

	<p style="text-align: center;">Budget Panel 17th July 2007</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Resources</p>
For Action	Wards Affected: All
<p>Report Title: Budget process 2008/09</p>	

Forward Plan Ref:

1.0 Summary

- 1.1 The council's annual budget process is carried out in the context of the medium term financial strategy which is itself integral to the achievement of priorities within the council's Corporate Strategy 2006-2010.
- 1.2 This report up-dates financial forecasts for 2008/09 and beyond in the medium term financial strategy and sets out the process for putting together a robust budget for 2008/09 for consideration at Full Council on 3rd March 2008.
- 1.3 The report::
 - Provides the background to the 2008/09 budget process;
 - Sets out measures to reduce the projected budget gap;
 - Sets out key external funding issues that the council will be seeking to address through active engagement with central government;
 - Sets out issues affecting decisions on the level of council tax increase;
 - Details the approach to rolling forward the 2007/08 to 2010/11 capital programme to 2011/12;
 - Identifies the main stakeholders and the ways they will be involved in the process;
 - Sets out proposals for addressing recommendations of the Budget Panel following their review of the 2007/08 budget process;
 - Details the approach to risk management as part of the budget process;
 - Sets out the budget timetable.

2.0 Recommendations

- 2.1 The Executive is asked to consider and agree the proposed approach to the 2008/09 budget process in this report.

3.0 Background to the 2008/09 budget process

- 3.1 The council's 2006-2010 Corporate Strategy set out the financial context within which priorities within the strategy would have to be delivered, as follows:

'Funding increases over the four years of this strategy will be much more constrained than over the past four years and the period before that. Two main factors drive this:

- Firstly, the council can expect to be at the 'floor' level of grant increase over the next four years. The 'floor' increase in grant was 2% in 2006/07 and will be 2.7% in 2007/08. Public finances are tightening and it is likely that grant increases will be in the range of 2% to 3% for the next four years.
- Secondly, council tax capping means council tax increases will be limited to a maximum of 5%.

The council will also face budget pressures over the next 4 years. In addition to pay and price inflation, these include: demand pressures in adults' and children's care services; costs associated with implementation of single status for all staff from 1 April 2007; increases in Pension Fund contributions; major contract renewals such as the waste management contract; the impact of funding pressures on the Brent PCT on council spending requirements; and funding of priorities outlined in this strategy.'

- 3.2 The Corporate Strategy went on to detail how the council would deliver targets set out in the strategy and ensure continuous improvement with limited resources, as follows:

'By ensuring that:

- Improvements identified in [the strategy] will be funded within existing resources, wherever possible;
- Where growth is required to deliver the improvements, there will be rigorous assessment of the level of additional funding needed;
- There is equitable sharing of costs of providing services with our partners, including Brent tPCT;
- All services deliver 2% annual savings built into cash limits by improving efficiency of service provision and disinvesting in services which are low priority;
- The corporate efficiency agenda will focus on those changes that could yield the most significant savings – particularly:
 1. reviewing support services, including identifying the potential for achieving efficiencies by sharing services;
 2. reviewing major service areas including customer service provision, adult day care and libraries to identify changes which would improve services whilst reducing cost;
 3. using IT to deliver process efficiencies eg remote working;
 4. delivering improved commissioning arrangements in adult social care;
 5. maximising savings from better procurement;

- Fees and charges are reviewed to identify opportunities for increasing income without compromising key council objectives including promoting healthy living and reducing poverty.'

3.3 The council's Medium Term Financial Strategy, which was included as part of the 2007/08 Budget Report agreed by Full Council on 5th March 2007, up-dated the financial projections included in the Corporate Strategy. In particular, it reflected the effect of the more pessimistic outlook for government funding (with the likelihood of a below inflation increase in government grant), the on-going impact of PCT cost transfers, and the inclusion of options for council tax increases ranging from 0% to 5%. A budget gap of up to £16.7m (on top of 2% savings targets already built into cash limits) was identified for 2008/09 with further reductions required in future years. The forecasts are in Appendix A to this report and the underlying assumptions in Appendix B.

4.0 Measures to reduce the projected budget gap

4.1 This section of the report sets out measures to bridge the budget gap. It is assumed that external grant will increase by 1%. This produces an initial estimate, based on assumptions in the medium term financial strategy, of a budget gap (on top of 2% savings targets within services' cash limits) of:

- 5% increase in council tax - £12m;
- 2.5% increase in council tax - £14.3m;
- 0% increase in council tax - £16.7m.

4.2 The measures proposed to reduce the projected gap are as follows:

- Review of inflation and central item assumptions;
- Review of service priority growth for 2008/09 and subsequent years;
- Review of budget pressures;
- Identification of ways in which income can be maximised;
- Identification of savings options.

Inflation and central item assumptions

4.3 The assumptions which have gone into the calculation of the gap on inflation and central items have been reviewed.

4.4 Provision of 3% for pay inflation may be too generous (although it is too early to tell until the outcome of negotiations on the 2007 pay award is known) and the 1.5% increase in employers' pension contributions, based on phasing agreed with the actuary following the 2004 Pension Fund valuation, may be reduced following the 2007 valuation (the results of which will be known in September).

4.5 In addition, the council has protected itself against increases in interest rates (by borrowing long term at low interest rates) so the £1.9m growth in budget for capital financing charges is unlikely to be required. The estimated amount required for new borrowing is £0.9m and this is

closer to the amount that will actually be required. In addition, delays in the South Kilburn ballot should also mean a reduction in the amount required in 2008/09 to fund decants.

- 4.6 At this stage we have assumed that the combined impact of revising assumptions on inflation and central items would be to reduce the budget gap in 2008/09 by £3m.¹ It should be noted that reductions in expenditure on central items have usually been taken later in the process when there is greater certainty that they can be achieved. There will be fewer opportunities for savings outside of service area budgets later in the budget cycle as a result of this £3m reduction.

