

## The 30 Year General Fund Business Plan Model

### 1. Background

- 1.1 Brent produced the first 30 Year Plan during the 2004/05 budget process and it was approved as an appendix to the Budget Report that year. The plan was designed to help Brent assess the long term implications of decisions on capital and revenue spending, and examine the sensitivity of the projections to various risks. Assumptions about costs and income were varied and the model could then be used to assess the feasibility of different budget options.
- 1.2 Though only two years into the plan, it has now become clear that the model needs an overhaul to make it relevant to the current financial planning of the council. A new 30 Year Plan has therefore been proposed in order to reflect the changes.

### 2. The Need for a New Model

- 2.1 There have been significant changes in recent years to the way in which local government is financed, which have led to a shift in the focus of the council's financial planning strategy.
- 2.2 The removal from local authorities of the responsibility for funding schools has resulted in Brent having a significantly smaller overall budget. The 2005/06 net budget was £367.2m, but with the schools funding removed this reduces to £225.5m. As the majority of our grant increase each year was in the area of schools, we can reasonably expect a far smaller increase in grant than we have been accustomed to in recent years.
- 2.3 Brent can no longer expect grant increases above the floor. This is due to:
  - ◇ the loss of schools (where we spent below the level of the Formula Spending Shares (FSS) allocation and therefore will face a loss of grant greater than the amount of budget that we allocated to schools)
  - ◇ the changes in the formula methodology
  - ◇ the use of population projections which underestimate the increase in Brent's population
- 2.4 The original 30 Year Plan assumed there was the option to have large increases in Council Tax and that this was a variable that could be used to finance capital investment. The application of the capping rules means this is no longer the case.
- 2.5 The current plan has simplified the assumptions. Effectively a steady state of inflation (2% per annum) has been assumed. This is justifiable as all other variables could be expected to move with inflation if the level changed drastically. Less variables have been used in order to make the plan easier to maintain and update.

### 3. Designing the new 30 Year Plan.

- 3.1 The new 30 year plan uses a number of basic assumptions about inflation, annual savings targets and central items, and looks at three key variables and their impact on the level of additional savings required and growth permitted. The 3 variables are:
- the rate at which grant income increases
  - the level of council tax increases
  - the amount of capital expenditure funded from borrowing
- 3.2 The table in Annex 1 lists the basic assumptions, rolled forward from the draft 2006/07 to 2009/10 General Fund revenue budget to 2034/5, which form the main case.
- 3.3 Assumptions have also been made about the key variables for the main case:

Variable	Description	Reason for sensitivity testing	Assumptions for the main case
Government Grant	The Formula Grant distributed by the Office of the Deputy Prime Minister.	Increase in funding is dependent on overall level of funding provided by central government to local government and decisions on distribution of grant between authorities	Actual settlement figures used for 2006/07 and 2007/08. Assumed from 2008/09 that Brent is at the floor for grant, and that the floor remains at 2.5%. This is an estimate based on the information we have so far.
Council Tax	Money raised from the local population.	Increases are affected by national capping regime and local political choice	2.2% rise in 2006/07 and then assume 2.5% per annum rise in all subsequent years.
Debt Charges/Net Interest Receipts Prudential Regime Financing Charges	Charges resulting from financing capital expenditure from borrowing.	Level of borrowing to fund the capital programme is determined by local political choice subject to the borrowing being affordable under the prudential regime	Planned borrowing to fund new capital expenditure for 2006/07 to 2009/10, and then new borrowing of £20m per annum increasing with inflation. New loans are assumed to be taken at the rate of 5%. The council mainly has fixed term loans and therefore interest rates do not have a major impact in the short term.

- 3.4 These assumptions can be varied to assess the sensitivity of the council's plans to changes in them, focusing on the resulting impact in terms of the level of savings necessary to achieve the set level of council tax.

