



Budget and Finance Overview and Scrutiny Committee – Supplementary Agenda

Wednesday, 10 November 2010 at 7.30 pm
Committee Room 4, Brent Town Hall, Forty Lane,
Wembley, HA9 9HD

Membership:

Members

Councillors:

Allie (Chair)
A Choudry (Vice-Chair)
Ashraf
Long
Mashari
Sheth
Van Kalwala
Vacancy

first alternates

Councillors:

Green
Chohan
Brown
McLennan
Harrison
Denselow
S Choudhary

Second alternates

Councillors:

Cummins
Moloney
Lorber
Mistry
Hector
Gladbaum
Daly

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The press and public are welcome to attend this meeting

Supplementary Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

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5 First reading debate on the 2011/12 to 2014/15 budget	1 - 22

Full Council will be holding its first reading debate on the 2011/12 budget at its meeting on Monday 22 November. This report sets out the financial issues that will form the background of that debate.

The Leader of the Council and the Lead Member for Finance and Resources will attend the meeting to answer questions from Members.



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- The meeting room is accessible by lift and seats will be provided for members of the public.
- Toilets are available on the second floor.
- Catering facilities can be found on the first floor near the Paul Daisley Hall.
- A public telephone is located in the foyer on the ground floor, opposite the Porters' Lodge

	<p style="text-align: center;">Full Council 22 November 2010</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Services</p>
<p style="text-align: right;">Wards Affected: ALL</p>	
<p style="text-align: center;">First Reading Debate on the 2011-12 to 2014-15 Budget and Medium Term Financial Plan</p>	

1.0 Summary

- 1.1 This report, together with the separate report on this agenda on the priorities of the administration, meets the requirement in the Constitution (Standing Order 25(b)) that:

'The Executive shall present a report to Full Council setting out the financial position of the Council, financial forecasts for the following year and their expenditure priorities. There shall then be a debate on the issues raised in that report held in accordance with Standing Order 44 hereinafter called a "First Reading Debate".'

- 1.2 The record of the 'First Reading Debate' assists the Leader of the Council and the Chair of the Finance and Budget Overview and Scrutiny Committee in shaping the budget. The role of the Finance and Budget Overview and Scrutiny Committee is to assist the budget process by providing detailed input during the Executive's development of its budget proposals. This includes scrutiny of the Executive's budget proposals prior to the Executive's recommendations on the budget being agreed at their meeting on 15th February 2011, as well as further consideration after the Executive's recommendations have been made. Final decisions on the budget and the level of council tax for 2011-12 will be made at Full Council on 28th February 2011.
- 1.3 This report has been written on the basis of the best information available to the council at this stage. However, the Coalition's budget in June 2010 and its spending review in October 2010 will have significantly more impact on the council than similar announcements in previous years and the full consequences will not be clear for some time yet. Assumptions regarding external funding for 2011-12 are therefore based on an initial review and analysis of the figures set out in the October 2010 Spending Review (SR10).

- 1.4 Even without the detail, it is clear that the announcement was undoubtedly one of the most severe for the public sector generally and for local government specifically for many years intended, as it was, to reduce public spending by £80.5bn over the next four years. Budgets relating to local government were amongst the most affected both in terms of the value of reductions in funding and also the front-loaded nature of those reductions in 2011-12. Across local government, reductions in funding over the next four years of 26% or more are expected with at least 10% (after allowing for inflation) occurring in 2010-11. It is also clear that further areas of cost (such as the Carbon Reduction tax) will add pressures on expenditure during time a time of funding reduction.
- 1.5 As well as the considerable uncertainty surrounding funding for 2011-12, the same uncertainty exists around later years with an expectation that this will not become clearer until after the local government settlement in December 2010. In addition, the ongoing impact of the recession and pattern of future economic recovery mean that underlying assumptions about pay and price increases, interest rates, service pressures and other items within the council's medium term financial strategy will need to be kept under close review.
- 1.6 This report is structured as follows:
- Section 2 Recommendations
 - Section 3 Background to the 2011-12 to 2014-15 budget
 - Section 4 General Fund revenue budget issues in 2011-12
 - Section 5 Schools Budget
 - Section 6 Housing Revenue Account
 - Section 7 The capital programme
 - Section 8 Timetable
 - Section 9 Financial implications
 - Section 10 Legal implications
 - Section 11 Diversity implications

2.0 Recommendations

- 2.1 Full Council is recommended to consider the issues set out in this report when it holds its 'First Reading Debate' for the purposes of Standing Order 25(a).

