

	<p style="text-align: center;">Executive 8th October 2007</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Resources</p>
<p style="text-align: right;">Wards Affected: None</p>	
<p style="text-align: center;">2008/09 Budget Process Update and First Stage Savings</p>	

Forward Plan Ref: F&CR -07/08-10

1.0 Summary

- 1.1 The council's annual budget process is carried out in the context of the medium term financial strategy which itself is integral to the achievement of priorities within the Council's Corporate Strategy 2006-2010. This report updates members on developments since July.
- 1.2 The report details initial savings proposals for 2008/09 and asks members to agree these to ensure that full year implementation can be achieved. Also where feasible to action those savings as soon as possible in 2007/08 to strengthen the overall financial position. It should be noted that for some items the amount of savings are still under review and may need to be revised in future before the final budget is agreed.
- 1.3 Similarly income from increased charges planned for 2008/09 have been brought forward to 2007/08 for furniture storage charges and traveller's site fees.
- 1.4 A virement to the 2007/08 budget has been included for approval.

2.0 Recommendations

The Executive is asked to:

- 2.1 Agree the 2008/09 savings in Appendix A and agree that, where possible these will be brought forward into 2007/08.

- 2.2 Agree to increase furniture storage charges for working customers from £15 per container up to a maximum of £30, to £28 per container up to a maximum of £84 and for non-working customers from £10 to £28 per container up to a maximum of £56 with effect from Monday 5th November 2007 as detailed in Appendix B.
- 2.3 Agree to increase the Lynton Close Travellers Site licence fee from £160 per week to £212 effective from Monday 19th November 2007, or the earliest date when four weeks notice could be applied as detailed in Appendix B.
- 2.4 Agree the virement as scheduled in Appendix C.

Budget Developments - The National Picture

- 3.1 Details of the 2007 Comprehensive Spending Review (CSR) are expected to be announced in October and it has always been assumed that there would be tightening in the monies available to local authorities. There has been no recent indication that this position will change. Consequently in our budget projections we have assumed Brent will remain on the grant floor and receive a 1% increase in formula grant funding. This is well below the rate of inflation. It remains to be seen whether changes to the Authority's base formula funding and amendments to the treatment of grants under a revised Local Area Agreement regime will adversely affect the overall position further. The Local Government Finance Settlement is expected in early December and this will cover a 3 year period from 2008-2011 in line with the CSR.
- 3.2 In July the Department for Communities and Local Government (DCLG) launched its latest grant formula consultation where a number of formula changes based on revised methodology and new data were proposed. In 2007/08, Brent received the minimum guaranteed increase in formula grant of 2.7% with nearly £15m of grant protection as part of the damping regime. The consultation proposes reducing the grant protection over the spending review period (2008/09 to 2010/11). This would effectively see our guaranteed grant increase reduced over the period if the options proposed are implemented. Most of the other changes proposed under the consultation would see our position worsen, most notably the changes to formula damping in social services, which could see our grant protection needing to increase by £10m. Almost all of London is likely to be adversely affected by the proposals and London Council's along with individual Councils are lobbying strongly to oppose the changes.
- 3.3 For 2006/07 and 2007/08 the population figures used in the grant formula calculation were based on the ONS's 2003 population projections. They showed Brent's population declining to 259,400 in 2006 and 257,500 in 2007 which was one of the main reasons for needing grant protection in those years. As a result Brent began a number of initiatives with London Councils and other London boroughs to lobby central government and ministers over the understatement of Brent's population. In addition to support the lobbying process, an external review of Brent's population was jointly commissioned

with Brent PCT in March 2005, which indicated that Brent's population was at least 270,000 and probably higher. For the settlements from 2008/09 to 2010/11 Brent's population figures will be based on the ONS's revised 2004 population projections and these show Brent's population rising to 271,000 in 2008 and continuing to rise to 271,600 in 2010. Although the figures are an improvement on the previous figures used in the 2006/07 and 2007/08 settlements the increase is still insufficient to lift the Authority out of the need for grant protection. The Authority still believes that its population is significantly understated and has commissioned a follow up review of its population as at March 2007. Early indications confirm that Brent's population is significantly higher than ONS's population projections and higher than the GLA projections of 279,000 for 2007, which can be argued are more robust than ONS's projections as they include planning developments. The Authority will continue to lobby strongly over its population figures particularly to ensure inward migration is robustly reflected.