## **4. Results**

- 4.1 The model's results are shown in Annex 2.
- 4.2 The spreadsheet in Annex 2 shows the results of the central case analysis which assumes annual grant increase of 2.5%, annual council tax increase of 2.5%, and borrowing to fund the capital programme at current levels of £20m per annum (increasing by 2% inflation each year), and growth in service area budgets for legislative, demographic and other reasons of 2% per annum.
- 4.3 The two charts attached to Annex 2 show the percentage savings required depending on level of grant received and choices made about council tax and borrowing. Positive points (i.e. points plotted above the x-axis) mean a saving over and above the 2% per annum whilst negative points indicate the potential for more growth to be incorporated within the budget.
- 4.4 The results of the central case show that the council would have to make annual savings of up to 1% (in addition to the 2% in service area budgets) in the years up to 2025 and annual savings of between 1% and 2% thereafter.
- 4.5 Levels of savings required increase or decrease according to the assumptions made about grant, council tax or borrowing.

## **5. Summary and Conclusions**

- 5.1 Expenditure in the 30 year business plan is based on current trends with respect to service pressures, an allowance for unfunded legislative demands and local discretionary expenditure, and annual 2% savings on service area costs. It also includes the financing costs of a capital programme that continues at the current level.
- 5.2 Savings shown in the report are annual savings, they are not cumulative. This means that savings in addition to the 2% assumed within service area budgets are likely to be required year on year.
- 5.3 The result is that any additional growth will have to be funded through further savings, reduced borrowing to fund capital expenditure or by increasing council tax by more than 2.5% per annum.

## Annex 1 – 30 Year Plan Assumptions

Budget Item in 2006/07 Budget	Assumption
Service Area Budgets	Budgets increase in line with the 2007/08 to 2009/10 increase, which is the net result of inflation, and the annual savings exercise. Inflation has been assumed at 3% for pay and 2% for all other costs. Growth has not been included in any service area budget, but is shown separately below.
Middlesex House/Lancelot Road	2006/07 to 2009/10 as per medium term financial strategy and then increasing at 7.6% per annum.
Agency/Third Party costs Insurance Fund/ HRA Recharges/Rent Rebates/ Civic Facility/Property Repairs and Maintenance/ Criminal Records Bureau/ Ward Working	2006/07 to 2009/10 as per medium term financial strategy. Thereafter increase at the rate of 2% per annum.
Future of Wembley/ Asylum Seekers	Drop out in 2010/11.
South Kilburn Development	2006/07 to 2009/10 as per medium term financial strategy. Remains at 2008/09 level before dropping out in 2015/16.
Premature Retirement Compensation Investment in IT Advertising Hoardings/Sponsorship Leasing Costs (Internal Scheme)	2006/07 to 2009/10 as per medium term financial strategy. Thereafter remain at 2009/10 level.
Remuneration Strategy	2006/07 to 2009/10 as per the medium term financial strategy, and thereafter rising at 3% in line with pay.
Levies	2006/07 to 2009/10 as per medium term financial strategy. From 2009/10 increase at 10% per annum to reflect the likely impact of the Landfill Allowance Trading Scheme.
Freedom Pass Scheme Growth	2006/07 to 2009/10 as per medium term financial strategy. Thereafter increases by £400k per annum.
Local Authority Business Growth Incentive (LABGI)	As per medium term financial strategy then assuming £750k from 2009/10 onwards.
Cashable Efficiency Savings	As per medium term financial strategy for 2006/07 to 2009/10 then remaining at 2009/10 level.
Taxbase	From 2007/08, taxbase is assumed to grow at 0.5% per annum.
Contingency/Growth	As per medium term strategy, then from 2009/10 growing at the rate of 2% of Service Area Budgets (approx £4m per annum).
Balances	As per medium term financial strategy, then growing at 2% per annum from 2009/10 onwards.