Service priority growth

- 4.7 Total service priority growth identified in the 2007/08 budget for 2008/09 was £3m (details in Appendix C). This growth reflects the decisions as part of the 2007/08 budget process to:

- spread growth over four years as part of phased implementation of corporate strategy priorities; and
- reduce 2007/08 growth where it was felt it would be difficult to achieve full year spending.

- 4.8 It is unrealistic to assume that £3m service priority growth will be fundable in 2008/09 given the likely resourcing position. This is therefore being reviewed with the aim of significantly reducing it to, say, £1m. As part of this, options are also being reviewed for reducing service priority growth included for future years (2009/10 and 2010/11). In addition, members should note that no new growth bids will be proposed.

- 4.9 This fits in with the approach set out in the 2006-2010 Corporate Strategy that improvements will be funded within existing resources wherever possible. As part of this review, members and officers will be looking at alternative means of delivering priorities within the Corporate Strategy.

Budget pressures/PCT cost transfers

- 4.10 The 2008/09 budget projections currently include £3.1m for budget pressures (£1.4m identified in the budget process for 2007/08 – details in Appendix D - a further £0.7m as a result of expected changes to temporary accommodation funding, and £1m for as yet unidentified budget pressures). Whilst the council continues to dispute PCT cost transfers, a contingency of £3.4m has been set aside for potential further cost transfers from the PCT. The total of £6.5m is broadly in line with amounts included in previous budget rounds. In previous years, increases in the number and cost of children in care have contributed to the growth pressures. The 'invest to save' programme for children's care services is aimed at removing this pressure. On the

¹ Other underlying assumptions – price inflation, increases in the waste levy and freedom pass cost, the cost of bringing our buildings up to standard, the budgetary impact of roll out of ward working – have all been left unchanged

other hand, current uncertainty about the position with the PCT means that it would be unwise at this stage to reduce the overall provision for growth due to budget pressures of £6.5m.

- 4.11 Portfolio holders and council officers will be doing what they can to manage down these budget pressures, including continuing to vigorously challenge transfers of costs from the PCT where these are not justified or where due process has not been followed.
- 4.12 The amount of funding required for budget pressures/PCT cost transfers will be subject to further review as the budget process progresses.

Income maximisation

- 4.13 In the 2007/08 budget process, additional fees and charges contributed around £2.3m to reducing the budget gap. The principal additional charges were parking, adult day and home care, and bulky waste.
- 4.14 The council has a strong framework for reviewing fees and charges as a result of the best value review completed in 2004. But fees and charges, and other means of income maximisation such as trading, have not been subject to systematic review using this framework since 2004. Work has recently been commissioned by the council's Efficiency Board to do this. Whilst additional income generation on the scale achieved in 2007/08 is unlikely to be repeated in 2008/09, a target of £1.5m across the council is proposed for 2008/09.
- 4.15 In the past, additional income generation has counted against service area savings targets. Given the resource projections for 2008/09, this £1.5m target for additional income generation is at the moment being treated as over and above service area targets.

Additional savings required

- 4.16 The combined effects of the changes above – revised underlying assumptions, reduced service priority growth, and income maximisation - is to reduce the budget gap by £6.5m ie:

	5% CT rise £m	2.5% CT rise £m	0% CT rise £m
Budget gap in medium term financial strategy	12.0	14.3	16.7
Less:			
- Revised inflation and central item assumptions	(3.0)	(3.0)	(3.0)
- Reduced service priority growth	(2.0)	(2.0)	(2.0)
- Income maximisation	(1.5)	(1.5)	(1.5)
Revised budget gap assessment²	5.5	7.8	10.2

² This budget gap is on top of the £1.5m corporate efficiency target and 2% savings target in service areas budgets already included in the medium term forecast.

- 4.17 In order to limit the council tax increase to 5%, savings within service area budgets of c. 4% would be required. To get down to a zero council tax rise, savings of c. 6% would be required.
- 4.18 Members should recognise the difficulty of achieving savings of this magnitude. The savings required are significantly in excess of the Chancellor's target for 3% annual efficiency savings during the three year period – 2008/09 to 2010/11 – covered by the Comprehensive Spending Review 2007. In addition, budgets used to calculate the savings targets include contractual commitments such as the street cleaning and waste contract with Veolia, the council tax contract with Capita, and numerous smaller contracts with housing associations, residential and home care providers, public utilities providers and so on. Whilst the council's procurement strategy is aimed at achieving savings in contracts, the principal savings can only be made at contract renewal stage. As a result most of the savings have to be achieved in council staffing and non-contractual non-staffing budgets.
- 4.19 The council's efficiency programme, agreed by the Executive as part of the efficiency strategy (16th April 2007), provides opportunities for the council to deliver efficiencies in the areas identified in the Corporate Strategy (see paragraph 3.2 above). There is already significant work going on in adult care services, children's services and customer care to deliver savings by reconfiguring services. There are various projects aimed at streamlining processes across the council including the introduction of more automated HR transactions, more efficient methods of collecting income and paying for goods and services, and reducing internal financial transactions. Some significant savings have been made in areas of procurement – most recently a 27% reduction in unit costs of PCs through an electronic auction. There is also work going on with West London Alliance partners on shared services for children's and adult care, human resources support, and various regulatory services. This programme has achieved savings in 2007/08 and will achieve savings on an on-going basis. A tool-kit, and other support aimed at individual services achieving savings, is also available. Some parts of the efficiency programme are relatively impact free – for example, savings achieved through better procurement – but others, such as service re-configuration, can have a significant impact on service users and staff, albeit that the long term aim of these service re-configurations is better services that cost less. This means that the efficiency programme will require members to take some difficult decisions.
- 4.20 For the reasons set out in paragraph 4.18, it is unlikely that the efficiency programme will by itself achieve sufficient savings to get down to a 5% council tax increase, let alone a freeze in council tax. Other savings that will have a direct and possibly damaging impact on services will need to be considered. In considering which reductions to agree, members will have to take account of impact on service users and on the ability of the council to achieve priorities in the Corporate Strategy.

