

## **SECTION 3**

### **3. THE BUDGET MAKING PROCESS**

#### **Main Functions of the Budget**

- 3.1 The council prepares its budget every year to enable decisions to be made within the deadlines laid down by statute and to aid its financial planning. The budget fulfils five main purposes:
- to set the level of council tax;
  - to prioritise resources;
  - to authorise expenditure;
  - to provide a base to control expenditure and income;
  - to set a target against which achievement and performance can be measured.
- 3.2 In determining the level of budgets for each service the council has to take account of the following factors:
- the level of government grant;
  - pay and price increases;
  - new statutory responsibilities;
  - demographic change;
  - corporate policy growth requirements;
  - changes in levying and precepting bodies' requirements.
- 3.3 Each of these factors has a major impact on the level of resources required or available and is reported more fully in the following pages of the report.
- 3.4 Frequent monitoring of the budget is important to ensure that no overspends occur which could endanger the council's financial stability. For this reason regular monitoring reports are required to be submitted at least quarterly to the Executive and potentially Full Council throughout the year. Service directors are clearly aware of their responsibility to control their budgets within the cash limited targets set for them. Section 14 deals with the arrangements for controlling expenditure.

#### **Policy Framework**

- 3.5 Members have agreed, within the framework of the Medium Term Financial Strategy (MTFS), a set of guiding principles for establishing a balanced budget. These include:
- a redirection of resources to contribute to the achievement of the council's key priorities contained within the Corporate Strategy;

- assuming 2% per annum efficiency savings in each financial year to enable this redirection;
- protection of balances from erosion by ensuring that every decision to release balances is accompanied by a decision to replenish them.

3.6 This approach was confirmed by Full Council at its meeting on 28<sup>th</sup> February 2005 when it not only set the budget for 2005/06, but set out indicative cash limits for 2006/07 to 2008/09 that sought to meet the requirements of the MTFs. Draft service development plans and budgets have been prepared within these cash limits subject to amendments for technical adjustments and virements. These cash targets assume and incorporate:

- (i) An allowance for inflation
  - Budgets were prepared at outturn prices (i.e. effectively a cash limit) and include an allowance of 2.95% for pay and an appropriate allocation for price rises (generally 2%) for 2006/07 (with 3% for pay and 2% for prices in subsequent years).
- (ii) An allowance for other budget adjustments, including the impact of increases in contributions to the Pension Fund.
- (iii) A savings target of 2%.

3.7 These indicative cash limits did not include provision for growth, although an provision for potential growth pressures was made within central items. As part of budget planning for 2006/07 and beyond, a corporate exercise was undertaken to identify:

- (i) Unavoidable budget pressures, including growth as a result of demand pressures, cost inflation or loss of income; and
- (ii) Service growth which meets corporate and service priorities.

3.8 The results of this process were set out in the First Reading debate report considered at Full Council on 28<sup>th</sup> November 2005.

### **Service Development Plans (SDPs)**

3.9 2005/06 is the last year of the current Corporate Strategy, which runs from 2002 to 2006. Details of achievements against the existing Corporate Strategy were set out in 'Building a Better Borough – Corporate Strategy 2002-06 – Final Report', which was published in January 2006. Work is progressing on the development of the Corporate Strategy for 2006 to 2010, taking forward key themes in the 2002 to 2006 Corporate Strategy. Pending completion of the 2006 to 2010 Corporate Strategy, which will be after the municipal elections, services set out priorities within their 2006/07 SDPs based on taking forward existing strategies and plans. The approach was set out in a guidance document for officers, "*Service Development Planning and Budget Guidelines 2006/07 - 2009/10*". This provided the framework for the draft service development plans and budgets presented to Full Council on 28<sup>th</sup> November 2005 and the Executive on 12<sup>th</sup> December 2005. Each SDP was required to include the following main sections:

- (i) Introduction and context for the service;
- (ii) Planned service improvements, building on those set out in the Brent Action Plan 2004/06; and
- (iii) Monitoring and target setting.

### **The Consolidated Budget Position**

- 3.10 Each service area's budget and service development plan were prepared by October and then reviewed by leading Members prior to consideration by the Executive on 12<sup>th</sup> December 2005.
- 3.11 The budget forecast was updated as new information was received and an outline of the position presented to Full Council on 28<sup>th</sup> November 2005. At that stage the government had not announced planned levels of government support for the council for 2006/07.
- 3.12 The "*first reading debate*", applying to both the budget and policy framework, was held at the Council meeting on 28<sup>th</sup> November 2005. A number of proposals for the budget were put forward by Members at that meeting. These are included in the minutes of the debate which are attached at Appendix E.
- 3.13 The provisional finance settlement was announced on 5<sup>th</sup> December 2005 and the final settlement on 31<sup>st</sup> January 2006.
- 3.14 The final stages of agreeing the budget and setting the council tax are as follows. The Executive will consider this report at its meeting on 13<sup>th</sup> February 2006. The GLA precept will be agreed by the Greater London Assembly at its meeting on 15<sup>th</sup> February. Overview and Scrutiny committees will receive the Executive's budget proposals for consideration at a joint meeting scheduled for 22<sup>nd</sup> February. Proposals from the Executive, the final GLA precept, and draft minutes of the joint meeting of Overview and Scrutiny will be incorporated in the final budget report to Full Council 6<sup>th</sup> March.

### **Budget Consultation 2006/07**

- 3.15 Brent Council is strong at consultation. The Citizens' Panel, user consultation meetings, the results of user surveys and engagement by services with their users all help to inform the council of the priorities that Brent residents think are important. The council engages with partners through the Local Strategic Partnership, the Public Services Board and a variety of other forums such as the Schools' Forum as well as directly in one-to-one meetings, for example, with the Primary Care Trust. Again this engagement makes a major contribution to helping the council determine its priorities. The development of Ward Working has introduced an added layer of engagement in the pilot wards.
- 3.16 Brent, along with other councils, has however found it difficult to engage residents directly on overall council budget issues. The result is that there

has been little interest shown in overall budget decisions in the various forums described above. Previous surveys at a national, London-wide and Brent level have however shown that residents want improvements in services but are not willing to pay significant increases in council tax to fund them. Surveys have shown residents more evenly split on willingness to pay increased direct charges (eg charges for use of leisure facilities) for services they use.

- 3.17 The council has a statutory duty to consult business rate-payers about the budget and wrote to business rate-payers at the beginning of January asking them to give their view on the budget and inviting them to a Business Breakfast on 30<sup>th</sup> January to discuss the budget. No written responses were received but a small number of business rate-payers/representatives of the business community attended the Business Breakfast to discuss the budget. No specific issues were raised on growth and savings items but there was recognition of the inter-dependence between the council and local businesses, in areas such as the environment, planning, and training, and a desire for businesses to be involved in discussions at an earlier stage of the both strategy development and the budget process in future years.
- 3.18 The introduction of the Dedicated Schools Budget is associated with an increase in the role of the Schools' Forum in determining how it is distributed. The Schools' Forum met on 5<sup>th</sup> December 2005 to have an initial discussion of the budget distribution and minutes of this meeting are attached as Appendix K(ii). Another meeting of the Schools' Forum will be held on 6<sup>th</sup> February and recommendations from that meeting will be forwarded to the meeting of the Executive on 13<sup>th</sup> February which will decide how the budget is allocated.