3.0 Background to the 2011-12 to 2014-15 budget and medium term financial plan

- 3.1 The 2010-11 budget was agreed at Full Council on 1st March 2010. Key features of the budget agreed for 2010-11 were:

- A General Fund budget requirement of £265.5m;

- No Council Tax increase for Brent services leading to a Band D level of £1,058.94;
 - No overall council tax increase, including the GLA precept, leading to a Council Tax for Band D properties of £1,368.76;
 - Reserves of £7.5m for 2010-11, which was at the lower end of the range of £7.5m to £8.0m recommended by the Director of Finance and Corporate Resources based on an assessment of financial risks and to enable effective medium term financial planning;
 - Financial projections for future years based on the assumptions that balances would remain within the £7.5m to £8m range and council tax increases would range between 0% and 5%.
- 3.2 Based on budget monitoring information to the end of September 2010, the Council now has a forecast overspend of £7.1m. This forecast overspend has increased from the £5.9m overspend forecast at the end of the first quarter. This potential overspend is due to continuing spending pressures, particularly on Brent's childrens and adults social care budgets and the withdrawal of £6.5m of grant income during the financial year. Further details are in Appendix A.
- 3.3 If no actions were to be taken to address underlying causes of the overspend, the council would be projected to have balances at 31st March 2011 of £0.5m, which is substantially below the £7.5m target set in the 2010-11 budget. Therefore a programme of actions is underway to eliminate the forecast overspend without recourse to the use of any more reserves than originally planned.
- 3.3 The 3 year financial forecasts included in 2010-11 budget reports have formed the background for work on the 2011-12 to 2014-15 budget carried out over the past few months although it is abundantly clear that the impact of the spending review announcements and detailed policy will result in a fundamental different budget for 2011-12 onwards.
- 3.4 The underlying assumptions in the current medium term financial strategy were set out in the budget report to the Executive in July and have been updated for October. The resulting projected budget gap is set out in Table 1 below. This assumed that:
- a. A balanced budget would need to be primarily delivered through the delivery of the One Council programme.
 - b. 'inescapable growth' would be contained within a total contingency for growth of up to £7m per annum;
 - c. Council Tax would not be increased for four consecutive years

Table 1: Projected Budget Gap

	Cumulative budget gap (0% Council Tax each year):			
Year	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m
<u>July Executive</u>				
Annual Saving	30.8	26.7	20.5	22.6
Cumulative Saving	30.8	57.5	78.0	100.6
<u>October Projections</u>				
Annual Saving	36.7	24.1	14.6	22.7
Cumulative Saving	36.7	60.8	75.4	98.1

- 3.5 The gap reported above is £5.9m higher in the October forecast than reported in July, principally because of further likely reductions in grant funding.
- 3.6 The figures shown above are based on a 0% Council Tax increase assumption on each of the next four years. Clearly when Government funding is falling year-on-year this exacerbates the gap and an alternative scenario based on Council Tax rises after 2011-12 would be:

Table 1: Projected Budget Gap with Council Tax Increase

	Cumulative budget gap (2.5% Council Tax each year from 2012-13):			
Year	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m
<u>October Projections</u>				
Annual Saving	36.7	21.5	12.0	20.0
Cumulative Saving	36.7	58.2	70.2	90.2

4.0 General Fund revenue budget issues for 2011-12

Budget gap

- 4.1 Appendix B shows that the current net budget gap between forecast expenditure and resources for 2011-12 is £15.9m **after taking account of further savings of £20.8m generated through the 'One Council' Programme**. This figure is £8.7m **lower** than the £24.6m reported in July
- 4.2 The reasons for the change in the gap are

1. Increased savings from 'One Council' (up from £6.2m to £20.8m);

2. A reduction in the anticipated level of government grant by £6.5m.
3. Yield from the Council Tax is increased by £0.6m as a result of an increase in the tax base.

