

SECTION 5

5. THE 2005/2006 REVENUE BUDGET REQUIREMENT

Introduction

- 5.1 This section details the 2005/2006 revenue budget.
- 5.2 The budget proposals for 2005/2006 reflect the priorities for the Administration. These were set out in the report from the Executive to the First Reading debate on 29th November 2004, and are based on the priorities set out in the Corporate Strategy of:
- Supporting children and young people;
 - Promoting quality of life and the green agenda;
 - Tackling crime and community safety;
 - Regenerating the borough and priority neighbourhoods; and
 - Achieving service excellence.
- 5.3 The process for developing the budget within the context of the Corporate Strategy is set out in Section 3 of the report.
- 5.4 In reaching their decisions on the budget, Members need to consider the following issues:
- The balance between spending and council tax. Members have to balance the interests of Brent residents as users of services and members of the local community against their interests as local tax-payers;
 - The purpose and impact of budget growth proposals;
 - The deliverability and impact of budget savings proposals;
 - The Schools' Budget, including confirmation that the budget should be set at the passporting level;
 - The adequacy of budget provision for central items;
 - The sustainability of the overall budget in the current year, including consideration of risks and the appropriate level of balances; and
 - The sustainability of the overall budget in future years, taking account of future commitments and the likely availability of resources.
- 5.5 Under the 2003 Local Government Act, the chief finance officer of the authority (in Brent's case, the Director of Finance) must report on the robustness of the estimates made in the annual budget calculation, together with the adequacy of financial reserves.

- 5.6 The budget proposals in this section have been developed following guidance from the Director of Finance and have been through a robust process of development and challenge. The Director of Finance is therefore confident about the robustness of the estimates. In addition, the level of balances recommended for 2006/2007 of £6.75m (after a £250k contribution to “*spend to save*” schemes on a refundable basis) is, in the Director of Finance’s view, sufficient to allow for the risks identified and to support effective medium term financial planning.
- 5.7 This section of the report sets out:
- Service area budgets, including recommended growth and savings in each service area;
 - Provision for central items within the budget;
 - Proposed growth not within service area budgets;
 - The main risks within the budget;
 - The level of balances Members are recommended to agree; and
 - The statutory calculations required for gross expenditure, income, and overall budget requirement.
- 5.8 The budget requirement that results from the proposals in this section is £367.234m (see Appendix B). This would produce a Council Tax at Band D for Brent services of £929.52, which is 3.3% above the 2004/2005 level. Details of the council tax calculation and the precept that is to be raised by the GLA for services it delivers are given in Section 6 below.

2005/2006 Service Area Budgets

- 5.5 The process for developing service area budgets, including provision made for pay and price inflation, the development of growth and savings proposals, and the links to service development plans, has been set out in Section 3 above.
- 5.6 The First Reading report to Full Council on 29th November 2004 included proposed savings for individual service areas, together with a full list of growth bids. These lists have now been amended to take account of discussions within the Administration of priorities that they wish to support in 2005/2006. Service area budgets have been revised to incorporate these growth and savings proposals for 2005/2006, although for 2006/2007 onwards savings have been set at 2% per annum, and growth commitments have been excluded from service area budgets and are addressed within the medium term forecast in section 7 below. Amendments have also been made to service area budgets for the transfer of items previously held in central items, including the provision for pension fund increases (allocated across services), additional costs of the concessionary fares scheme (allocated to Social Services), and funding increases for emergency planning (allocated to Environmental Services).

- 5.7 The revised service area budgets are in Appendix C; the growth items are in Appendix D(i); and the savings items are in Appendix D(ii). Other adjustments within the service area cash limits are in Appendix D(iii).
- 5.8 Table 5.1 below shows the changes in budget at service area level between 2004/2005 and 2005/2006.

