

SECTION 3

3. THE BUDGET MAKING PROCESS

Introduction

3.1 The budget making process is a key part of the overall strategic planning framework for the council. This framework consists of a number of inter-related processes involving:

- working with partners to determine the overall Sustainable Community Strategy for Brent;
- developing a Corporate Strategy which sets out what the council will do to deliver the priorities of the Administration;
- developing service strategies in the context of the Community Strategy, Corporate Strategy, wider statutory responsibilities and an assessment of needs;
- putting in place action plans to deliver the various cross-cutting strategies, including the Local Area Agreement and the Improvement and Efficiency Programme;
- agreeing annual service plans and individual project plans which set out key priorities and targets for individual services over the next year in the context of the wider strategic objectives of the authority and the individual service;
- backing these arrangements up with a performance and finance review framework in which budgets, activity levels and performance measures are agreed and monitored at service and corporate level, and linked down into team plans and individual staff appraisals.

3.2 The role of the budget making process in the strategic planning framework is to ensure that:

- there is a clear link between the strategic ambitions of the authority set out in the Community Strategy, Corporate Strategy and individual service strategies and resources likely to be available to the authority over the medium term – hence the importance of the council's Medium Term Financial Strategy which is set out in Section 7 of this report;
- resources are redirected to priorities for improvement where these priorities cannot be provided within existing resources;
- the benefits to service users in terms of improvements in, or protection of, services are balanced against the interests of council tax-payers;
- performance targets are realistic in the context of the budgets that are set;
- there is a basis for monitoring spending and income alongside the delivery of service priorities.

- 3.3 The statutory framework within which the council sets its budget is set out in Appendix O. Key elements are as follows:
- the budget and council tax for the following year need to be set annually before 11 March;
 - the government has the power to cap council tax increases if it considers them excessive;
 - the Director of Finance and Corporate Resources has to report on the robustness of the budget estimates and the adequacy of balances;
 - the Schools Forum, which consists of governors and heads, has a defined role in relation to decisions on the Schools Budget.
- 3.4 The government has a key role in the budget process because it determines levels of grant funding. There have been multi-year settlements which coincided with the period of government spending reviews intended to give local authorities and schools certainty about general grant funding and funding for the Schools Budget. However 2010/11 is the final year of the three year funding settlement announced following the 2007 Comprehensive Spending Review. The funding levels for future years are therefore uncertain and this limits the council's ability to plan for the future.
- 3.5 Members have a key role in the process in different ways:
- as members of the Executive to determine the overall strategy and make recommendations on the budget;
 - as Lead Members, to ensure the budget will deliver the priorities for their areas of responsibility;
 - as members of the Budget Panel, to advise the Executive on factors it should take into account in making its budget proposals and scrutinise those proposals when they are made;
 - as members of Full Council, to make their views known on priorities for the budget in the First Reading Debate and to make final decisions on the budget and council tax.
- 3.6 There is a statutory requirement to consult business rate-payers. But there is also an expectation that the public will be involved. In practice, this is achieved through public consultation on corporate and service priorities of the council through the Citizens' Panel, use of residents' attitude surveys and user satisfaction to find out what people think of the services they receive, feedback from area consultative and service user forums, and so on. Most importantly, it is achieved through councillors understanding the needs and expectations of local residents and ultimately through the ballot box.
- 3.7 This section of the report sets out:
- links between the budget process, the Corporate Strategy, and the service planning process;
 - how the annual budget process fits in with the Medium Term Financial Strategy (MTFS);

- the underlying budget assumptions used in the 2010/11 budget process;
- the process for developing the budget proposals;
- the involvement of the public and other stakeholders in the budget process.

Links to the Corporate Strategy and service planning process

3.8 The 2010/11 budget is the fourth of the Administration formed following the May 2006 elections. This budget continues the focus of the previous budgets on priorities within the Corporate Strategy and in particular the emphasis placed on the Administration's four key priority areas – regeneration, young people, crime and community safety, and sustainability. The process for putting together the budget has also been influenced by the publication of the Improvement and Efficiency Action Plan in September 2009 and the continued impact of the recession.

3.9 The Corporate Strategy was developed in the context of the MTFs which envisaged tight constraints on resources. The following funding principles were therefore set out within the Corporate Strategy:

- Improvements identified in it would be funded within existing resources, wherever possible;
- Where growth is required to deliver the improvements, there would be rigorous assessment of the level of additional funding needed;
- There was an expectation of equitable sharing of costs of providing services with our partners;
- All services were expected to deliver annual savings built into cash limits by improving efficiency of service provision and disinvesting in services which are low priority;
- The corporate efficiency agenda would focus on those changes that could yield the most significant savings;
- Fees and charges would be reviewed to identify opportunities for increasing income without compromising key council objectives including promoting healthy living and reducing poverty.