4.3 Further measures that can be taken to reduce the gap are as follows:

- a. *Surplus/deficit carried forward from 2010-11:* The current budget gap assumes that there will be no surplus or deficit carried forward from 2010-11. Whilst the council's medium term financial strategy limits use of one-off funds to support on-going spending, the council has in the past used surplus balances to provide limited support to the budget. This amounted to £1.0m in the 2008-09 budget, £0.5m in the 2009-10 budget and was planned to be £1.4m in the 2010-11 budget. Although the 2010-11 budget is currently forecast to overspend (see para 3.2 above), officers are currently reviewing measures to bring it back into line to avoid any further call on reserves as such a call would be detrimental to the council's financial position in future years when financial pressures are expected to be considerably greater. Actions include a combination of eliminating projected overspends in individual service areas and identifying other measures to reduce spending in 2010-11.
- b. *Identifying additional savings:* As referred to above services are identifying actions as part of managing the budget for 2010-11. Where these are permanent changes this will provide ongoing benefit with full year effects to the budget position for 2011-12 and later years.
- c. *Central items:* Details of central items in the budget are included in Appendix C. The provision made in future years is still subject to fundamental review and updated information. Increases in these items include additional borrowing costs to fund the capital programme, a new 'tax' rise to meet the Carbon Reduction Commitment and continuing rises in the levy that the council pays to the West London Waste Authority reflecting principally the impact of land-fill tax.
- d. *Fees and Charges:* The budget currently assumes an increase in fees and charges of up to 10% for many services. Members will wish to consider some rises in specific areas.
- e. *'One Council' Programme.* The Programme, which succeeds the *Improvement and Efficiency Strategy*, was developed in 2010 to address some of the massive financial and service challenges facing Brent in future years. The full impact of the recession and its effect on public finances will become much clearer in the weeks leading up to the local government settlement. An incremental approach to budgeting is no longer sustainable and a priority-based approach is more relevant for the future. 'One Council' is the blueprint to deliver the strategy over a 4 year period. It seeks a planned and rational approach to realistically recognising the scale and complexity of the change programme and the plan contains the key projects including 24 projects which are highly complex, largely cross-organisational and where there opportunities exist for high levels of

savings. A proportion of these savings will be realised in 2010-11 and 2011-12 and these will be factored into the budget to help ensure that a balanced budget is agreed.

Inescapable growth

- 4.4 The current medium term financial strategy approved in March 2010 contained a provision for inescapable growth for 2011-12 of £7.1m of which around £1.2m related to specific identifiable items.

Any new inescapable growth above this figure would increase the budget gap. Assessments of the sums involved are still being undertaken but it is clear that pressures in the following areas will have an impact in 2010-11:

- Looked after children - increase in numbers of following the “Southwark” and Baby ‘P’ judgements;
- Adult Social Care – increase the number of cases of young people transitioning into to adult care.
- Environment and Culture – significant decreases in income linked to the recession
- Housing Benefit – increase in caseload
- Issues arising from the spending review including a new Carbon Reduction tax of 12% of all carbon dioxide emissions by the authority.

Priority growth

- 4.5 The previous medium term strategy incorporated the allocation of performance reward grant to deliver council priorities. As this grant no longer exists any such growth will need to be considered alongside other competing demands.

Council tax increase

- 4.6 Members will recognise that the budget pressures faced by the council are of such magnitude that the delivery of the ‘*One Council*’ Programme is vital to contributing towards a budget which is affordable.
- 4.7 Although a council tax rise of up to 5% is permitted, government policy is to seek a freeze and to this end, a one—off grant, equivalent to the value of a 2.5% increase in 2010-11 (around £2.6m for Brent) will be paid to those authorities not applying an increase. Each 1% in council tax equates to approximately £1m of council spending and members should note that the failure to increase council tax over a number of years will erode the council’s underlying revenue position in the longer term.
- 4.8 The figures for council tax do not include the precept that will be set by the GLA. The Mayor will issue his consultation on the proposed GLA precept –

which covers the Metropolitan Police, London Fire and Emergency Planning Authority, and Transport for London, as well as the GLA itself – in December 2010 and his budget proposals will then go through a process of scrutiny by the Greater London Assembly. The final precept will be decided in February 2011. At this stage, the indications are that as in 2010-11, the Mayor will be seeking to freeze the GLA precept in 2011-2 and this is reflected in the figures for overall Brent council tax shown in Appendix B.

- 4.9 The level of council tax increase for the council is affected by the extent to which the council tax base has changed between 2010-11 and 2011-12 and the estimated deficit in the Collection Fund. The council tax base for Brent will be determined by the General Purposes Committee in January 2011 and the estimated deficit in the Collection fund will be determined by the Executive in December 2010. The assumptions in Appendix B are that the council tax base will increase by 1.25% and that the deficit in the Collection Fund will remain at 2010-11 level of £1.1m.