4.21 At the moment services are reviewing whether realistic options are possible that might be taken to achieve the 6% savings necessary to reduce the council tax increase to zero. It is intended that savings that can be achieved through efficiency measures, including re-configuration of services, will be reported to the Executive for approval in October so that officers can start implementing them. Further work will carry on during the autumn to identify further measures that can be taken to achieve savings. Final decisions on the full package of savings will be taken at Full Council on 3rd March 2008.

5.0 External funding issues

5.1 All the expectations are of a very tight local government finance settlement (covering the period 2008/09 to 2010/11) following the announcement of the results of the Comprehensive Spending Review in the autumn. The government has announced that it expects 3% per annum efficiency savings in the public sector, including local government. The annual increase in grant funding for local government as a whole is likely to be no more than 2% to 2.5% per annum in line with government targets for inflation. Brent Council is likely to remain at the 'grant floor'³ which means its increase will be less than this. The 1% increase included in our budget projections is therefore not unrealistic.

5.2 Whilst the council will continue making representations to get its longer term funding needs met – by making the case for realistic assessments of population levels and the specific needs of providing services to a highly mobile multi-ethnic population such as Brent's – it is intended to focus representations in the lead up to the 2008/09 to 2010/11 settlement on issues which will directly affect funding over the next three years. These include:

- Resisting the transfer of additional costs – such as PCT transfers and reductions in the cap on subsidy for people in temporary accommodation;
- Making representations for adjustments to the base-line grant used for calculating the floor where costs are transferred or additional burdens – such as the extension of concessionary fares scheme from a local to a national scheme;
- Resisting adjustments to the base-line which reduce funding without a corresponding reduction in costs – and seeking to reverse the £700k baseline reduction made in 2007/08 which was meant to reflect transfers from capital borrowing to grant which did not happen;

³ The 'grant floor' is the minimum grant increase allocated to any council. Brent is at the floor – and is likely to remain so for the next three years - because of changes to the grant allocation mechanism in 2006/07, including ring-fencing of schools budgets and changes to social services spending need assessments (relative need formulae), and the continued underestimation of Brent's population by the Office for National Statistics.

- Seeking to ensure that any changes to specific grant regimes as part of CSR 2007 – including Neighbourhood Renewal Funding, Local Authorities Business Growth Incentive Scheme, Supporting People funding, Children’s Centres funding, and Dedicated Schools Grant – do not penalise the council.
 - Lobbying for the alignment of the capital funding regime for schools with the revenue funding regime to improve accountability for capital and revenue spending decisions in the schools’ sector.
- 5.3 The council will also be liaising with partners through the Local Strategic Partnership to identify areas of common interest where joint representations may be appropriate, for example, where funding is based on ONS population estimates and projections.

6.0 Council tax issues

- 6.1 The Band D council tax requirement in Brent in 2007/08 is £1,299.46, of which £995.58 pays for services provided by Brent Council and £303.88 pays for GLA services. Brent’s council tax is the 17th lowest out of 20 outer London boroughs.
- 6.2 The government has made it clear that it intends to retain council tax capping – under which it can take action against councils which increase council tax above an acceptable level - for the foreseeable future. The government determines what counts as an acceptable increase after councils have set their council tax. However, in recent years the government has given strong hints that increases above 5% would be considered unacceptable and has taken action in some – but not all – cases where council tax has been increased by more than 5%. For the purpose of budget planning, it is assumed that the maximum permitted increase will continue to be 5%.
- 6.3 The council tax level and increase in council tax are key issues for residents. But so are the levels of service received and there is a direct trade-off between the two. Given pressures on spending and reductions in real terms in grant, a decision to freeze council tax or have an increase in council tax well below the maximum 5% permitted is likely to have a serious impact on the services the council provides and the achievement of priorities within the Corporate Strategy. As part of the process for reaching a decision on the 2008/09 budget, members will need to balance the increase in council tax against the impact on service provision.
- 6.4 In addition, any decision on council tax needs to be considered within the context of the council’s medium term financial strategy. The decision on the increase in council tax in any one year has consequences for subsequent years so members have to be sure that budget reductions needed to get the council tax increase down are sustainable over the medium to longer term. This means, for example, that use of balances or other one-off resources to reduce council tax is not sustainable. Moreover the capping regime does not allow councils that increase council tax by a lower amount in one year

to catch up in subsequent years – so any decision to limit the council tax increase has a long term effect on resources available to fund council services.

7.0 Capital programme

- 7.1 The capital programme is a four year rolling programme. Levels of funding, together with target outputs, have been agreed up to 2010/11. Services will be invited to submit proposals for schemes to include in the 2011/12 programme. In addition, consideration will need to be given to specific schemes which are part of a wider 'invest to save' programme, including potentially libraries and adult day care. The council's Capital Board will also be carrying out a review of existing projects to ensure they are delivering promised outcomes. It is not intended however to have a formal bidding round for capital schemes or to fundamentally review schemes already in the capital programme.
- 7.2 The level of borrowing to fund the capital programme has an impact on the council's medium term financial prospects and measures have been taken over the last couple of years to reduce levels of prudential borrowing. Officers will continue to review ways in which borrowing to fund the capital programme can be reduced by looking at use of alternative funding sources, including section 106 funding, and, as stated above, making representations to government for borrowing associated with schools' schemes to be charged to the Dedicated Schools Budget rather than the General Fund.