3.10 These principles continue to inform the development of the budget. However, significant changes in the approach to the budget were set out in a report to the Executive in July 2009 on the budget process for 2010/11. This recognised that incremental changes were not sufficient given the future prospects for public spending coupled with demographic pressures and the continued demands for service improvement. The level of cost reduction required over the medium term – in excess of £50 million – requires a planned approach, embracing significant changes and radical approaches to delivering services. The eight key elements of the council's approach to improvement and efficiency are:

- Service transformation and reviews
- Civic centre and property management
- Better commissioning, procurement and contract management
- Delivering one council proposals

- Flexible ways of working
- Stopping lower priority activities
- Increased income generation
- Structure and staffing review

3.11 Further details of the delivery of the council's Improvement and Efficiency Action Plan are set out in section 13.

3.12 Corporate priorities are not only delivered through the General Fund revenue budget. Significant amounts are spent through the Schools Budget on schools, through the Housing Revenue Account on the council's housing stock, and through the capital programme on the range of capital assets the council is responsible for. Details of the Schools Budget, HRA, and capital programme are in sections 8 to 10 respectively.

3.13 The council service planning process is linked in with the development of the budget. Each service area within the council has a service plan which links service objectives to key drivers including the Community Strategy, the Corporate Strategy and the Local Area Agreement. The plans also set out the performance measures to be used to achieve the objectives, targets for the next three years, and key actions the service area will be undertaking to deliver the objectives. There is a clear link back to the financing of the services and increased emphasis within this year's plans on mainstreaming the efficiency agenda. Plans for all service areas will be in place by 31st March 2010. These form the basis for individual team plans and for priorities set for individuals as part of the staff appraisal process.

3.14 The corporate performance and finance review process has become embedded, enabling members of the Executive and Performance and Finance Select Committee to monitor delivery of the council's priorities and ensure appropriate action is being taken to keep both performance and finance on track.

Links to the Medium Term Financial Strategy

3.15 The Medium Term Financial Strategy (MTFS) sets out:

- The likely resource envelope available to the authority, taking account of likely government grant increases and a range of council tax assumptions;
- The underlying budget assumptions for future years;
- Spending pressures the council faces;
- Projections of the levels of savings the council will need to make to stay within the projected resource envelope;
- The scope for funding priority growth within the identified resource envelope, which in practice is determined by the level of savings that can be identified within existing budgets and the level of council tax increase Members are prepared to agree; and
- The process for bridging any budget gap identified for future years.

3.16 The MTFS has a key role in determining the ambitions set out in the Corporate Strategy and individual service strategies. It also ensures that decisions are not taken which might yield benefits in the short term but which undermine the budget strategy – and the ability to deliver services – in the longer term. Details are provided in section 7 below which up-dates the strategy agreed as part of the 2009/10 budget.

Underlying budget assumptions used in the 2010/11 budget process

3.17 The underlying assumptions in the budget are as follows:

- Pay inflation of 0.75% has been allowed in the budget. This is less than the 2.5% included in last year's MTFS and reflects the expected impact of reduced levels of inflation and the recession on the pay settlement that will be reached. However it should be noted that the 2009 settlement was 1%. This is therefore a risk to the budget (taken into account in Section 5 of this report) and a risk to the achievement of service targets if cuts have to be made to fund a higher than budgeted pay award in 2010. Cash limits for future years – from 2011/12 - include 2.5% but this covers not only pay but future national insurance and potential pension increases as well. The employer's contribution to pensions will remain at 22.9% of pensionable pay in 2010/11 as this is the final year based on the actuary's valuation of assets and liabilities at 1st April 2007. Contributions from 2011/12 will be affected by changes since 2007 in investment returns, longevity assumptions and long-term interest rates.
- No general allowance has been made for price inflation in 2010/11. Instead specific provision has been made for contractually committed price increases. As with pay inflation, the assumptions for future years will be reviewed when the Medium Term Financial Strategy is up-dated.

The process for developing the proposals

3.18 The proposals in this budget have been developed by the members of the Executive, taking account of the advice of officers. The key processes for doing this are as follows:

- Development of the budget approach, based on the Corporate Strategy and last year's MTFS, which was agreed at the Executive in July 2009;
- Away-days involving both Executive and Corporate Management Team members to consider the key service and budget issues likely to affect the council in future years;
- Development by officers, in consultation with relevant Lead Members, of budget proposals for individual services within the context of the Corporate Strategy and the MTFS;
- A process of challenge of budget proposals through Star Chambers involving the Leader, Deputy Leader and relevant Lead Members;
- Agreeing the publication of the detailed budget proposals in this report.