Government funding decisions

- 4.10 In December 2010, the government is expected to announce the Formula Grant, Area Based Grant and specific grants that the council will receive for 2011-12. Significant changes are expected with the loss of around 90% of all specific grants and the conversion of these to 'new' Formula Grant. This change, intended to allow more local discretion, will be combined with severe overall reductions in total funding leaving Brent with a considerable net shortfall when compared with the previous year.

Longer term position

- 4.11 The council reviews its spending requirements and associated resource projections, over a three or four year period. This ensures effective service development and resource usage and prevents the council from having to make significant adjustments to its spending plans each year. It is important therefore that when members consider budget issues, account is taken of their longer term impact including the impact of interest and other revenue costs arising from capital programme decisions. This also means recognising that the use of one-off resources, such as balances or one-off grants, whilst acting as a palliative in one year of the budget cycle, can cause problems in future years. It also means that where new growth is on-going, the resource implications in future years have to be considered.
- 4.12 The severity of the resource cuts implies that significant savings will need to be made, year on year, throughout the whole spending review period in order to close the resource 'gap' identified in section 3.
- 4.13 Further work needs to be carried out on the potential impact of demand and other growth pressures after 2011-12, the savings that will be delivered as part of the 'One Council' Programme and other projections through to 2014-

15. This work will be reflected in an up-dated medium term financial strategy which will be included in the budget report to Full Council in March 2011.

Activity levels and outcomes

- 4.14 Setting the budget is not just a financial exercise; it is the financial expression of the council's priorities and the means by which the council delivers its services within Brent. In addition, budget discussions are often confined to spending growth or savings proposals and do not focus on how the rest of the core budget (the 95% or more not affected by growth or savings).
- 4.15 However, the fundamental changes and reductions in funding announced in SR10 require an equally fundamental rethink of the council's core purpose and priorities and a reallocation of resources accordingly. The council's performance and finance review monitoring system enables members to focus attention on the activities that the budget supports and the performance of those activities. The process for setting performance targets and levels of activity the budget can sustain will be incorporated within the 2011-12 budget report.

5.0 Schools Budget

- 5.1 The introduction of the Schools Budget from 1st April 2006 represented a fundamental change to the way in which councils' budgets are constructed. Previously, schools' spending was part of the overall council budget, and was funded from Formula Grant and council tax. From 2006-07, schools' spending was funded directly from a Dedicated Schools Grant which is ring-fenced and does not appear as part of the council's overall budget requirement. The result is that for 2010-11, £199.2m of the council's spending is through the schools budget and is treated separately from spending on other General Fund services. Schools are also allowed to build reasonable levels of reserves which are also ring-fenced.
- 5.2 The government announced in the Spending Review that schools spending was a priority area although overall Department for Education (DfE) funding fell by almost 11%. Key policy objectives included pupil premiums, academies and free schools and once again, the radical nature of the Coalition's objectives means that until funding for 2011-12 onwards is announced, forecasting the level of the DSG for Brent for 2011-12 is problematic. Key policy areas include:
- **Distribution of the £2.5bn Pupil Premium:** this new specific grant is to be targeted on pupils from deprived backgrounds. The Government consulted on a number of methods for allocating this funding and most commentators are currently of the opinion that free school meals will be the final allocation basis. The Government also announced early on that it wanted to take into account the level of deprivation based funding local authorities already received through other funding streams such as the DSG before setting what would probably be a differential Pupil Premium

rate for each local authority. Until the Department for Education releases detailed models regarding this it is not possible to predict the financial impact on Brent from the introduction of the Pupil Premium.

- **Grant mainstreaming:** the Government has announced that a large number of school related grants such as the Standards Fund are to be mainstreamed into the overall DSG. Once again depending upon how the detailed calculations are done it is not possible to predict the level of the DSG with the added in mainstreamed grants for 2011-12.
- **Academy Funding:** the Government is currently reviewing the method of calculating the level of funding transferred from a local authority to a newly formed Academy school. There is a potential for a local authority to lose significant amounts of its central education budget for each school that transfers to Academy status. Initial guidance provided by the DfE suggested that the amount transferred could be up to £900k per secondary school. However, the Government recognised that this methodology required urgent review and it is anticipated that a new methodology will be announced by 31 December 2010. In undertaking this review the Government announced at the outset that it did not want to introduce an Academy funding methodology that provided Academies with any financial advantage over local authority maintained schools.

5.3 Although it is not yet possible to forecast the DSG settlement for individual authorities SR10 did identify the level of funding available for education on a national level. The Schools Budget is set to increase by £3.6bn by 2014-15 with an annual increase of 0.1%. This includes the £2.5bn pupil premium. However after allowing for inflation and significant pupil number growth the funding per pupil available is forecast to reduce in real terms.