Annex 2

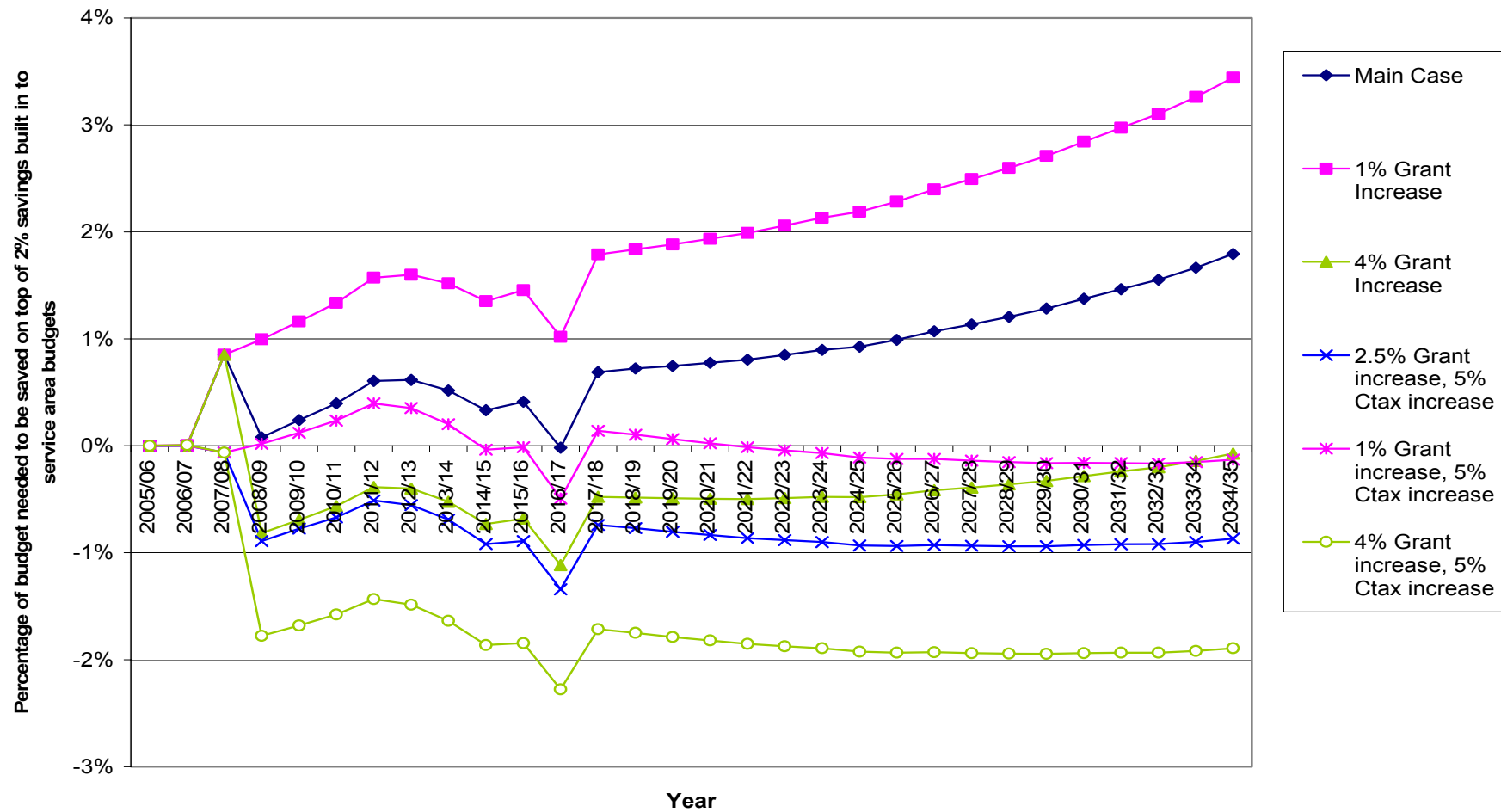
# 30 Year Plan - Tables and Charts

## The Main Case

	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Service Area Budgets (SABs)</b>															
Corporate	21,937	21,012	20,943	18,546	18,555	18,551	18,546	18,542	18,537	18,533	18,528	18,524	18,520	18,515	18,511
Children & Families	42,071	44,443	44,906	45,405	45,935	46,445	46,962	47,483	48,011	48,545	49,084	49,629	50,181	50,738	51,302
Environment and Culture	41,990	44,474	44,853	45,393	46,095	46,650	47,212	47,760	48,355	48,937	49,527	50,123	50,726	51,337	51,955
Housing and Customer Services	18,986	17,890	17,793	17,750	17,742	17,699	17,656	17,614	17,571	17,529	17,486	17,444	17,402	17,360	17,318
Adults and Social Care	65,403	70,626	71,216	71,815	72,508	73,118	73,733	74,353	74,978	75,609	76,245	76,886	77,533	78,185	78,843
<b>Total SABs</b>	<b>190,387</b>	<b>198,445</b>	<b>199,711</b>	<b>198,909</b>	<b>200,835</b>	<b>202,463</b>	<b>204,108</b>	<b>205,772</b>	<b>207,453</b>	<b>209,152</b>	<b>210,870</b>	<b>212,607</b>	<b>214,362</b>	<b>216,136</b>	<b>217,929</b>
<b>Growth outside SABs</b>															
Ward Working	250	900	1,020	1,040	1,040	1,061	1,082	1,104	1,126	1,148	1,171	1,195	1,219	1,243	1,268
<b>Total Growth outside SABs</b>	<b>250</b>	<b>900</b>	<b>1,020</b>	<b>1,040</b>	<b>1,040</b>	<b>1,061</b>	<b>1,082</b>	<b>1,104</b>	<b>1,126</b>	<b>1,148</b>	<b>1,171</b>	<b>1,195</b>	<b>1,219</b>	<b>1,243</b>	<b>1,268</b>
<b>Other Budgets</b>															
Central Items	35,313	36,168	43,082	50,632	53,148	55,373	58,261	61,273	64,110	66,502	69,229	70,725	74,546	78,585	82,843
Central Adjustment	520	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Spend to Save Scheme	250	(90)	(90)	(70)	(70)	0	0	0	0	0	0	0	0	0	0
Balances to Fund Spend to Save	(250)	90	90	70	70	0	0	0	0	0	0	0	0	0	0
Contribution to/Use of Balances	(2,176)	0	0	0	87	88	90	92	94	96	97	99	101	103	105
Forecast Underspend in 2005/2006	250	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjustment to Amending Reports	919	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Provision for Growth	0	0	0	0	2,810	6,883	11,070	15,374	19,796	24,341	29,011	33,809	38,737	43,799	48,998
Savings from Previous Years	0	0	0	(2,087)	(2,279)	(2,894)	(3,937)	(5,587)	(7,303)	(8,784)	(9,756)	(10,999)	(10,941)	(13,139)	(15,512)