Table 5.1 Service Area Budgets

| | 2004/05 Revised Budget £'000 | Inflation £'000 | Growth £'000 | Savings £'000 | Other Adj'ments £'000 | 2005/06 Budget £'000 | % Growth 2004/05 to 2005/06 % |
|----------------------------|---------------------------------|--------------------|-----------------|------------------|--------------------------|-------------------------|----------------------------------|
| Corporate | 24,355 | 666 | 1,027 | (830) | (261) | 24,957 | 2.5% |
| EAL (exc schools) | 21,332 | 573 | 650 | (457) | 139 | 22,237 | 4.2% |
| Environment | 32,275 | 998 | 1,544 | (1,026) | 589 | 34,380 | 6.5% |
| Housing | 13,584 | 198 | 264 | (142) | 69 | 13,973 | 2.9% |
| Social Services | 85,568 | 2,019 | 4,279 | (1,548) | 628 | 90,946 | 6.3% |
| Total (exc schools) | 177,114 | 4,454 | 7,764 | (4,003) | 1,164 | 186,493 | 5.3% |
| Schools budget | 130,963 | - | - | - | 10,808 | 141,771 | 8.2% |
| Total (inc schools) | 308,077 | 4,454 | 7,764 | (4,003) | 11,972 | 328,264 | 6.6% |

Note: The growth in these tables excludes growth in central items dealt with later in this chapter. These include £1.060m for intensive street cleaning, £80k for re-tendering the Onyx contract, and £79k for Willesden Sports Centre PFI. Together these add a further £1.219m to the Environment spending, taking the total budget in 2005/2006 to £35.599m, or a 10.3% increase compared to 2004/2005.

Member decisions on service area budgets

- 5.9 Subject to agreeing the growth, savings and other adjustments set out below, and detailed in Appendix D, Members are asked to agree the service area budgets set out in Table 5.1 above and detailed in Appendix C.

Growth within 2005/2006 Service Area Budgets

- 5.10 Details of proposed growth by service area are included in Appendix D(i). The total of growth, excluding schools, is £7.764m. This compares with a total of £10.432m in the First Reading debate on 29th November. Appendix (D)(i) includes those items the Administration considers the highest priorities from the original list. There are also new growth items that have been identified since the First Reading debate which are not part of service area budgets. Details of these are provided in paragraphs 5.57 to 5.72.
- 5.11 The following paragraphs set out how the growth is intended to help achieve the priorities set out in the Corporate Strategy.

SUPPORTING CHILDREN AND YOUNG PEOPLE

- 5.12 The largest single item of growth in the budget is the increase in the council's contribution to the schools' budget, which is £10.808m, or 8.2%. Further information on this is given below
- 5.13 There has also been growth in youth service funding. In response to calls for more investment in the First Reading debate (see Appendix E (i) for minutes of the First Reading debate), growth in 2005/2006 has been increased from the £63k included in the First Reading debate papers to £200k in the revised proposals. Other items of growth in the EAL non-schools budget include £50k full year effect of growth in the Education Welfare Service resulting from the best value review of inclusive education and a further £20k for an additional early years school improvement advisor to help hasten progress in the under 5s age group.
- 5.14 Although the Social Services star rating improved to 2 stars in 2004, the Commission for Social Care Inspection (CSCI) score for children's services remains that the council is only 'serving some children well', albeit that CSCI consider we have good prospects for improvement. Much of the growth money within Social Services in 2005/2006 is focused on children. The children's budget accounts for 33% of total Social Services spend but 43% of the £4.279m of new growth for social services is for children's services. The largest element is for growth in the children's placements budget (£980k out of a total of £1.874m), but there is also growth for the Youth Offending Team (£65k) and for support workers for children leaving care (£80k), the latter funded from the Local Public Service Agreement (LPSA) pump-priming grant. There has also been an increase in specific grant funding for adoption support and guardianship (up by 39%, from £250k in 2004/2005 to £347k in 2005/2006) and Children and Adolescents Mental Health Service grant (up by 37%, from £658k in 2004/2005 to £919k in 2005/2006) which goes directly into additional growth for children. The other significant area of growth in the children's service in Social Services is £400k for unaccompanied asylum seeking children including those in care and those leaving care.
- 5.15 The proposed budget also includes £449k growth for the new children and families service area. Further details of this are provided in the paragraphs 5.58 to 5.60 below on growth not allocated to service budgets.
- 5.16 A key aim of the Children Act 2004 is to look at children's needs in a wider sense than just services directly for children. Growth in other areas of the budget – libraries, sports and leisure, the environment, and housing needs – together with funding through the Neighbourhood Renewal Fund targeted at community safety and employment all contribute to a better life for children in Brent. One of the areas targeted in the council's LPSA is improving participation of 5 to 15 year olds in sport and a total of £37k LPSA pump priming grant has been allocated to that.