5.5 The council is required to consult the Schools Forum, which consists of representatives of the different schools sectors and includes head-teachers and governors, on allocation of the Schools Budget. The Schools Forum will be considering this at their meetings in December through to February. There is a requirement that the year on year increase in the central element of the Schools Budget (which includes Special Education Needs element and other areas) cannot be greater in percentage terms than the increase in funding delegated to schools, unless the Forum agrees a higher increase. A key issue that will need to be addressed is competing demands on the central element of the budget which will include pressure on the cost of pupils with special education needs, the need to increase funding for schools' capital works, and other legitimate charges to this budget.

5.6 Final decisions on the allocation of the Schools Budget will be taken by the Executive in February 2011.

6.0 Housing Revenue Account

- 6.1 The Housing Revenue Account (HRA) covers the activities of the council as landlord for approximately 9,000 freehold dwellings and 200 leasehold dwellings. The HRA is separate from the General Fund and is ring-fenced – i.e. HRA expenditure is met from HRA resources, which primarily consist of government subsidy (Housing Revenue Account Subsidy) and rents and not from council tax or other General Fund resources.
- 6.2 The rent increase for council dwellings takes account of the government's guidelines on convergence between rents charged by councils and Registered Social Landlords (mainly housing associations). In 2010-11, this resulted in an average rent increase of 1.09%.
- 6.3 The HRA forecast outturn for 2010-11 indicates a surplus of £0.5m, which is in line with the original budget.
- 6.4 At the time of drafting this report the government is yet to publish its draft HRA determination and HRA subsidy determination for 2011-12 but has announced a fundamental review to the Housing Revenue Account and subsidy system that could result in a fundamental change in the operation and funding of local authority controlled social housing in the future. Such changes are likely to include large reductions in government capitals funding for new homes and a move towards market rent levels to support future development needs
- 6.5 In addition, Brent has commissioned a review of its future ALMO arrangements in order to determine if this vehicle remains the best approach to delivering the council's housing priorities in future years. The review is likely to conclude in January 2011 and will take into account changes referred to in paragraph 6.4 above.
- 6.6 In February 2011 the Executive will decide on the rent increase to be applied in 2011-12. The HRA budget will be agreed by Full Council in on 28 February 2011 as part of its consideration of the overall council budget report.

7.0 Capital Programme

- 7.1 The capital programme is a four year rolling programme which is up-dated each year. The current 2010-11 to 2013-14 capital programme was agreed as part of the overall 2010-11 budget process in March 2010 and has been up-dated to reflect changes subsequently reported to the Executive. This includes accounting for slippage of previous years' spending into 2010-11 and the likely impact of any cuts announced by Central Government prior to SR10.
- 7.2 The capital programme for 2010-11 to 2013-14 currently reflects the priorities of the previous Corporate Strategy. The revised capital programme for 2011-12 will be up-dated to reflect new information on spending priorities arising from the new Borough Plan, revised asset management plans and any amendments required arising from the new departmental structures. The capital programme will also be extended to include the 2014-5 financial year.

7.3 The key challenges for the development of the capital programme are:

a. To revisit the estimated sources of funding, taking into account:

- the impact of SR10 which will not come clear until after the local government settlement has been announced, and
- the continuing impact of the economic downturn on other contributions such as reduced levels of S106 Agreement monies arising from a slowing of major development projects.

b. The ongoing need to provide additional school places across the borough and address other school capital needs, particularly in light of the cancellation of the Building Schools for the Future (BSF) programme.

Within the SR10 announcement was a sum of £15.8bn of capital funding to provide:

- new school places in areas of severe demographic pressure,
- maintain the school estate, and
- to meet existing BSF commitments to rebuild and refurbish the remaining 600 schools within the programme.

Details of allocations of this funding will not be available until after the local government settlement has been announced, and as such the Council cannot assess the net impact of the loss of BSF.

c. In the light of the above to ensure that the up-dated capital programme delivers the council's key priorities within the resources available.

7.4 The capital programme is currently based on the assumption that borrowing that falls on the General Fund will be at the level set out in the council's medium term financial strategy. This was agreed by Full Council in March 2010.

7.5 Such a strategy does increase borrowing costs each year at a time when revenue resources are falling leading to interest costs taking up an increasing share of total revenue resources. Members could decide to reduce that borrowing as a way of helping bridge the budget gap in 2010-11 and beyond through the reduction of borrowing costs as referred to in paragraph 4.3c. Achieving this would mean either reductions in capital programme spend or the identification of alternative funding sources other than borrowing from those already identified.