The Brent Position

- 3.4 We last reported the budget to members at the July Executive. Since then the Budget Panel has considered the process and service areas have received budget guidance for preparing their base budget matrices for 2008/09 to 2011/12 based on revised assumptions agreed at the July Executive. In addition a series of service area budget meetings and star chambers have taken place to look at various budget issues most particularly around savings and growth for 2008/09.
- 3.5 In the July report measures to reduce the 2008/09 budget gap identified in the medium term financial strategy were set out. These included revised inflation and central items assumptions, reduced service growth and maximisation of income.

	5% Council Tax Rise £m	2.5% Council Tax Rise £m	0% Council Tax Rise £m
Budget gap in medium term financial strategy	17.8	20.1	22.5
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 reported to July Executive	11.3	13.6	16.0

- 3.6 The revised inflation and central item assumptions include a forecast pay award of 2.5% for 2008/09. As regards the 2007/08 pay award negotiations are continuing around a one year settlement, the latest offer of 2.5% by the

employers' side has been rejected by Unison. At present our assumption of a 2.5% pay award for 2008/09 remains.

- 3.7 Both the reduction in service priority growth and income maximisation are both assumed achievable and significant progress has been made towards meeting these targets. Further areas are still being explored.
- 3.8 However, during the course of the budget process a number of potential new growth areas have emerged. These include new legislative changes, pressures on the temporary accommodation budget arising from a reduction in the level of the housing subsidy cap and increases in demand in Adult Social Care. There also remain outstanding issues with the PCT about budget responsibility for a large number of clients which will have significant implications for 2008/09 and beyond. These pressures and risks still need to be fully quantified and members will be kept informed as the information becomes available.
- 3.9 The July report agreed that the first tranche of savings to help bridge the budget gap be presented to this meeting. These are set out in Appendix A. Agreement by Members will facilitate a reasonable timeframe for planning and implementation for a full year effect for 2008/09. Early implementation in 2007/08 for some items should allow a higher level of balances being carried forward into 2008/09 than currently estimated.
- 3.10 These reductions in Appendix A amount to around £5.5m which equates to the 2% target included each year for each service area as the starting point for efficiencies and savings within the medium term financial plan. From the analysis above Members will see that a substantial gap still needs to be bridged before a budget can be agreed that meets the Council Tax capping limit of 5%. This analysis will be set out in detail as part of the report for the First Reading Debate at Full Council in November.

Budget Virements 2007/08

- 3.11 A transfer of learning and development allocations of £79k within Housing & Community Care between Housing and Adult & Social Care budget headings.

4.0 Financial Implications

- 4.1 These are contained within the detail of the report.

5.0 Legal Implications

- 5.1 The revenue budget is agreed by Full Council as part of the annual budget process. Changes to, or departures from, the budget during the year other than by Full Council itself can only be agreed in accordance with the scheme of Transfers and Virements contained in the Constitution. Any decisions the Executive wishes to take and any changes in policy which are not in accordance with the budget set in March 2007 and are not covered by the

Scheme of Transfers and Virements will therefore need to be referred to Full Council.

5.2 The Director of Finance and Corporate Resources is satisfied that the criteria in the scheme are satisfied in respect of the virements in the report.

5.3 The Council has a statutory duty under the Housing Act 1996, s211 to take reasonable steps to deal with homeless persons' goods where there is a danger of loss or damage to those goods because of the persons' inability to deal with them themselves and in the absence of other suitable arrangements being made. Under s211 (4) (a), the Council is entitled to make a reasonable charge for providing a removal and storage service to enable it to discharge this statutory duty.

6.0 Diversity Implications

6.1 The measures taken in services to achieve the proposed savings will have an impact on services and services areas will have to ensure that they are achieved within the context of the council's overall equal opportunity policy and approach. The savings put forward in Appendix A will be subject to an Impact Needs and Requirements Analysis (INRA) prior to implementation.

7.0 Background Papers

1. Budget process 2008/09 – Executive 16th July 2007
2. 2007/08 Budget Report (Section 7: The Future – Medium Term Forecast)
- Full Council 5th March 2007
3. Budget 2008/09 – 2011/12 papers
4. Population papers

8.0 Contact Officers

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