated with recession such as increased pressure on the housing benefit service;
- b. risks from new legislation or other statutory changes, where there is some uncertainty about impact on council costs. This would include new government requirements arising from the recent Haringey child protection case and changes to housing benefit subsidy for temporary accommodation following introduction of Local Housing Allowance;
- c. risks from legal challenges. This includes for example the council's appeal against the LAML insurance mutual judgement;
- d. partnership risks, which are less of a risk than in previous years now that the dispute with the PCT is largely resolved. The planned transfer of learning disability budgets to the council is still subject to discussion and this therefore represents a new risk for 2009/10 (see paragraph 5.18);
- e. treasury management risks. Last year, the budget report highlighted increased risk as a result of market uncertainty. The significant developments in the last year mean that this is now the biggest financial risk the council faces in 2009/10;
- f. procurement risks. These risks should be reduced as a result of the current market situation with opportunities to secure savings through procurement ;
- g. pay risks. Agreement by General Purposes Committee to implementation arrangements for single status has reduced risk related to single status. However, the 2008 national pay award is still at arbitration and therefore there is some uncertainty about the level at which it will be agreed. General economic conditions should help keep the 2009 pay award at or below the 2% allowed within the budget. Each 0.5% above the amounts provided in 2008 and 2009 would cost the council £0.6m;
- h. grant risks. These include risks arising from changes to grant conditions, the council not meeting grant conditions, or uncertainty about the amount of grant the council will receive. An on-going risk area is the council's housing benefit subsidy claim which is by far the largest single grant claim the council makes;

- i. risks of not achieving savings or income targets in the budget. The council has a good track record of delivering savings included within individual service budgets. However the recession may affect this – for example, savings in housing benefit administration may be difficult to achieve given increasing caseloads. Similarly, levels of income may be affected by recession – funding growth has been allocated for loss of land search income but not for other areas such as planning fee income. There are other areas not related to recession where it may be difficult to deliver savings. Additional target savings of £500k have been included in the 2009/10 budget for the Improvement and Efficiency Programme and, since most of the savings from the programme will go to services, these may be difficult to capture. In addition, the importance of ensuring full consultation with clients/clients’ representatives when delivering change through the adult social care transformation programme can inevitably lead to delay and difficulties achieving savings. ;
- j. asset management risks if corporate or service buildings have to be closed because of current condition;
- k. risks from natural disasters or terrorist attacks.

Risks to the capital programme are addressed in Section 10 below.

5.37 The risks are quantified in Table 5.5 below.

Table 5.5 Major 2009/10 Spending Risks

	Worst case £'000	Likelihood %	Net risk £'000
<u>Demand risks</u>			
Adult care packages	3,000	20%	600
Children’s care packages	2,000	30%	600
Temporary accommodation – increase in homelessness	600	25%	150
Non-recyclable waste	500	30%	150
Other recession related risks	500	25%	125
<u>New legislation and other statutory changes</u>			
Local Housing Allowance	500	30%	150
Safeguarding children	500	30%	150
<u>Legal challenge</u>			
Legal challenges – e.g. LAML, Equal Pay, employment tribunals, contractual disputes	1,000	20%	200
<u>Partnerships</u>			
PCT transfers	1,000	30%	300
<u>Interest rate risks</u>			

	Worst case £'000	Likelihood %	Net risk £'000
Combined potential effect of reduced short term rates, additional borrowing requirement, and bank failure	7,000	25%	1750
<u>Procurement risks</u>			
Risk that cost of social care placements may increase by more than the 2% allowed in the budget	500	10%	50
Energy risk – risk of increases in energy prices which cannot be contained in budgets	200	5%	10
Other procurement risks	300	10%	30
<u>Pay risks</u>			
Risk that increases in the annual pay award for 2008 above the 2.5% provided within 2008/09 budgets cannot be contained	600	30%	180
Risk that increases in the annual pay award for 2009 above the 2% provided within 2009/10 budgets cannot be contained	600	10%	60
<u>Grant risks</u>			
Risk of exceeding the threshold on housing benefit overpayments in 2009/10	600	20%	120
Risk of amendments to housing benefit subsidy claim	1,500	20%	300
Risk of loss of income from other grant changes	500	15%	75
<u>Savings/income risks</u>			
Risk of not achieving full saving from transformation of adult social care	1,800	25%	450
Risk of not achieving other savings in the budget	5,400	10%	540
Risk of not achieving additional central savings from the Improvement and Efficiency Programme	500	40%	200
Risk of not achieving income from corporate income initiatives in central items	200	30%	60
Risk of loss of income from car removals - ensuring policy is in line with Code of Practice	350	90%	315
Risk of loss of income from recession - parking charges	810	50%	405
Risk of loss of income from recession - other items	500	50%	250
<u>Asset management risks</u>			
Closure of council buildings and need to find alternative accommodation	500	10%	50
<u>Major disaster</u>			