8.0 Involvement of key stakeholders

- 8.1 There are a number of key stakeholders that the council needs to involve in the budget process. Appendix E sets out the main stakeholders and how we would hope to involve them.
- 8.2 A key area where the council intends to strengthen involvement is with partners through the Local Strategic Partnership. The council's medium term financial outlook has already been shared with partners and it has been agreed that joint work on budget planning will be carried out, as appropriate, once there is more clarity about future funding levels following the CSR 2007.
- 8.3 The council has also carried out work with two focus groups of local residents to find out their views of information on council spending and the potential for involvement in budget decision making. The key findings of this consultation are included in Appendix F. The council will be considering these results in deciding what public information needs to be provided during the budget process and methods of consulting the public.

9.0 Budget Panel recommendations

- 9.1 Appendix G sets out the recommendations of the Budget Panel following their review of the 2007/08 budget process and how these will be addressed.

9.2 The first meeting of the Budget Panel in this municipal year is due to take place on 17th July. The Panel will be deciding its programme of work as part of the 2008/09 budget process at that meeting.

10.0 Risk management as part of the budget process

10.1 There are a number of key risks associated with the budget process that the council seeks to manage in a variety of ways. These include:

- *The risk that overspends in the current financial year could impact on future years' budgets* – the council has monthly officer monitoring of the budget process together with quarterly review by both the Executive and Performance and Finance Select Committee. Monitoring includes reviewing underlying activity that drives spend. Measures are taken to control any identified overspends. Availability of balances also acts to protect this risk although use of balances is one-off and does not address underlying overspends which may continue into future years;
- *The risk that assumptions about levels of grant and other aspects of the budget prove wrong* – it is necessary to start budget planning early and in so doing assumptions may have to be changed. Council members and officers are well plugged into London-wide and national networks and have a good idea of likely outcomes. There continues to be a risk that assumptions are wrong and the budget process needs to be flexible enough to respond to changes in assumptions rather than waiting for all factors that may affect the budget process to be known.
- *The risk that measures agreed to deliver savings are not implemented in time to deliver full-year savings next year* – the proposal that the first batch of savings are agreed in October will mean that a substantial proportion of savings will have a long lead in time and may indeed deliver savings in advance of next financial year. In addition, where other savings measures are known to be needed to balance the budget, reports will be brought at appropriate times during the year for approval so that the savings measures can be implemented and do not have to wait for final agreement to the whole budget package at Full Council on 3rd March 2008.
- *The risk that commitments will be entered into in 2007/08 which will have additional full-year impact in 2008/09.* The Scheme of Virements and Transfers under Standing Order 17(a) prohibits virements or other measures taken by officers or the Executive which would give rise to unfunded spending in future years.
- *The risks that forecasts in the budget – such as of budget pressures in 2008/09 and beyond – will be wrong.* The budget planning process involves service managers and finance staff in making projections about future spending pressures. There is systematic challenge within service areas at both officer and portfolio holder level, and there is corporate challenge through

review meetings between the Director of Finance and Corporate Resources and service directors and Star Chambers chaired led by the Lead Member for Resources. The Director of Finance and Corporate Resources is required to confirm the robustness of the estimates as part of the annual budget report and, in so doing, assesses the risks that might arise and the level of balances required to protect the council against those risks.

- *The risk to achievement of priorities in the Corporate Strategy* – the tightening financial outlook inevitably makes it difficult to achieve all priorities in the Corporate Strategy. However, when the Corporate Strategy was put together, members and officers were fully aware that there were likely to be pressures on resources and account was taken of the limit on resources in determining the priorities. In addition, the medium term financial and service planning approach by the council, together with the corporately led efficiency programme, helps to ensure continued delivery of the priorities.
- *The risk of negative impact on partners of budget measures taken.* Partnership working through the Local Strategic Partnership and in individual service partnerships ensures that partners share information about their activities. The council's sound financial management, medium term financial planning processes, and robust budget making processes help address this. The council's consultation processes on measures that will have service impact on partners will ensure that partners have an opportunity to have input into budget measures that affect them before they are implemented.
- *The risk of adverse impact on groups covered by anti-discrimination legislation.* Potential adverse impact on groups covered by anti-discrimination legislation is assessed for all measures included in the budget. Where there is the possibility that there will be an adverse impact, the impact is quantified, appropriate consultation is carried out, and an assessment is made as part of the council's Impact, Needs and Requirements Assessment of how that impact can be mitigated.

11.0 Timetable

- 11.1 Appendix H sets out a draft outline timetable for the 2008/09 budget.

12.0 Financial Implications

- 12.1 This report is about financial issues. There are no direct costs or other direct financial implications arising from this report.

13.0 Legal Implications

- 13.1 There are no legal implications from this report.

14.0 Diversity Implications

14.1 An Impact, Needs and Requirements Assessment (INRA) has been carried out on the budget process. This is attached as Appendix I.

