

LONDON BOROUGH OF BRENT
Meeting of the Executive - 15th February 2010
2010/11 BUDGET AND COUNCIL TAX

EXECUTIVE SUMMARY

1. The budget report sets out the key decisions Members are asked to make on:
 - the 2010/11 General Fund revenue budget;
 - the 2010/11 Schools Budget;
 - the 2010/11 Housing Revenue Account;
 - the council's capital programme for 2010/11 to 2013/14;
 - the council's treasury management strategy; and
 - prudential indicators aimed at ensuring the affordability of capital spending and a secure approach to borrowing and investment.
2. This executive summary covers the main items covered in each of the sections of the report.
3. *Section 1* introduces the report, with brief descriptions of what is covered in each of the other sections.
4. *Section 2* details proposed recommendations to Full Council. These are cross-referenced to appropriate parts of the main body of the report. They include the statutory decisions Full Council is required to make on the overall budget requirement of the council, gross revenue expenditure and income, and the council tax calculation.
5. The General Fund budget making process, including its links with the Corporate Strategy priorities and the council's Medium Term Financial Strategy, is set out in *Section 3*. This section sets out the underlying budget assumptions, the process for development of the proposals, including the role of members of the Executive and the Budget Panel, and the involvement of the public, businesses and council trade unions.
6. The Budget Panel has held several meetings during the development of the budget and its draft recommendations are set out in their first interim report which is attached as Appendix E (ii) to this report.
7. The 2009/10 probable outturn for the General Fund budget is covered in *Section 4*. Balances at the end of 2009/10 are forecast at £8.908m which is £1.408m more than the target of £7.5m set for 31st March 2010 in the 2009/10 budget report.
8. *Section 5* deals with the key spending decisions. The recommended overall budget requirement for 2010/11 is £265.469m, which is 1.4% above the 2009/10 budget requirement of £261.836m.

9. The key decisions Members need to take on the 2010/11 General Fund budget are as follows:
- Agreeing or varying the service area budgets for 2010/11, which are detailed in Appendix C, incorporating growth and savings outlined in Appendix D;
 - Agreeing or varying the overall budget for service areas in 2010/11 which this report recommends should be set at £250.749m;
 - Agreeing or varying the budget for central items which is estimated at £51.035m for 2010/11, and is detailed in Appendix F;
 - Agreeing or varying the use of balances figure of £1.408m in 2010/11;
 - Agreeing or varying the overall proposed budget of £265.469m for 2010/11, after taking account of Area Based Grant of £28.578m.
10. In making decisions on the budget, Members have to consider the extent to which the proposed budget supports delivery of corporate and service objectives, the consequences of agreeing or not agreeing budgets at the recommended level for services and council tax payers, and the realism of, and risks associated with, the budget.
11. Members also have to consider the impact of the budget on individuals and communities in Brent. The priorities within the Corporate Strategy and Local Area Agreement reflect the needs and aspirations of the diverse communities and individuals within Brent. Budget proposals are also screened individually by service areas to assess whether they have equalities implications. But Members also have to ensure the budget as a whole does not discriminate against communities or individuals because of age, ethnicity, gender, disability, religion, or sexual orientation, and meets the council's other duties to promote equal opportunities and good race relations.
12. As approved as part of the 2009/10 budget process growth required to fund priorities within the LAA, including sports activities for young people, prevention of domestic violence, volunteering, and sustainability, has been funded from Performance Reward Grant due to the council or achievement of stretch targets within the 2006-09 Local Area Agreement. Additional funding has also been put into the libraries book fund, speeding up the Disabled Facilities Grant process and support for Brent residents in accessing benefits and allowances to which they are entitled.
13. The performance and finance review process brings together monitoring of finance, activity and performance. The budget report includes target activity and performance levels as well as budget allocations. It sets out the underlying activity levels the budget can support – for example, number of children in care, tonnes of waste disposed of - and the performance improvements that can be expected. Monitoring of variations from target activity levels helps the council determine what measures need to be taken to ensure spending is within budget. Linking in performance ensures that Members are aware of the key outcomes expected as a result of the budget decisions and enables oversight of delivery of these outcomes during the course of the year, including the impact of any decisions needed to bring the

budget into line. These processes are of course supported by service planning within individual service areas.