<b>Total Other Budgets</b>	<b>34,826</b>	<b>36,168</b>	<b>43,082</b>	<b>48,545</b>	<b>53,765</b>	<b>59,451</b>	<b>65,484</b>	<b>71,151</b>	<b>76,697</b>	<b>82,155</b>	<b>88,582</b>	<b>93,634</b>	<b>102,443</b>	<b>109,349</b>	<b>116,435</b>
<b>Total Budget Requirement</b>	<b>225,463</b>	<b>235,513</b>	<b>243,813</b>	<b>248,494</b>	<b>255,640</b>	<b>262,974</b>	<b>270,674</b>	<b>278,026</b>	<b>285,276</b>	<b>292,455</b>	<b>300,623</b>	<b>307,435</b>	<b>318,024</b>	<b>326,727</b>	<b>335,631</b>
<b>Plus Deficit on the Collection Fund</b>	<b>1,183</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>
<b>Grand Total</b>	<b>226,646</b>	<b>236,691</b>	<b>244,991</b>	<b>249,672</b>	<b>256,818</b>	<b>264,152</b>	<b>271,852</b>	<b>279,204</b>	<b>286,454</b>	<b>293,633</b>	<b>301,801</b>	<b>308,613</b>	<b>319,202</b>	<b>327,905</b>	<b>336,809</b>
Reductions required to achieve target council tax increase		0	(2,087)	(192)	(615)	(1,043)	(1,650)	(1,715)	(1,481)	(972)	(1,243)	57	(2,198)	(2,373)	(2,516)
<b>Revised Grand Total</b>	<b>226,646</b>	<b>236,691</b>	<b>242,904</b>	<b>249,480</b>	<b>256,203</b>	<b>263,109</b>	<b>270,202</b>	<b>277,489</b>	<b>284,973</b>	<b>292,661</b>	<b>300,559</b>	<b>308,671</b>	<b>317,004</b>	<b>325,533</b>	<b>334,293</b>
% Spending increase		4.4%	2.6%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
<b>Grant Calculation for Future Years</b>															
Previous year's grant, excluding schools spend from 2005/06, plus floor at 2.5% on non-schools budget	140,313	147,334	150,855	154,658	158,524	162,488	166,550	170,713	174,981	179,356	183,840	188,436	193,147	197,975	202,925
% Increase in grant		5.0%	2.4%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<b>Council Tax Calculation for Future (excluding GLA)</b>															
Brent Council Tax Requirement (£) - 94047	929.52	950.14	973.89	998.24	1,023.19	1,048.77	1,074.99	1,101.87	1,129.41	1,157.65	1,186.59	1,216.26	1,246.66	1,277.52	1,309.15
% Increase in Brent part of CT		2.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<b>Balances</b>															
Balances Brought Forward	7,065	4,076	4,166	4,256	4,326	4,413	4,501	4,591	4,683	4,776	4,872	4,969	5,069	5,170	5,273
Contribution to/Use of Balances	(2,989)	90	90	70	87	88	90	92	94	96	97	99	101	103	105
<b>Balances Carried Forward</b>	<b>4,076</b>	<b>4,166</b>	<b>4,256</b>	<b>4,326</b>	<b>4,413</b>	<b>4,501</b>	<b>4,591</b>	<b>4,683</b>	<b>4,776</b>	<b>4,872</b>	<b>4,969</b>	<b>5,069</b>	<b>5,170</b>	<b>5,273</b>	<b>5,379</b>