Background Papers

- Corporate Strategy 2006-2010
- 2007/08 Budget Report (Section 7: The Future – Medium Term Forecast) – Full Council 5th March 2007
- Budget Panel – Final Report on the 2007/08 budget process and proposals - Full Council 5th March 2007
- The Council's Efficiency Strategy – Executive 16th April 2007

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Appendix A

Medium term forecasts – from 2007/08 budget report

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Service Area Budgets (SABs)					
Children & Families	44,538	48,902	48,855	49,310	49,781
Environment and Culture	45,215	46,929	47,730	47,971	48,225
Housing and Community Care					
- Housing and Customer Services	18,172	17,887	17,959	17,890	18,051
- Adults and Social Care	70,601	75,063	75,263	75,365	75,476
Finance & Corporate Resources/Central	20,391	21,664	19,390	19,270	19,170
Total SABs	198,917	210,445	209,197	209,806	210,703
Growth Outside SABs					
Growth due to demand, price and loss of income		0	1,442	2,287	2,307
PCT Cost Shunting		0	3,356	6,721	6,721
Service Priority Growth		0	2,998	6,138	9,282
Additional Growth Pressures and Priorities		0	1,000	2,000	3,000
Temporary Accommodation - Subsidy Cap		0	700	700	700
		0	9,496	17,846	22,010
Other Budgets					
Central Items	35,701	34,069	43,087	46,557	49,857
Contingency Balances	859	0	0	0	0
Contribution to/(from) Balances	36	(1,624)	0	0	0
	36,596	32,445	43,087	46,557	49,857
Total Budget Requirement	235,513	242,890	261,780	274,209	282,570
Plus Deficit on the Collection Fund	1,178	1,151	1,151	1,151	1,151
Grand Total	236,691	244,041	262,931	275,360	283,721

Savings Required at 0% and 5% Council Tax Increase with 2.5% Increase in Grant

Reductions required to achieve council tax increase of 4.8% in 2007/08 and 0% in following years	0	(14,425)	(22,290)	(25,984)
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Reductions required to achieve council tax increase of 4.8% in 2007/08 and 5% in following years	0	(9,716)	(12,563)	(10,915)
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Grant Calculation for Future Years

Settlement 2006/07 and settlement 2007/08 - 2.5% in 2008/09 to 2010/11	147,334	150,556	154,320	158,178	162,132
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Savings Required at 0% and 5% Council Tax Increase with 1% Increase in Grant

Reductions required to achieve council tax increase of 4.8% in 2007/08 and 0% in following years	0	(16,683)	(26,885)	(32,999)
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Reductions required to achieve council tax increase of 4.8% in 2007/08 and 5% in following years	0	(11,974)	(17,159)	(17,929)
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Grant Calculation for Future Years

2007/08 - 1.0% in 2008/09 to 2010/11	147,334	150,556	152,062	153,582	155,118
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Assumptions built into the medium term forecasts

- Inflation assumptions:
 - 3% for pay;
 - 1.5% for employers' contribution to the Pension Fund;
 - 2% for prices;
 - 2% for income;
- 2% savings in each service area (except for children's care services and one stop shop);
- a £0.5m increase in corporate efficiency savings from £1m in 2007/08 to £1.5m in 2008/09;
- £9.5m for various growth items, including:
 - £3m service priority growth;
 - £3.4m for PCT cost shunting;
 - £3.1m for other budget pressures;
- £6m⁴ increase in central items, including:
 - £1.9m for higher interest rates/to fund new capital borrowing;
 - £0.7m for the waste levy;
 - £1m for decants for South Kilburn;
 - £1.3m for the civic centre project development and repairs and maintenance to existing buildings;
 - £0.5m for neighbourhood working;
 - £0.4m for freedom pass;
 - £0.2m net increase in other items;
- No overspends in 2007/08 with General Fund balances remaining at £7.5m;
- Balances are only used for one-off purposes;
- A 0.75% increase in the council tax base.

⁴ The gross increase in central items in Appendix A is £9m but this includes £2.3m from loss of Neighbourhood Renewal Funding (offset by equivalent reduction in spending) and a £1.2m loss of Local Authority Business Growth Incentive scheme grant which was used for one-off invest to save funding in 2007/08, offset by the increase of £0.5m in the corporate efficiency saving. These items have been excluded from movements in central items.

Appendix E

Involvement of stake-holders in the budget process

Stakeholder	Level of involvement
Executive	<ul style="list-style-type: none"> - Regular briefings for Leader and Deputy Leader - Away-days in July and October - Policy Co-ordination Group up-dates - Briefing of individual portfolio holders by chief officers - Star chamber meetings - Formal Executive meetings
Opposition	<ul style="list-style-type: none"> - Regular meetings between Director of Finance and Corporate Resources (DF&CR) and Leader and Deputy Leader of Labour Group - Leader and Deputy Leader of Labour Group on Budget Panel
Budget Panel	<ul style="list-style-type: none"> - Timetable of meetings fixed starting in July - Carrying forward work started in 2007/08 budget round - Focus on medium term financial strategy and links to delivery of corporate strategy - Requested review of trading units in the council - Recommendations last year – and proposals for addressing them - in Appendix G of this report
Backbench councillors	<ul style="list-style-type: none"> - Training events for members - Briefing through group meetings - Attendance of DF&CR at group meetings - Backbenchers encouraged to attend Budget Panel - First reading debate at Full Council in November - Budget setting meeting in March
Managers and staff	<ul style="list-style-type: none"> - Budget guidance - Support for budget managers to find savings through efficiency and income tool-kits - Up-dates at Senior Managers' Group - Chief Executive newsletter - Departmental staff briefings - Consultation with staff on proposals that will affect them
Unions	<ul style="list-style-type: none"> - Meetings on overall budget in advance of First Reading debate in November and leading up to Council Tax setting meeting - Consultation on implementation of individual budget savings measures that have staffing implications
Local Strategic Partnership	<ul style="list-style-type: none"> - Regular briefings on council's budget prospects - Joint lobbying for resources where appropriate - Joint work on Local Area Agreement funds and specific service partnerships - Developing a joint medium term financial strategy with major partners
Voluntary sector	<ul style="list-style-type: none"> - Sharing of council's budget prospects through LSP membership - Attendance at BRAVA meeting in autumn to set out main issues and implications for voluntary sector and receive feedback - Consultation with individual voluntary organisations on funding for

	2008/09 and future years
Business sector	<ul style="list-style-type: none"> - Meeting with business rate-payers on budget issues to be brought forward to November – jointly organised with Chamber of Commerce and the Brent Employer Partnership - All large rate-payers receive summary of budget issues in January with opportunity to comment
The Brent public	<ul style="list-style-type: none"> - Regular articles in The Brent Magazine - Newspaper briefings - Budget on area forums and service user group agendas - Consultation with users on individual proposals - INRAs for all proposals with diversity implications

Key Findings from Budget Consultation Focus Groups – May 2007

OVERALL LEVEL OF INFORMATION

The majority of respondents felt reasonably well informed about the Council's budget and spending. The Brent Magazine (TBM) and Council Tax leaflet were the main ways respondents recall receiving budgetary and spending information. Respondents wanted more information on specific services, projects and decisions, and more opportunities to put their views across before decisions are made.