14. Pressure on budgets, limited resources, and uncertainty mean that there are risks within the budget. These risks are assessed as part of the budget setting process and then carefully monitored and managed during the year as part of the performance and finance review process. The most significant financial risks for 2010/11 that have been identified as part of this process are as follows:
 - Impact of any mid-year changes to local government funding following the general election;
 - Demographic pressures and potential increase in client numbers above that allowed for in the budget;
 - The ability of the council to offset loss of interest on balances as a result of reduced interest rates by debt restructuring;
 - The ongoing impact of the economic downturn on service income and service demand;
 - The impact of the 'Southwark judgement' regarding the provision of care to homeless 16/17 year olds;
 - Uncertainty about the potential costs that may arise from the proposals within the Personal Care at Home Bill;
 - The ability of the council to ensure that savings from the Improvement and Efficiency Action Plan are delivered.
15. The assessment of risk forms the basis for assessment of balances required. The advice of the Director of Finance and Corporate Resources on balances is as follows:
 - The minimum prudent level of balances in 2010/11 should be £7.5m which is sufficient to meet the revenue budget risks identified in the report;
 - 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;
 - As a general rule, Members should only plan to use balances to fund one-off spending;
 - 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.
16. Members should note that the budget proposals in *Section 5* include a recommendation to use £1.408m of balances to fund the budget in 2010/11, and that the impact of this on future years' budgets has been built in to the Medium Term Financial Strategy in *Section 7*.
17. The resources to fund the General Fund budget are set out in *Section 6*. Overall the council will receive Formula Grant (which excludes Area Based

Grant and other specific grants) of £164.489m in 2010/11. This is 1.5% higher than in 2009/10.

18. The council tax income requirement is £102.142m. This is based on the proposed budget requirement of £265.469m, less grant of £164.489m, with £1.162m added for Brent's share of the Collection Fund deficit. Using the council tax base of 96,457 Band D equivalent properties agreed by General Purposes Committee on 26th January 2010, the Band D Council Tax for Brent services would be £1,058.94 in 2010/11, unchanged from the figure in 2009/10.
19. The government does not announce capping levels in advance. However, ministerial statements indicate that it will be significantly lower than the 5% benchmark used in previous years.
20. Council tax payers in Brent also have to fund the GLA precept, which covers the Metropolitan Police, the London Fire and Emergency Planning Authority, Transport for London, the Olympics levy and the GLA itself. The Greater London Assembly will be meeting on 10th February 2010 to consider the Mayor of London's proposal to freeze the GLA Band D precept for 2010/11 at its 2009/10 level of £309.82.
21. Subject to agreement to the recommendations in this report and the Mayor's proposed precept, the overall council tax at Band D in Brent would be £1,368.76 in 2010/11, the same as in 2009/10.
22. *Section 7* of the report sets out the council's Medium Term Financial Strategy (MTFS) and is the last part of the report dealing specifically with the General Fund. The current three year settlement runs until 2010/11. The impact of current measures to take the economy out of recession will be a sharp reduction in public spending in subsequent years. The likelihood is therefore of even tighter grant settlements from 2011/12 onwards.
23. The current economic situation makes assumptions about other variables in the budget difficult. The government's announcement on public sector pay is likely to mean pay increases will be limited. Low price inflation will also impact on the cost of supplies and services purchased by the council. A number of the council's contracts are linked to inflation indices and the ability to restrict future cost increases will be dependent upon inflation keeping low. On the other hand, continuation of low interest rates will have an on-going impact on the council's interest on balances. The same applies to loss of income from land searches where this budget proposes use of one-off funding to cover income losses at current levels. However it is unclear how long low price increases, low interest rates, low levels of housing market activity and so on will last so budget forecasts from 2011/12 onwards are uncertain.
24. The council's Pension Fund is due to be valued at 1st April 2010 and this will feed into employer contributions from 2011/12. The current employer contribution, which was set in the 2007 valuation, is 22.9% of the employee's remuneration. Market turmoil has led to a significant reduction in the value of assets in the Fund, although there has been a partial recovery since March 2009. Valuations look at the long term assets and liabilities of the Fund and not just short term movements and any changes could have a significant

impact on the budget with each 1% added to Pension Fund contributions adding around £1m per annum to General Fund spending.