- 3.19 Full Council had a First Reading Debate on 23rd November 2009 which was informed by a report from the Leader of the Council setting out the priorities of the Administration and a report from the Director of Finance and Corporate Resources setting out budget projections and options. The minutes of that meeting are attached as Appendix E(i) to this report.
- 3.20 The Budget Panel has met on a number of occasions during the budget process. All Members were invited to a session of the Budget Panel on 11th February 2010 where there was the opportunity to pose questions to the Deputy Leader and Lead Member for Resources on the proposals in this report. The final report of the Budget Panel is attached as Appendix E(ii).
- 3.21 A particular priority of the Budget Panel has been to secure more involvement from Members of all groups in the budget process. The attendance of Members who are not on the Panel at its meeting on 11th February – and their opportunity to pose questions to the Deputy Leader - is part of this process. In addition, the Director of Finance and Corporate Resources has made presentations on budget issues to individual groups.
- 3.22 Other decisions have been made on items that have been taken into account in these budget proposals. The Executive on 14th December 2009 agreed the 2009/10 balance on the Collection Fund and General Purposes Committee on 26th January 2010 agreed the council tax tax-base for 2010/11 – both of these decisions are taken into account in the council tax calculation in Section 6 below.
- 3.23 Decisions of external bodies affect the budget process. The government confirmed the final grant settlement for 2010/11 on 20th January 2010, with the total amount in line with the three year settlement previously announced. On 29th January 2010 the government announced its decision to transfer £30.2m of the specific grant for concessionary fares from London to other parts of the country. Levying bodies, including the West London Waste Authority, have confirmed their levies and these are taken into account in central items included in Section 5 of this report. The precept for the GLA was confirmed by the Greater London Assembly on 10th February 2010.

Involvement of the public and other stakeholders

- 3.24 There have been a number of ways in which the council has sought to obtain views of the public and other stakeholders to inform budget decisions:
- Use of results from the residents attitude survey and user satisfaction surveys to help determine corporate and service priorities;
 - Feedback through area consultative forums and service user forums;
 - Feedback from partners through the Local Strategic Partnership;
 - Meetings on the budget with voluntary sector organisations, the unions, and local businesses.

- 3.25 Residents' surveys have provided a consistent picture of the public's key priorities. The most recent residents' attitude survey was carried out in 2009 and the top five issues were unchanged from the previous survey in 2005, albeit the ranking of those five had changed slightly:

Issues making somewhere a good place to live

1. Levels of crime (ranked 1 in 2005)
2. Clean streets (3)
3. Health services (4)
4. Shopping facilities (5)
5. Public transport (2)

Priorities for improvement

1. Levels of crime (1)
2. Activities for teenagers (4)
3. Road/pavement repairs (3)
4. Clean streets (2)
5. Traffic congestion (5)

- 3.26 Resident attitude surveys have also previously highlighted concern by residents about lack of information on financial and budget issues. The council held focus groups with residents in 2007 to find out what further information they would like. In response to the results of the surveys and issues raised at the focus groups, the council now provides a range of information to members of the public on its budget. This includes regular articles in The Brent Magazine, a summary of the accounts in the Annual Review (now included as an insert in The Brent Magazine), and summary budget information circulated at area consultative forums. The council tax leaflet has also been redesigned and there is improved information on finance issues on the council's website.
- 3.27 Partner involvement in the budget process is primarily through the Local Area Agreement (LAA). The Local Strategic Partnership was involved in developing the priorities in the LAA and has also been involved in determining priorities for use of Performance Reward Grant in up to 2011/12. The council is also now sharing more information on its financial projections with partners at the Local Strategic Partnership, including a summary of the proposals in this report.
- 3.28 Summary details of budget issues have been sent to local businesses and the Deputy Leader presented details of the budget issues to a meeting of the Employer Partnership on 2nd February 2010. Around 35 business representatives attended the meeting. Issues discussed at the meeting included the Improvement and Efficiency Action Plan, support being provided by the council during the recession, the impact of the recession on council spending, particularly housing benefit, the council's collaboration with other west London councils, and the extent of additional funding required for early years services.

- 3.29 The Director of Finance and Corporate Resources has met union representatives on a regular basis to keep them informed of the budget issues and the key decision making dates so that they can feed in their views as appropriate.
- 3.30 Managers and staff are kept informed about the overall budget situation through regular up-dates at the quarterly Senior Management Group events and in the Chief Executive's Bulletin.