COUNCIL PUBLICATIONS

The Annual Review Booklet

Around 40% of respondents recalled seeing the booklet. The vast majority thought it was informative, well set out, easy to read, bright and attractive. Respondents particularly liked the 'Pennies Count' section and how the financial information was set out in an understandable format. Some respondents felt it could have been slightly shorter and the front cover more relevant.

Articles in TBM (Council Spending) – 'Making Pennies Count' and 'Balancing the Books'

TBM was one of the main ways respondents indicated they received information on the Council's budget and spending. Respondents felt both articles were informative and provided a good snapshot of information, also being in TBM respondents thought the information would reach more residents than the Annual Review. Respondents also wanted more articles in TBM with a financial focus or even a financial supplement/section. One criticism was that the feedback element needed to be more prominent.

The Council Tax Leaflet

The majority of respondents said they remembered seeing the leaflet. Many respondents found it more difficult to read than the Annual Review, particular due to the number of statistics and density of the text. However, respondents felt the leaflet had information for a wide spectrum of residents.

Articles in TBM (Council Budget) – 'Your Budget, Your Say' and 'Making the Budget Count'

Respondents liked that the articles provided an overview and were not too long. Respondents welcomed the opportunity to give their views before the budget was set but again many had not noticed the last paragraph which outlined how residents could feedback their views.

INFORMATION FORMAT

Respondents felt a mixture of online and hard copies of budgetary and spending information was needed. Many preferred a move towards online and emailed information but also recognised that this may exclude some sections of the community. One respondent found it difficult to find financial information on the Councils web pages.

FREQUENCY AND LEVEL OF INFORMATION

Respondents were generally happy with the frequency of the Council's main financial publications, but showed some interest in more articles in TBM. Respondents felt if a half yearly review publication was produced it should only be online. Respondents were interested in strategic level information but more so in specific service level budget/spending issues and decisions.

INFORMATION OR INFLUENCE

Respondents wanted a balance between information and influence on budgetary and spending issues. Primarily they wanted to be kept informed however, they also wanted the opportunity to be able to give their views if they wanted to and for these views to be taken into consideration before not after decisions are taken. Respondents felt their local knowledge could and should help inform local decision making, however they also felt that local politicians are accountable and responsible for final decisions.

CONSULTING RESIDENTS IN THE FUTURE

There was an appetite and expectation that residents should be consulted on the Council's budget and spending but, there was some uncertainty on how this should be done. There were concerns about the amount of information residents would need and representative-ness of results. Focus groups were the most popular approach and referendums the least popular.

VALUE FOR MONEY

Overall the majority of respondents felt the Council does provide value for money although, virtually all also agreed there are areas where money is wasted and where there is room for improvement. Some areas for improvement included efforts to tackle drugs, crime, graffiti, the lack of public toilets and improving feedback to residents. Areas where respondents felt value for money was being provided included parks and generally dealing with enquiries at the one stop shops.

Appendix G

Recommendations of Budget Panel in their report on the 2007/08 budget

	Recommendation	Addressed in the 2007/08 budget	To be addressed
1	That, given the current budget challenges and demands facing the council, the administration should consider all options to ensure the delivery of high quality services to our residents. This includes: <ul style="list-style-type: none"> - The range of council tax increase available 0-5% - Efficiency gains - Savings - Phasing priority growth 	✓	Needs to be revisited in 2008/09 budget process
2	That balances should be set at an adequate level. In deciding what the adequate level is we strongly advise the administration to be guided by the Director of Finance and Corporate Resources.	✓	Needs to be revisited in 2008/09 budget process
3	That long term budgetary and service delivery risks should be assessed and explained when making decisions on savings.	✓	Needs to be revisited in 2008/09 budget process
4	That the budget should be robust, realistic and predictive of future demand to avoid overspends.	✓	Needs to be revisited in 2008/09 budget process
5	That the key priorities for improvement within the Corporate Strategy should be identified clearly. Those that it is proposed to phase should be clearly indicated as to time scales and costs so they are implemented as and when they can be properly funded to avoid losing credibility with the public.		All priority growth currently included cannot be funded. Details will need to be supplied to Budget Panel of ways in which corporate strategy priorities are to be met despite reduced growth.
6	That there should be an analysis of existing core budgets across the council to see which of the priorities for improvement can be funded within service area base budgets.		This is linked to the previous recommendation. There is a need to strengthen the work carried out last year linking spending to activity and performance.
7	That improved credit control procedures should be set in place, to avoid the situation where we are owed large sums of money, as is		New procedures are now in place as a result of review of the debt management and recovery. Full age debt analyses have been