7.6 Borrowing levels currently included in the capital programme are as follows:

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Supported Borrowing	6,580	4,600	4,600	4,600
Unsupported Borrowing	26,301	6,467	6,714	6,699
Unsupported Borrowing – School Loan Scheme	38	0	0	0

Unsupported Borrowing – Self Funded	21,042	47,456	36,452	17,416
Total Borrowing	53,591	58,523	47,766	28,715

The elements of borrowing for which the costs are borne centrally and for which measures could be taken to reduce the revenue budget gap are the supported and unsupported borrowing. The borrowing costs from the School Loan Scheme and Self Funded elements of unsupported borrowing are met from the individual school and service revenue budgets respectively and reflect committed schemes for which there is budgetary provision.

In order to consider the potential to reduce the levels of borrowing incurred to fund the capital programme it will be necessary to first define the level of grant that will be made available via the local government settlement, the extent of other funding sources and contributions available and those schemes where there is a continuing commitment to fund or a statutory requirement to make provision. Members will then be able to consider the level of any funding gap arising, the total level of borrowing affordable to the General Fund revenue budget and the prioritisation of schemes within the existing 4 year capital programme and how that should roll into 2014/15.

The Local Growth White Paper published on 28th October 2010 includes a new system of Tax Increment Financing, which will enable local authorities to borrow against future increases in business rate revenues. This incentive for local authorities may provide an alternative means for funding elements of the capital programme and will be considered further as more information comes available.

8.0 Timetable

8.1 The key dates in finalising the 2011-12 budget are:

- release of the Mayor's consultation on the GLA budget in mid-December 2010;
- administration's draft proposals issued on 9th February 2011;
- GLA budget agreed in mid-February 2011;
- Executive decides recommendations to Full Council on budget at meeting on 15th February 2011;
- Full Council decides budget on 28th February 2011.

8.2 The Finance and Budget Overview and Scrutiny Committee will be scrutinising the budget at various stages of this process: prior to the administration's draft proposals being issued; after the proposals have been issued, with their discussions feeding into Executive consideration of the budget proposals on 15th February; and following the decisions of the Executive on 15th February, feeding into the Council budget debate. Last year the Budget Panel successfully involved a range of members in their meeting preceding the Executive's consideration of the budget proposals and the

intention will be to follow the same approach this year. This meeting has been scheduled for 10th February 2011.

- 8.3 Party Groups are also encouraged to invite the Director of Finance and Corporate Services to brief their members in advance of the budget decision making process.

9.0 Financial Implications

- 9.1 The report is entirely concerned with financial implications which have far reaching consequences for the council's services in future years.

10.0 Legal Implications

- 10.1 The council's Standing Orders contain detailed rules on the development of the council's budget. Some elements of these rules are required by the Local Authorities (Standing Orders) (England) Regulations 2001 but a number are locally determined.
- 10.2 In the case of the council's annual budget, including the capital programme, the Executive is required under the Constitution to present a report to Full Council setting out the financial position of the council, financial forecasts for the following year and their expenditure priorities. This report, together with the separate report on this agenda on the priorities of the administration, sets out the required information. There will be a debate on the issues raised herein and in the separate report, which will be conducted in accordance with Standing Order 44.
- 10.3 Following the First Reading Debate, a record of the debate will be sent to the Leader and to Chair of the Finance and Budget Overview and Scrutiny Committee. The Finance and Budget Overview and Scrutiny Committee will meet and produce a report setting out its view of the budget priorities and any other issues it considers relevant. This report will be submitted to each Executive Member and each Group Leader in order to inform budget proposal discussions. Prior to being agreed by the Executive, the Executive's budget proposals will be sent to members of the Finance and Budget Overview and Scrutiny Committee which will consider the proposals and submit a note of its deliberations and comments on the proposals to the Executive. The Executive will take into account the issues raised at the First Reading Debate and the note of the deliberations and comments from the Finance and Budget Overview and Scrutiny Committee in making its budget recommendations to Full Council.
- 10.4 The final proposals will be submitted by the Leader to a special meeting of Full Council for consideration and determination no later than 10th March in accordance with Standing Order 34. There is a statutory dispute procedure set out in Standing Order 25 to deal with circumstances where there is a disagreement between the Council and Executive on the budget proposals

but this only applies where the budget setting meeting takes place before the 8th of February.

