

## **SECTION 3**

### **3. THE BUDGET MAKING PROCESS**

#### **Main Functions of the Budget**

- 3.1 The Council prepares its budget every year to enable decisions to be made within the deadlines laid down by statute and to aid its financial planning. The budget fulfils five main purposes:
- to set the level of Council Tax;
  - to prioritise resources;
  - to authorise expenditure;
  - to provide a base to control expenditure and income;
  - to set a target against which achievement and performance can be measured.
- 3.2 In determining the level of budgets for each Service the Council has to take account of the following factors:
- the level of government grant;
  - pay and price increases;
  - new statutory responsibilities;
  - demographic change;
  - corporate policy growth requirements;
  - changes in Levy and Precepting bodies requirements.
- 3.3 Each of these factors has a major impact on the level of resources required or available and is reported more fully in the following pages of the report.
- 3.4 Frequent monitoring of the budget is important to ensure that no overspends occur which could endanger the Council's financial stability. For this reason regular monitoring reports are required to be submitted at least quarterly to the Executive and potentially Full Council throughout the year. Service Directors are clearly aware of their responsibility to control their budgets within the cash limited targets set for them. Section 12 deals with the arrangements for controlling expenditure.

#### **Policy Framework**

- 3.5 Members have agreed, within the framework of the Medium Term Financial Strategy (MTFS), a set of guiding principles for establishing a balanced budget. These include:
- a redirection of resources to contribute to the achievement of the Council's key priorities contained within the Corporate Strategy;

- to plan to meet the requirements of the Best Value regime which assumes 2% efficiency savings in each financial year;
- protection of balances from erosion by ensuring that every decision to release balances is accompanied by a decision to replenish them;

3.6 This approach was confirmed by Full Council at its meeting on 3<sup>rd</sup> March 2003 when it not only set the budget for 2003/2004, but set out indicative cash limits for 2004/2005 to 2006/2007 that sought to meet the requirements of the MTFs. Draft Service Development Plans and Budgets have been prepared within these cash limits subject to amendments for technical adjustments and virements. These cash targets assume and incorporate:

(i) Growth Proposals

- Growth agreed as part of the 2003/2004 budget process. This included the full year costs of 2003/2004 items. These items were subsequently re-considered along with all other growth bids.

(ii) An Allowance for Inflation

- Budgets were prepared at outturn prices (i.e. effectively a cash limit) and include an allowance of 3.5% for pay and an appropriate allocation for price rises (generally 2%) for 2004/2005 and future years.

(iii) Savings Target

- After allowing for the above increases, a 2% savings target excluding the Individual Schools Budget (ISB).

3.7 However, there are a number of additional growth pressures on the 2004/2005 budget which were not included in the original cash limits. This is primarily because they were not necessarily evident when the cash targets were set as part of the 2003/2004 budget process. For example they may relate to increased demand for a service or new government requirements. The Council will have to fund some of these growth items because the expenditure cannot be avoided. Other “bids” submitted would generate desirable service improvements but the Council is not necessarily required to resource these. Details were set out in the First Reading Report and Service Development Plans (SDP’s) and Members may wish to consider their priorities for services for which they would wish additional support to be directed.

3.8 The Executive have indicated which items of growth and savings they wish to include in its budget and these are incorporated into this report.

### **Service Development Plans (SDPs)**

3.9 Service Areas in producing SDPs had to reflect recent changes in the Council’s approach to managing its performance and to place a greater emphasis on planned actions to achieve continuous improvements in service standards while delivering the Corporate Strategy 2002-2006 objectives.

Officers issued the guidance document “*Service Development Planning and Budget Guidelines 2004/2005 - 2007/2008*” to all units in July 2003. This provided the framework for the reports and Service Development Plans and budgets presented to the Executive on 8<sup>th</sup> December. Each SDP was required to include the following main sections:

- (i) Introduction and Context for the Service.
- (ii) Planned Improvements to Services.
- (iii) Monitoring and Target Setting.
- (iv) Performance Management.