	Recommendation	Addressed in the 2007/08 budget	To be addressed
	currently the case with the Primary Care Trust (PCT).		carried out as part of the 2006/07 final accounts process, with debts over 1 year fully provided for.
8	That there should be greater transparency in how the budgets for central services are developed and consideration given to how they are presented in the overall budget.		Service area lead members and directors attended the Panel in last year's budget process but corporate unit lead members and directors did not. This is best addressed by corporate unit directors attending the Budget Panel during the 2008/09 budget process. The other issue for corporate units is the difficulty finding meaningful activity and performance data for their areas.
9	That there should be a review of the council's trading units to establish that the council is getting value for money from their services.		This is related to the previous point. The Panel were not clear why the council – rather than external providers – provided services such as legal, design etc. They felt there might be opportunities for savings in these areas.
10	That based on officer evidence there should be no increases in planned levels of unsupported borrowing given the impact this has on the longer term financial prospects of the authority.	✓	Needs to be revisited in 2008/09 budget process
11	That the children's care services budget is closely monitored to ensure that the proposed invest to save initiatives deliver the long term saving predicted and that no growth is needed in future years. In particular, the budget panel notes the Executive's intention that for the three years following this budget there will be no growth for the children's care services budget, and reminds the Executive that this is a challenging target given previous overspends.		Report to Budget Panel on progress on 'invest to save' and pressures in future years in the autumn
12	That future budget reports include more detail on capital programme risks including potential overspendings and slippage or non-delivery of projects.		To be addressed as part of the 2008/09 budget report
13	That the Executive should ensure that funds included in the budget to		Needs to be revisited in 2008/09 budget process

	Recommendation	Addressed in the 2007/08 budget	To be addressed
	cover possible costs shunted from the PCT are there as a contingency and are not an acceptance by the council of these costs. While the budget panel accepts the reasoning for including these costs in the budget as an accounting measure, the budget panel is concerned by the leverage this might give the PCT. The Executive is therefore encouraged to revise the specific amount budgeted for PCT cost transfer downwards, in order to not encourage the PCT to assume its claims to this figure will automatically be met and that the PCT should aim for a higher cost shunt, but hold the amount in an earmarked contingency.	✓	
14	That the additional income that could be obtained from a more rigorous approach to fining utility companies for not carrying out works in stipulated timescales could be increased and arrangements should be put in place to ensure that, where repairs are done, they meet high standards.		Being looked at as part of the income maximisation strategy
15	That all members be encouraged to attend future meetings of the budget panel to raise awareness of the items within the budget and feed into the budget scrutiny process. The budget panel proposes that one of its meetings or a portion thereof be earmarked for the purpose of taking submissions from other members and that they be invited accordingly.		Budget Panel to take forward itself
16	That members of the budget panel be given more time to analyse reports and data from the Executive at the equivalent periods in future years' budget cycles.		Less compressed timetable than 2007/08 should give more time to Budget Panel. Timing of Budget Panel meetings in run up to final budget report has been changed to give more time between date of issue of final recommendations and meetings.

	Recommendation	Addressed in the 2007/08 budget	To be addressed
17	That the Budget Panel receives more detailed feedback on its recommendations and that an update on how its recommendations are being dealt with is included in the first budget monitoring report of the new municipal year		An up-dated version of this appendix will be supplied to the first Budget Panel meeting of this session in July.
18	That officers explore the possibility of Brent Council hosting a budget scrutiny learning event in conjunction with London Councils.		Budget Panel support officer will be investigating this.
19	That when deciding its work programme in the new municipal year, the Budget Panel considers the following areas:- <ul style="list-style-type: none"> - Monitor the progress of our medium term recommendations - Further analysis of core budgets - A more detailed look at capital budgets 		Budget Panel to review this when agreeing work programme for 2008/09

Service and budget planning timetable for 2008/09

Date	Action
May/June	Service areas review: <ul style="list-style-type: none"> - demand, price and loss of income growth - service priority growth Service areas identify: <ul style="list-style-type: none"> - income maximisation measures; - savings options Capital Board begins review of capital programme
June/July	Bi-lateral meetings between Finance & Corporate Resources and service areas to review service area proposals
16 July	2006/07 revenue and capital outturn report to Executive
17 July	Budget Panel receives up-date on Medium Term Financial Strategy and agrees work programme.
18-19 July	First service and budget planning away-days – Executive and CMT consider review of growth, income maximisation, and savings options and receive up-date on budget gap
27 July	Service planning and budget guidance issued
August/ September	Work on formulating draft budgets
September	First stage 'star chamber' meetings between lead members, F&CR and service areas
11 September	Report to Executive on Performance and Budget Review 2007/08 – 1 st Quarter
19 September	Schools Forum – Consultation on funding formula
End of September	All service area draft revenue matrices returned to F&CR.
Early October	Budget Panel meeting considers first stage savings prior report to Executive (BP meeting currently scheduled for 16 th October but needs to be brought forward).
15 October	Executive agrees first stage savings for the following year
17-18 October	Second service and budget planning away-days - issues to be considered as part of First Reading debate put forward
October	Area Consultative Forum meetings – budget included as item on agendas
October/ November	Service areas consider further savings options if necessary and update growth options.
12 November	Report to Executive on Performance and Budget Review 2007/08 – 2 nd Quarter
Mid- November	Service areas and units begin process of developing service plans for the following year.
21	Budget Panel receives and discusses 1 st reading debate