11.0 Diversity Implications

- 11.1 Prioritisation and decision making as part of the budget process are tied into the council's corporate strategy, individual strategies and service development plans. The priorities within these reflect the council's commitment to tackling discrimination and disadvantage as part of its Comprehensive Equality Plan (CEP). In addition, services are required to carry out Impact Need and Requirements Assessments where it is considered that individual growth and savings proposals could have an equality impact. The impact of budget decisions is monitored through the council's performance monitoring systems. Members need to bear in mind the diversity implications of any proposals they put forward as part of the First Reading Debate.

12.0 Background Papers

- CSR Presentation (on this agenda)

13.0 Contact Officers

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CLIVE HEAPHY
Director of Finance and Corporate Services

FULL COUNCIL
22nd NOVEMBER 2010
FIRST READING DEBATE
BUDGET 2011/12 – 2014/15

I N D E X

Appendix A	2010-11 Council Budget
Appendix B	Financial Forecast 2011/12 - 2014/15
Appendix C	Analysis of Central Items - 2011/12 – 2014/15

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2010/11 LATEST REVENUE BUDGET COMPARED WITH FORECAST OUTTURN

	2010/11 Original Budget	2010/11 Current Budget	2010/11 Latest Forecast	2010/11 (Under)/ Over Spend
	(1) £'000	(2) £'000	(3) £'000	(3) - (2) £'000
Service Budgets				
Finance & Corporate				
Resources/Central/BT	25,792	25,752	26,252	500
Children & Families	60,145	57,953	60,994	3,041
Environment & Culture	48,859	47,506	47,910	404
Housing & Community Care				
- Housing	27,665	26,018	26,091	73
- Adult Social Care	88,288	89,113	92,613	3,500
Sub-Total	250,749	246,342	253,860	7,518
Central Items				
Capital Financing Charges/Net				
Interest/Capitalisation adjustment	22,389	22,389	22,389	0
Inflation provision	300	300	300	0
Affordable Housing PFI	1,003	1,003	1,003	0
Other	1,500	1,482	1,482	0
Levies	10,576	10,576	10,576	0
Premature Retirement Compensation	5,344	5,537	5,337	(200)
Middlesex House/Lancelot Road	526	1,406	1,406	0
Remuneration Strategy	314	229	229	0
South Kilburn Development	600	600	600	0
Investment in IT	820	820	820	0
Insurance Fund	1,800	1,800	1,800	0
Civic Centre	1,668	1,668	1,668	0
Future of Wembley	350	350	350	0
Neighbourhood Working	850	850	850	0
Freedom Pass	1,532	223	0	(223)
One Council Programme	(4,365)	(2,787)	(2,787)	0
Performance Reward Grant	(2,000)	0	0	0
Performance Reward Grant Programmes	2,100	100	100	0
Council Elections	400	400	400	0
Buildings Schools for the Future	750	0	0	0
E-recruitment savings	(150)	(150)	(150)	0
Communications Review	(200)	(200)	(200)	0
Management Posts	(2,014)	294	294	0
Learning Skills	244	0	0	0
Positive Activities for Young People	369	0	0	0
Total Central Items	44,706	46,890	46,467	(423)
Area Based Grants	(28,578)	(26,355)	(26,355)	0
Contribution to/(from) Balances	(1,408)	(1,408)	(1,408)	0
Total Budget Requirement	265,469	265,469	272,564	7,095

Balances B/Fwd 31.03.2010	8,908	8,963	8,963
Contribution to/(from) Balances	(1,408)	(1,408)	(1,408)
TOTAL BALANCES	7,500	7,555	7,555
2010/2011 (Under)/Over Spend			7,095
Balances Carried Forward			460