PROMOTING QUALITY OF LIFE AND THE GREEN AGENDA

- 5.17 Delivery of the council's ambitions on the quality of life and the green agenda is dependent on successful delivery of programmes across a range of service areas including environment, housing, and social services, and also within specific units such as arts and libraries and sports and leisure.
- 5.18 Spending on the environment is the fastest growth area in the budget. This is a key priority for local residents and an area in which the council has in the past been weak, with a CPA rating of 2 out of 4. The additional budget growth proposed is aimed at helping it move up to the good category.
- 5.19 Total new growth money in the environment budget in 2005/2006 is £2.763m. This growth is targeted at improving:
- the general level of cleanliness by the introduction of intensive street cleaning across the borough (see paras 5.65 to 5.69);
 - enhanced street cleaning in shopping areas and around stations (see Appendix D(i));
 - responsiveness at ward level to environmental problems by the appointment of street-care officers dedicated to each ward (see paras 5.65 to 5.69);
 - recycling performance, with funds going into weekly collection of organic waste, and the roll-out of recycling facilities to the borough's 30,000 estate and multi storey properties (see Appendix D(i));
 - overall performance of the waste management contract (see para 5.70).
- 5.20 Additional provision has been made within the environment capital programme to allow purchase of vehicles and equipment which can support improvements in performance (see section 9 below).
- 5.21 Spending within housing is also important in helping improve the quality of life of Brent residents. The housing service is a good service which achieves a maximum score of 4 out of 4 on its CPA rating. There remain however substantial challenges to improve council housing to a decent standard, provide affordable housing, and improve the quality of private sector housing.
- 5.22 Significant levels of capital funding for the Arms Length Management Organisation (ALMO) within the capital programme (see section 9 below) will help the council achieve its target of 100% council tenants in homes that meet the decent homes standard by 2006/2007. In addition, £50k of pump priming grant has been made available to help achieve the LPSA target of 6,457 (65%) properties meeting the decent homes standard by 31st March 2006.

- 5.23 There are also significant amounts of funding within the capital programme for provision of additional affordable housing units and improvements in private sector properties, including bringing empty properties back into use (see section 9). In addition, the housing General Fund budget includes growth of £100k for the housing advice service, including a welfare rights co-ordinator, and a further £164k to implement responsibilities in the Housing Act 2004 in relation to health and safety in houses of multiple occupation. There is also LPSA pump priming grant of £80k (covering both 2004/2005 and 2005/2006) for activity to support bringing empty homes back into use.
- 5.24 The quality of Social Services support for adults is also a crucial part of this agenda. The CSCI rating for adult Social Services in Brent went up from 'serving some people well' in 2003 to 'serving most people well' in 2004. New growth in this area, which is significant, is focused on meeting increased demand for services, and thereby ensuring the service retains the capacity to continue to deliver the improvements it is making. The total new money allocated in this budget to adults' services in 2005/2006 is £2.208m.
- 5.25 The council's allocation from central government for the supporting people programme has reduced from £13.7m in 2004/2005 to £13.0m in 2005/2006. The reduction of 5% was in line with most other London authorities, and within what was expected. On-going funding for most projects can be managed within the revised allocation by a combination of carry forward of a projected surplus from 2004/2005 and from delivery of efficiency savings as part of the supporting people programme. But there has been withdrawal of funding from some learning disability and mental health clients because they do not meet the criteria and as a result a total of £480k growth (£280k for learning disability and £200k for mental health) has had to be put into the Social Services 2005/2006 budget
- 5.26 Improvements in libraries, which have been allocated £30k growth in 2005/2006 on top of growth in previous years, and sports and leisure, which has been allocated £79k growth for the Willesden Sports Centre PFI, will also lead to general improvements in services available to all sections of the Brent community.

TACKLING CRIME AND COMMUNITY SAFETY

- 5.27 Reductions in the level of crime and improvements in community safety are principally achieved by working in partnership with the Metropolitan Police, the Brent Primary Care Trust, and the London Fire and Emergency Planning Authority. The GLA budget includes further increases in growth in Metropolitan Police numbers and the further development of neighbourhood policing. However, the council also contributes directly to tackling crime and improving community safety.