25. There are other pressures that the council will face where it is easier to project impact. The combined effect of landfill tax increases and increasing costs of waste disposal and recycling have added around £2m to the budget each year for the past few years and are expected to do so in future. Use of Local Housing Allowance to calculate housing benefit subsidy levels for temporary accommodation leased by the council will require growth in 2010/11 in addition to the funding growth provided for in 2009/10. The government has announced that it will transfer over £30m of grant for concessionary fares from London to redistribute to other parts of the country and the impact of this has been factored into the budget.
26. The council's MTFs places us in a strong position to manage the pressures and uncertainty. The delivery of the Improvement and Efficiency Action Plan is key to the MTFs which builds upon the council's financial stability and its judicious use of balances to manage risk. The council has also been careful not to raise expectations about funding of priority growth and instead has used a combination of Area Based Grant, Performance Reward Grant, specific grants, redirection from lower priority services, and improvements in efficiency to improve services. Finally, the council has been careful not to build up unsustainable commitments by limiting the amount of prudential borrowing to fund the capital programme.
27. A key decision for Members in future years will be the level of council tax. Even if Members were inclined to increase council tax, the maximum permitted under capping rules is likely to be significantly lower than 5%. The uncertainty about the impact of economic conditions on the council's budget makes it even more important than in the past for Members to maintain flexibility about the level of council tax that will be set. The MTFs therefore sets out a resource envelope within which spending would need to be constrained using a range of assumptions about funding changes.
28. The council has a thirty year financial plan which was up-dated in 2008/09 following the announcement of the results of the Comprehensive Spending Review. The council uses this to assess the longer term impact of borrowing to fund investment in council assets. Given current uncertainties about future economic conditions and the prospect of even tighter financial settlements, it is proposed not to up-date the 30 year plan until after the publication of the spending plans of the government after the general election.
29. *Section 8* of the report deals with the Schools Budget. Brent historically spent below the amounts earmarked by government for schools and, since its introduction in 2006, Dedicated Schools Grant (DSG) for Brent schools has increased faster than the average for England in order to catch up. In 2009/10, the increase per pupil was 4.3% compared to 3.7% nationally. The per pupil increase for 2010/11 is 4.7% (compared to a national average of 4.3%). Details of the proposed allocation formulae and costs that will be charged to central items are subject to consultation with the Schools Forum.

30. The Housing Revenue Account, which covers the activities of the council as landlord for approximately 9,220 dwellings, is dealt with in *Section 9*. The HRA is separate from the General Fund and is ring-fenced – ie HRA expenditure is met from HRA resources, which primarily consist of government subsidy (Housing Revenue Account Subsidy) and rents. An average rent increase of 1.09% is proposed for 2010/11 in line with the government's Rent Restructuring Policy. There is a separate report on this agenda on the HRA. Whilst the Executive is asked to agree the rent increase, the overall HRA budget is part of the overall budget decision that will be taken by Full Council on 1st March 2010.
31. The council's overall capital programme for 2010/11 to 2013/14, together with the forecast outturn for 2009/10, is dealt with in *Section 10*. It is a four year rolling programme, based on the agreed Capital Strategy. It balances the need to deliver the council's priorities as set out in the Corporate Strategy, requirements to manage and maintain the council's existing assets, and the need to limit the impact of borrowing on the revenue budget both in the short and the longer term. The overall proposed capital programme is £122m in 2010/11, with £106m spent on General Fund assets and £16m on HRA assets.
32. The treasury management strategy is set out in *Section 11*. The treasury management strategy sets out how the council plans to protect itself against future banking failures and to minimise the adverse impact of reduced interest rates. The CIPFA Prudential Code for Capital Finance requires the treasury management and annual investment strategy to be approved by Full Council and this has always been done in Brent. However, recent events have highlighted the need for more Member engagement and increased accountability and *Section 11* sets out ways in which this can be achieved.
33. In addition to the requirement that councils adopt a treasury management strategy, the Prudential Code aims to ensure that councils use new freedoms to borrow introduced in the Local Government Act 2003 responsibly. It requires councils to set affordability limits on the amount of borrowing for capital purposes, to be clear about the impact on council tax and rents of their borrowing policy, to manage their borrowing and lending in a professional way, and to ensure value for money from the use of borrowing to fund capital investments. Details of the limits set for the prudential indicators included in the Code and other ways in which the council intends to use its prudential borrowing powers are set out in *Section 12*.
34. *Section 13* provides details of the council's approach to delivering value for money. The council has been successful at meeting government targets for efficiency savings, including the efficiency target set under the first round of the Local Public Service Agreement process and the Gershon target for efficiency. The Improvement and Efficiency Action Plan, launched in September 2009, sets out how the council plans to deliver fundamental change in the organisation aimed in a strategic and planned approach to meet the challenges over the next four years.
35. *Section 14* deals with the procedures required to control expenditure. This includes roles and responsibilities, the arrangements for monitoring spending,

and the approach to controlling the budget. The council needs to maintain spending within budget to ensure delivery of corporate and service priorities. The arrangements set out in *Section 14* seek to ensure this happens.

36. Setting the budget and council tax is one of the most important decisions Members take during the year. Decisions can affect the services received by the people of Brent and the level of council tax they pay. The legal basis on which the budget and council tax is set is also carefully defined in statute. *Appendix O* sets out advice from the Borough Solicitor on Members' individual responsibilities to set a legal budget and how they should approach this task. It is important that all Members read this advice carefully before taking part in decision making on the 2010/11 budget.