### **The Consolidated Budget Position**

- 3.10 Each Service Area’s budget and Service Development Plan were prepared by October and then reviewed by leading Members prior to consideration by the Executive on 8<sup>th</sup> December.
- 3.11 The budget forecast was updated as new information was received. The announcement of the potential levels of Government support (see Section 10) was the most fundamental.
- 3.12 A “*first reading debate*”, applying to both the budget and policy framework was held at the Council Meeting on 17<sup>th</sup> November. A number of proposals for the budget were put forward by Members at that meeting and these are attached at Appendix E.
- 3.13 Under the provisions of Standing Order 25(a) of the Constitution the Overview Committee is required to consider and report back to the Executive on general budget proposals referred to it. This meeting of the Overview Committee took place on 20<sup>th</sup> January. A report summarising the results of the meeting is included in Appendix E. Attached to the document are the draft minutes of that meeting due to be considered at the next meeting of the Overview Committee.
- 3.14 The final stages of agreeing the budget and setting the Council Tax are taking a similar form to last year. The Executive has considered the budget and incorporated its main proposals within this report which were reviewed at its meeting on 9<sup>th</sup> February. The precept from the GLA was agreed on 18<sup>th</sup> February and has been incorporated into this version of the report. The budget has been examined at the Performance and Finance Select Committee meeting on 18<sup>th</sup> February. All Members were sent the papers for that meeting and invited to attend. The draft minutes will be available to the Full Council to inform the debate on 1<sup>st</sup> March.

## Budget Consultation 2004/2005

### Introduction

3.15 The Council has tried various methods of budget consultation over recent years. However, there has been very little interest from Brent's council tax and NNDR payers. As a result no specific resources were earmarked for the 2004/2005 budget cycle and the consultation exercise has been limited.

### Citizens' Panel

3.16 A postal survey of the Citizens' Panel on Council spending, sports and activities, and Brent's Regulatory Services was carried out during July and August 2003. 510 responses were received - a response rate of 24%.

3.17 Two questions were asked about services and funding of services. The questions and results are set out below.

<b>Services and Spending</b>	<b>% disagree</b>	<b>% agree</b>
There need to be improvements in the services provided by Brent Council.	6	68
I would be willing to pay more individual charges for improvements to the Brent Council services I use.	40	33
I would be willing to pay more Council Tax for improvements to Brent Council services.	66	10

<b>Views on Funding</b>	<b>% agree</b>
Brent Council spends over £328 million a year on a wide range of services. To deliver improved service quality or provide additional services for local residents costs money. If the Council wanted to improve services for residents, which of these comes closest to your views on funding?	
Increase Council Tax levels for all households.	5
Raise individual charges for users.	31
Both of the above.	4
Keep current services as they are and do not increase taxes or charges.	43
Don't know / not stated.	17

### National Pensioners Convention

3.18 The Greater London Region of the National Pensioners Convention has written to the Leader of the Council requesting its "*Policy Statement on Council Tax*" is brought to the attention of Members. It includes the following main themes:

- (a) That the Government and local authorities conduct a publicity campaign to ensure that all pensioners are fully informed of their entitlement to Council Tax rebates.
- (b) To begin a campaign to impress upon the Government the necessity of allocating more money to London local authorities so that Council Tax increases in London are in line with inflation.

The Executive is broadly supportive of the Convention's aims and will assist where appropriate.

### **User Forums**

3.19 No specific comments were made at the Forums relating to the setting of 2004/2005 budget and Council Tax.

### **Schools Forum**

3.20 The Schools Forum was set up under the provisions of the 2002 Education Act. Its terms of reference were agreed by the Executive on 17<sup>th</sup> September 2002. The minutes of its meeting on 8<sup>th</sup> December are attached at Appendix E where it considered the Schools Budget. In broad terms the Forum supported a larger increase in the Schools Budget (up to 10%). They also did not support the application for a higher percentage limit for the increase in non-schools block for SEN costs and stated this should be funded from a rise in Council Tax. The Forum meeting on 28<sup>th</sup> January was postponed because of severe weather conditions. Further details relating to the Schools Budget are included in Section 5. The Forum was due to meet again on 23<sup>rd</sup> February and draft minutes will be sent to all Members.

### **Non-Domestic Ratepayers**

3.21 The Council has a statutory obligation to consult on its budget with ratepayers. For 2004/2005 this took the following forms:

- (i) The Council sought the written views of the North West London Chamber of Commerce on their members' priorities for the 2004/2005 revenue and capital budgets. No response has been received to date.
- (ii) A letter has been sent to all ratepayers with a rateable value of £100k and over. This letter also sought views on Budget priorities. No responses have been received to date.

3.22 Officers have concluded, from the low level of concern expressed, that businesses are generally satisfied with the Council's budget setting process.

## **The Way Forward on Budget Consultation**

- 3.23 As in previous years, the Budget Consultation initiatives, outlined above, produced a very low response rate. Consequently, it has not proved possible to ascertain, with statistical accuracy, the true views of local residents and businesses on the Council's Revenue and Capital Budgets for 2004/2005.
- 3.24 Central Government increasingly expect Local Authorities to obtain their residents' views in order to inform the Budget Setting process. A thorough consultation process is one way of mitigating the possibility of capping. Therefore, the Communications and Consultation Unit have been requested to update a proposed Budget Consultation strategy for 2005/2006 and beyond.