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Service Area Budgets (SABs)					
Children & Families	60,145	58,263	58,263	58,263	58,263
Environment and Culture	48,859	48,859	48,859	48,859	48,859
Housing and Community Care					
- Housing	27,665	27,494	27,494	27,494	27,494
- Adults Social Care	88,288	88,288	88,288	88,288	88,288
Business Transformation	10,441	10,306	10,306	10,306	10,306
Central Units	8,738	8,065	8,065	8,065	8,065
Finance & Corporate Resources	6,613	6,613	6,613	6,613	6,613
Total SABs	250,749	247,888	247,888	247,888	247,888
Savings					
One Council Programme Savings	(6,729)	(27,590)	(41,368)	(50,644)	(50,644)
Total Savings	(6,729)	(27,590)	(41,368)	(50,644)	(50,644)
Growth for Service Areas					
'Inescapable' growth	0	7,086	13,382	19,407	25,407
Loss of Specific Grants	0	1,735	1,831	1,935	2,034
Inflation Provision	300	1,411	3,814	8,771	13,841
Performance Reward Grant	2,100	0	0	0	0
Total provision for growth	2,400	10,232	19,027	30,113	41,282
Other Budgets					
Central Items	51,035	58,384	61,135	64,018	66,683
Area Based Grant	(28,578)	(6,082)	(6,082)	(6,082)	(6,082)
Council Tax Grant	0	(2,600)	(2,600)	(2,600)	(2,600)
Estimated Performance Reward Grant	(2,000)	0	0	0	0
Contribution to/(from) Balances	(1,408)	0	0	0	0
	19,049	49,702	52,453	55,336	58,001
Total Budget Requirement	265,469	280,232	278,000	282,693	296,527
Plus Deficit on the Collection Fund	1,162	1,162	1,162	1,162	1,162
Grand Total	266,631	281,394	279,162	283,855	297,689

Scenario A - No Council Tax increase in 2011/12 and an increase of 2.5% in the following years (under Spending Review assumptions)

Forecasted Budget Gap (15,910) (23,674) (26,262) (46,244)

Scenario B - Council Tax increases at 0%, 2.5% and 3.5% (under Spending Review assumptions)

Budget Gap at 0%, 2.5% and 3.5% Council Tax Increase

Reductions required to achieve council tax increase of 0% in each year	(15,910)	(26,254)	(31,504)	(54,225)
Reductions required to achieve council tax increase of 2.5% in each year	(15,937)	(23,624)	(26,144)	(46,057)
Reductions required to achieve council tax increase of 3.5% in each year	(14,913)	(21,509)	(22,862)	(41,533)

2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
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Note: Any increases above 0% in 2011/12 would result in the Council forfeiting it £2.6m per year Council Tax Grant. This loss of grant is reflected in the calculations.

Formula Grant	164,489	162,500	149,667	148,851	139,706
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The Formula Grant has been calculated based upon best estimates within the Spending Review

SCENARIO A

Council Tax Calculation for Future

Brent Council Tax Requirement 96,457 in 2010/11, 97,252 in 2011/12 and assuming 0.25% increase for future years.

1,058.94	1,058.94	1,085.40	1,112.58	1,140.39
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% Increase in Brent part of CT	0.0%	0.0%	2.5%	2.5%	2.5%
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Balances

Balances Brought Forward	8,908	7,500	7,500	7,500	7,500
Underspends/(Overspends)	0	0	0	0	0
Contribution to/(Use of Balances)	(1,408)	0	0	0	0
Balances Carried Forward	7,500	7,500	7,500	7,500	7,500

ANALYSIS OF CENTRAL ITEMS 2010/11 -2014/15

	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000
Coroners Courts	240	245	250	255
LGA	61	61	61	61
London Councils	226	231	236	241
LGIU Subscription	20	20	20	20
West London Alliance	30	30	30	30
Park Royal Partnership	25	25	25	25
Copyright Licensing	20	21	22	22
External Audit	505	520	535	550
Corporate Insurance	340	360	380	400
Capital Financing Charges	25,484	26,019	26,615	27,215
Net Interest Receipts	(1,399)	(1,818)	(2,271)	(2,721)
Levies	12,295	13,336	14,441	15,341
Premature Retirement Compensation	5,478	5,615	5,755	5,895
Middlesex House/Lancelot Road	565	607	652	652
Remuneration Strategy	314	314	314	314
South Kilburn Development	1,500	1,500	1,500	1,500
Investment in IT	820	820	820	820
Insurance Fund	1,800	1,800	1,800	1,800
Civic Centre/Property Maintenance	1,868	2,068	2,268	2,468
Neighbourhood Working	850	850	850	850
Freedom Pass Scheme Growth	4,140	5,280	6,455	7,655
Affordable Housing PFI	1,159	1,188	1,217	1,247
Council Elections	100	100	100	100
Future of Wembley	350	350	350	350
Capitalisation adjustment	(600)	(600)	(600)	(600)
Building Schools for the Future	1,500	1,500	1,500	1,500
Positive Activities For Young People	369	369	369	369
Learning Skills Council Transfer	244	244	244	244
Other Items	80	80	80	80
TOTAL	58,384	61,135	64,018	66,683

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