November	papers
26 November	Full Council. First reading of Policy Framework and Budget
November/December	Consultation with residents, businesses, voluntary sector, partner agencies and trade unions on budget proposals.
3 December	Budget Panel collects evidence
12 December	Schools Forum meets to agree funding formula and budget issues
Early December	Second stage 'star chamber' meetings consider growth and any additional savings.
Early December	1 st reading papers sent out to main businesses rate payers for consultation
Mid December	Confirmation of the following year's funding from central government
Mid December	Release of the Mayor's consultation draft GLA budget
20 December	PCG review star chambers and latest budget position.
December/January	Capital Board recommends proposals for 4 year capital programme
14 January	Executive reviews budget position and sets Collection Fund surplus/deficit and council tax base.
15 January	Budget Panel collects evidence and discusses 1 st interim report
January	Greater London Assembly considers draft consolidated GLA budget
January/February	Area Consultative Forum meetings – ongoing consultation
End of January	PCG agree budget proposals to be presented to February Executive.
Early February	Schools Forum meets to agree the dedicated schools budget
4 February	Budget Panel receives budget proposals prior to the Executive. Discusses second interim report.
8 February	Budget Book papers distributed to service areas and corporate units.
11 February	Executive considers and announces administration's final budget proposals, agrees fees and charges for the following year and agrees savings/budget reductions for the HRA budget report as well as the overall average rent increase.
Mid February	GLA budget agreed
18 February	Budget Panel receives the outcome of Executive's budget report and agrees a final report
3 March	Full Council agrees budget with final service plans
6 March	Service areas return completed budget book papers
31 March	Service plans and corporate budget book published

Impact Needs/Requirement Assessment

1 What is the name of the service/policy/procedure/project etc to be assessed?

Revenue Budget decision making and setting process

2 Briefly describe the aim of the service/policy etc? What needs or duties is it designed to meet? How does it differ from any existing services/policies etc in this area?

The council is required by statute to set its budget and council tax no later than 11th March each year. The process that leads up to this takes up to 9 months and is determined by the council's own policies and procedures.

Budget priorities are driven by the council's corporate strategy. The budget also fits in to the council's long-term financial strategy covering capital & revenue expenditure, and is key to the council's prioritisation process involving growth and savings in service areas. Budget decisions can have a major impact on services used by users. Decisions taken on the budget also affect the amount that users pay, either through direct charges or council tax.

3 Are the aims consistent with the council's Comprehensive Equality Policy?

Prioritisation and decision making within the budget are tied into the council's Corporate Strategy, individual strategies and service development plans. These individually reflect the council's Comprehensive Equality Plan (CEP), and therefore, by default, the aims of the budget decision making process are consistent with the CEP. In addition, services are required to carry out an assessment of individual growth and savings proposals.

4 Is there any evidence to suggest that this could affect some groups of people? Is there an adverse impact around race/gender/disability/faith/sexual orientation/age/health etc? What are the reasons for this adverse impact?

No. The corporate strategy is aimed amongst other things at tackling disadvantage and inequality. The expectation is that budget priorities would do the same. Evidence of effectiveness is reflected in council-wide indicators – eg Neighbourhood Renewal Unit floor targets – which generally show levels of deprivation and inequality in the form of jobs, exam results, teenage pregnancy etc are being reduced.

5 Please describe the evidence you have used to make your judgement. What existing data for example (qualitative or quantitative) have you used to form your judgement? Please supply us with the evidence you used to make your judgement separately (by race, gender and disability etc).

Data are available from the Policy and Regeneration Unit

6 Are there any unmet needs/requirements that can be identified that affect specific groups? (Please refer to provisions of Disability Discrimination Act and the regulations on sexual orientation and faith if applicable)

The budget process involves prioritisation and inevitably all needs can't be met. However, by ensuring the process ties in with the Corporate Strategy and by considering the impact of individual budget savings and growth items, the process ensures that specific groups are not discriminated against.

7 Have you consulted externally as part of your assessment? Who have you consulted? What methods did you use? And what have you done with the results i.e. how do you intend to use the information gathered as part of the consultation?

The council carried out focus group work in May 2007 to find out residents' views on council spending and the potential for involvement in budget decision making (see Appendix F to the report on the 2008/09 Budget Process to the Executive on 16th July 2007). The way in which various stakeholders are involved in the budget process is set out in Appendix E of the same report.

8 Have you published the results of that consultation, if so, where?

The results of consultation with focus groups on budget information are available from the Brent web-site ([click here](#)). The result of consultation during the budget process is included in the annual budget report, also available on the web-site.

9 Is there a public concern (in the media etc) that this function or policy is being operated in a discriminatory manner?

No – but there could be if there are service cuts that are thought to impact on particular groups.

10 If in your judgement, the proposed service/policy etc does have an adverse impact, can that impact be justified? You need to think whether the proposed service/policy etc will have a positive or negative effect on the promotion of equality opportunity, if it will help eliminate discrimination in any way, or encourage or hinder community relations.

The budget process is aimed at helping deliver the priorities of the council, including eliminating discrimination. The only reason a decision might be taken which would have an adverse impact is if an alternative decision would have a more severe adverse impact or if failure to take the decision would prevent implementation of another priority with a positive impact. Where a proposal has a potential adverse impact, it is subject to an INRA and consultation with groups affected.

11 If the impact cannot be justified, how do you intend to deal with it?

The impact needs to be considered by service units and areas when setting budgets and strategies. There is considerable public and political scrutiny of budget decisions and any that do have a potential adverse impact will be subject to close scrutiny to identify whether benefits outweigh the adverse

impact.

12 What can be done to improve access to/take up of services?

N/A

13 What is the justification for taking these measures?

N/A

14 Kindly provide us with separate evidence of how you intend to monitor in future

The Budget Setting INRA will be subject to regular review throughout the budget setting process as well as in future budget setting processes. In addition, where proposals may have an adverse impact, they will be subject to a separate INRA and consultation.

15 What are your recommendations based on the conclusions and comments of this assessment?

Where any individual budget proposal has a potentially adverse impact on the community, it should be subject to public consultation and an INRA assessment. The council should monitor the ongoing impact of the budget setting process through the Corporate Equalities Group.

Should you:

- Take any immediate action?
- Develop equality objectives and targets based on the conclusions?
- Carry out further research?

16 If equality objectives and targets need to be developed, please list them here.

N/A

What will your resource allocation for action comprise of?

No additional resource allocation will be made available