	Worst case £'000	Likeli- hood %	Net risk £'000
The government has a scheme (the Bellwin scheme) that covers authorities for 85% of costs of a major disaster above 0.2% of net revenue budget. The risk to the council is 100% of costs below the threshold and the 15% above it.	500	30%	150
Total General Fund revenue risks	31,960		7,420

Balances

- 5.38 As set out in Section 4, the council's General Fund usable balances are forecast to be £8.013m at the end of 2008/09.
- 5.39 Councils need balances so that they can deal with unforeseen calls on resources without disrupting service delivery. The level of risk that a council assesses it faces is therefore the minimum level at which balances should be maintained.
- 5.40 Balances can also contribute to effective medium term financial planning for councils. They allow councils to adjust to changes in resources and spending requirements over a period of time (see section 7 below for the Medium Term Financial Strategy for Brent), to plan council tax rises to avoid excessive increases in any one year, and to take a more flexible approach to the annual budget cycle, for example through *invest to save* schemes. They also allow councils to respond to new demands/priorities for spending which arise during the year. This flexibility needs to be considered each year depending on the particular pressures facing the council and the outlook in the medium term.
- 5.41 Balances also have to be used carefully. They can be used only once. Decisions to use balances to fund on-going spending or hold down council tax increases can only apply for one year. In the following year, either additional budget reductions have to be made or additional council tax increases are required. There is a risk of future financial instability if significant levels of balances are used to fund on-going spending or reductions in council tax. This is particularly the case given the tight financial settlements expected in future years and pressures to keep council tax increases down, including the threat of capping.
- 5.42 Under the 2003 Local Government Act, the Director of Finance and Corporate Resources, as chief finance officer, has to be satisfied that the level of available General Fund balances is adequate. The Director of Finance and Corporate Resources advises that:
- a. The minimum prudent level of balances in 2009/10 should be £7.420m, which is sufficient to meet the revenue budget risks identified in the report;

- b. The optimal level of balances, to enable effective medium term financial planning in the authority, remains at £7.5m to £8m, with use of balances in any year being replenished in subsequent years;
- c. As a general rule, Members should only plan to use balances to fund one-off spending;
- d. Where Members wish to use balances to fund on-going spending or reductions in council tax, they should indicate how they plan to make up the budget shortfall in future years.

5.43 Table 5.6 below presents the proposals from the Administration on balances in 2009/10.

Table 5.6 Proposed General Fund Balances in 2009/10

	£'000
Total Estimated Balances at 31st March 2009	8,013
Proposed use of balances to fund 2009/10 budget	(500)
Estimated Balances at 31st March 2010	7,513

Member decisions on balances

5.44 Members have to decide the contribution they wish to make to or take from balances in 2008/09 to support the General Fund revenue budget. In doing so they need to consider the advice on the factors to take into account in paragraph 5.42.

Overall Budget Requirement

5.45 The overall budget requirement in 2009/10 resulting from the proposals in this section is £261.836m. The make up of this budget requirement is summarised in Table 5.7 (details in Appendix B).