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Service Area Budgets (SABs)</b>															
Corporate	18,506	18,502	18,497	18,493	18,489	18,484	18,480	18,475	18,471	18,466	18,462	18,458	18,453	18,449	18,444
Children & Families	51,872	52,449	53,032	53,621	54,217	54,819	55,428	56,044	56,667	57,297	57,933	58,577	59,228	59,886	60,552
Environment and Culture	52,581	53,214	53,854	54,503	55,159	55,823	56,495	57,175	57,863	58,560	59,265	59,979	60,701	61,432	62,171
Housing and Customer Services	17,276	17,234	17,193	17,151	17,110	17,068	17,027	16,986	16,945	16,904	16,863	16,822	16,782	16,741	16,701
Adults and Social Care	79,506	80,175	80,849	81,529	82,215	82,906	83,604	84,307	85,016	85,731	86,452	87,179	87,912	88,652	89,398
<b>Total SABs</b>	<b>219,741</b>	<b>221,573</b>	<b>223,425</b>	<b>225,297</b>	<b>227,188</b>	<b>229,101</b>	<b>231,034</b>	<b>232,987</b>	<b>234,962</b>	<b>236,958</b>	<b>238,976</b>	<b>241,015</b>	<b>243,076</b>	<b>245,159</b>	<b>247,265</b>
<b>Growth outside SABs</b>															
Ward Working	1,293	1,319	1,345	1,372	1,400	1,428	1,456	1,485	1,515	1,545	1,576	1,608	1,640	1,673	1,706
<b>Total Growth outside SABs</b>	<b>1,293</b>	<b>1,319</b>	<b>1,345</b>	<b>1,372</b>	<b>1,400</b>	<b>1,428</b>	<b>1,456</b>	<b>1,485</b>	<b>1,515</b>	<b>1,545</b>	<b>1,576</b>	<b>1,608</b>	<b>1,640</b>	<b>1,673</b>	<b>1,706</b>
<b>Other Budgets</b>															
Central Items	87,345	92,113	97,200	102,635	108,372	114,555	121,273	128,487	136,242	144,591	153,632	163,387	173,883	185,270	197,670
Central Adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Spend to Save Scheme	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balances to Fund Spend to Save	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contribution to/Use of Balances	108	110	112	114	116	119	121	124	126	129	131	134	136	139	142
Forecast Underspend in 2005/2006	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjustment to Amending Reports	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Provision for Growth	54,337	59,818	65,446	71,223	77,154	83,241	89,487	95,898	102,475	109,224	116,148	123,250	130,536	138,008	145,671
Savings from Previous Years	(18,028)	(20,710)	(23,575)	(26,676)	(30,036)	(33,607)	(37,529)	(41,887)	(46,637)	(51,822)	(57,490)	(63,735)	(70,574)	(78,031)	(86,248)
<b>Total Other Budgets</b>	<b>123,762</b>	<b>131,331</b>	<b>139,182</b>	<b>147,297</b>	<b>155,605</b>	<b>164,307</b>	<b>173,353</b>	<b>182,621</b>	<b>192,206</b>	<b>202,122</b>	<b>212,421</b>	<b>223,036</b>	<b>233,981</b>	<b>245,386</b>	<b>257,235</b>