Table 5.7 General Fund Budget Requirement in 2009/10

	£'000
Service area budgets – Table 5.2	234,319
Area Based Grants -Appendix D(iv)	(16,048)
ABG held centrally for Positive Activities for Young People	369
Central items – Table 5.4	43,696
Use of balances – Table 5.6	(500)
Proposed budget requirement for 2009/10	261,836

Statement by the Director of Finance and Corporate Resources on the budget and balances

5.46 Under Section 25 of the 2003 Local Government Act, the chief finance officer is required to comment on the adequacy of the budget calculation and the level of balances proposed within a budget. The two issues are related. The less prudent the revenue provision, the less accurate forecasts of demand and risk, the higher the level of balances required to justify the budget calculations. This budget however has been carefully prepared, and while excessive provision has not been made in the budget a prudent and cautious approach has been taken. Risks have been identified and quantified. The council also has rigorous budget monitoring arrangements during the year and a policy of restoring balances once used. The combined approach means that a minimum prudent level of balances is £7.420m, which will cover the General Fund revenue budget risks identified. The Director of Finance and Corporate Resources' view is that the optimal level of balances to cover risks and allow effective financial planning, which will contribute to longer term financial stability, remains at £7.5m to £8m. The Director of Finance and Corporate Resources also advises that as a general rule use of balances should only be to cover one-off expenditure. However, given that balances overall remain above the target level set for them and that the council has in place a number of projects that will deliver savings in future years, it is proposed to use £500k of balances, with the impact of this one-off use of balances taken into account in budget projections for future years in Section 7 below.

Member decisions on the overall budget

5.47 Section 32 of the Local Government Finance Act 1992 requires the council to calculate its budget requirement in terms of gross revenue expenditure, income and net revenue expenditure. For these purposes expenditure and income relating to the Housing Revenue Account is included even though it has no effect on the net revenue budget. The formal calculation, based on the budget in Appendix B, is as follows:

	£m
(a) Aggregate of the amounts which the Council estimates for items set out in Section 32(2)(a) to (e) of the Local Government Finance Act 1992.	967.459
(b) Aggregate of the amounts which the Council estimates for items set out in Section 32(3)(a) to (c) of the Local Government Finance Act 1992.	705.623
(c) Calculation of the budget requirement under Section 32(4), being the amount by which the sum aggregated at (a) above exceeds the aggregate of (b) above.	261.836

5.48 The council is not constrained by a pre-set capping limit, but the government have indicated that excessive increases will be capped. Further details are provided in Section 6.

5.49 The context in which Members are setting the budget for 2009/10 has been made difficult by the various budget pressures faced and the floor increase in

government grant. Moreover the prospects for future years, set out in detail in Section 7, are challenging both because of continuing budget pressures and the lower grant increases expected in future years. The council's current financial standing is strong but the challenge will be to maintain this given the financial pressures faced in 2009/10 and future years. The council will therefore need to ensure the continuing effectiveness of its financial controls and a continuing commitment to delivering improvements in the cost effectiveness of services.

5.50 Members have a range of options available to them:

- a. they could increase the budget and council tax to invest in service priorities or remove savings items (whilst bearing in mind the potential for capping);
- b. they could agree the budget as set out in the report;
- c. they could agree further savings (provided they are satisfied that they can be achieved) in order to reduce council tax.

Within each of those overall options, Members have a choice about the combination of growth and savings items they may wish to agree.

5.51 Table 5.8 below sets out the implications for council tax of an increase (up to 5%, which has been the capping limit in previous years) or reduction in Brent's expenditure compared with the current budget. This incorporates a GLA precept of £309.82 for 2009/10 which has been recommended by the Mayor of London and is due to be considered at the Assembly meeting on 11th February 2009.

Table 5.8 Impact of Changes to Budget Requirement on Council Tax

	2008/09 Budget	2009/10 Proposed Budget	Expenditure - £1m	Expenditure + £2.460m – up to 5% increase in CT
Brent's budget requirement (£m)	255.972	261.836	260.836	264.296
Council Tax Band D £	1,033.11	1,058.94	1,048.44	1,084.77
GLA precept £	309.82	309.82	309.82	309.82
Total Council Tax Band D £	1,342.93	1,368.76	1,358.26	1,394.59

5.52 The table illustrates that each £1m fall in expenditure decreases the council tax increase by £10.50 (1.0%) at Band D for the Brent element of the tax. The maximum increase in spending, which would take the council to the 5% capping limit, is £2.460m. A 5% increase would represent an addition of £25.83 at Band D compared to the recommended council tax.