<b>Total Budget Requirement</b>	<b>344,796</b>	<b>354,223</b>	<b>363,953</b>	<b>373,965</b>	<b>384,194</b>	<b>394,836</b>	<b>405,843</b>	<b>417,094</b>	<b>428,684</b>	<b>440,625</b>	<b>452,973</b>	<b>465,659</b>	<b>478,697</b>	<b>492,218</b>	<b>506,206</b>
<b>Plus Deficit on the Collection Fund</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>
<b>Grand Total</b>	<b>345,974</b>	<b>355,401</b>	<b>365,131</b>	<b>375,143</b>	<b>385,372</b>	<b>396,014</b>	<b>407,021</b>	<b>418,272</b>	<b>429,862</b>	<b>441,803</b>	<b>454,151</b>	<b>466,837</b>	<b>479,875</b>	<b>493,396</b>	<b>507,384</b>
Reductions required to achieve target council tax increase	(2,682)	(2,866)	(3,100)	(3,361)	(3,570)	(3,922)	(4,358)	(4,750)	(5,185)	(5,668)	(6,245)	(6,839)	(7,457)	(8,218)	(9,098)
<b>Revised Grand Total</b>	<b>343,292</b>	<b>352,535</b>	<b>362,030</b>	<b>371,783</b>	<b>381,801</b>	<b>392,092</b>	<b>402,663</b>	<b>413,522</b>	<b>424,677</b>	<b>436,135</b>	<b>447,906</b>	<b>459,997</b>	<b>472,418</b>	<b>485,179</b>	<b>498,287</b>
% Spending increase	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
<b>Grant Calculation for Future Years</b>															
Previous year's grant, excluding schools spend from 2005/06, plus floor at 2.5% on non-schools budget	207,998	213,198	218,528	223,991	229,591	235,330	241,214	247,244	253,425	259,761	266,255	272,911	279,734	286,727	293,895
% Increase in grant	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<b>Council Tax Calculation for Future (excluding GLA)</b>															
Brent Council Tax Requirement (£) - 94047	1,341.56	1,374.78	1,408.83	1,443.72	1,479.48	1,516.14	1,553.71	1,592.22	1,631.68	1,672.13	1,713.59	1,756.08	1,799.63	1,844.27	1,890.03
% Increase in Brent part of CT	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<b>Balances</b>															
Balances Brought Forward	5,379	5,486	5,596	5,708	5,822	5,939	6,057	6,179	6,302	6,428	6,557	6,688	6,822	6,958	7,097
Contribution to/Use of Balances	108	110	112	114	116	119	121	124	126	129	131	134	136	139	142
<b>Balances Carried Forward</b>	<b>5,486</b>	<b>5,596</b>	<b>5,708</b>	<b>5,822</b>	<b>5,939</b>	<b>6,057</b>	<b>6,179</b>	<b>6,302</b>	<b>6,428</b>	<b>6,557</b>	<b>6,688</b>	<b>6,822</b>	<b>6,958</b>	<b>7,097</b>	<b>7,239</b>

Graph 1: Savings Required as a Result of Grant and Council Tax Changes





Graph 2: Savings Required if Borrowing is Varied