- 5.28 There is funding for growth in the Youth Offending Team in Social Services (see above). In addition, one of the priorities for use of Neighbourhood Renewal Funding is crime and community safety. Details of the Neighbourhood Renewal Fund are included in Appendix F on central items. This shows a total of £470k out of the £2.279m available in 2004/2005 being spent on crime and community safety in areas covered by the NRF. Crime and community safety, together with employment, are the priorities for allocating the £2.279m available in 2005/2006.
- 5.29 The council is also using pump priming grant available from the government to support the achievement of Local Public Service Agreement targets to help tackle crime and improve community safety. A total of £155k has been allocated to a variety of initiatives to help achieve the target for reducing domestic burglaries, and a further £80k for a mobile CCTV unit to reduce robbery. A further £202k of LPSA pump priming grant has been allocated to help improve fire safety in people's homes and £52k to reduce traffic accidents.
- 5.30 The council has also increased funding for emergency planning to help implement the council's new responsibilities under the Civil Contingencies Act. Previously emergency planning was funded from a specific grant which was paid to Environment to carry out the functions. Following the Civil Contingencies Act, the government has doubled the national allocation and included the amount within the Formula Spending Share allocation for environmental, protective and cultural services. £169k has been allocated for this in the Environment budget for 2005/2006. This is a transfer from central items shown in Appendix D(iii).

REGENERATING THE BOROUGH AND PRIORITY NEIGHBOURHOODS

- 5.31 The council depends on working with sub-regional and regional partners to deliver its regeneration agenda. The significant amount of investment coming into Wembley could not be achieved by the council itself. The council has however a facilitative role which is reflected in the £350k included in central items for the Wembley development.
- 5.32 The council has a leading role in the regeneration of South Kilburn and this is reflected in provision made within both the central items part of the revenue budget and the capital programme for South Kilburn although the bulk of the funding comes from government and other sources.
- 5.33 More generally, council funds are used to support regeneration and help people back into work at the local area. Employment, along with tackling crime and community safety, is the top priority for use of Neighbourhood Renewal Fund monies in 2005/2006.

ACHIEVING SERVICE EXCELLENCE

- 5.34 The 2004 CPA scores, in which Brent was amongst the 10 most improved councils in England, show that the council has successfully targeted improvements in key service areas, including adult social services, sports and leisure, and benefits. The budget for 2005/2006 has targeted resources at areas where there is room for improvement, including children's social services and the environment. In addition, within the Corporate Services growth items, there is additional funding of £223k for the benefits service (supplemented by £100k of LPSA pump priming grant) to enable continuation of improvements through implementation of the verification framework.
- 5.35 Other growth within the corporate budget is largely unavoidable – meeting on-going costs of new systems, increased building rents and responding to new legislative requirements on freedom of information and control of asbestos regulations.
- 5.36 Proposed funding of additional copies of The Brent Magazine, the residents' attitude survey and ward newsletters (see below in growth items not allocated within service area budgets) are all aimed at better communication about, and community involvement in, service provision leading to increased understanding and usage of services available and better targeting of services to meet local needs.

Member decisions on growth

- 5.37 It is for Members to decide whether the growth priorities identified in Appendix D(i), and other growth not allocated within service area budgets, are the right priorities. In some cases, where there are increases in demand pressures, failure to agree growth would in effect lead to a reduction in service. In addition, in some instances growth is required to meet statutory requirements. Members need to be aware of these issues when they consider their decisions.

Savings within 2005/2006 Service Area Budgets

- 5.38 Proposed savings within service area budgets are included in Appendix D(ii). The total savings in service area budgets that were presented to Full Council at the First Reading debate on 29th November 2004 were £5.063m. These were subsequently endorsed by the Executive on 13th December 2004.
- 5.39 The following changes have been made to the savings list since the First Reading debate and the Executive on 13th December:
- the Administration proposes to reverse the £20k saving on grounds maintenance in parks included within the Environment savings;
 - the Administration also proposes to keep the A-Z of council services which goes out with council tax bills. Efficiency savings can be made by

- producing it in a different way but the overall saving on this reduces from £50k in the First Reading debate to £20k;
- some of the savings included in the First Reading debate papers were reversal of previously agreed growth. The previously agreed growth has now been taken out of service area budgets, so the savings are no longer shown separately;
- additional savings for 2005/2006 have been identified and these are now included in the savings list.

5.40 Table 5.2 below shows the impact of these changes on the savings total.

Table 5.2 Proposed Revisions to Savings Proposals

| | £'000s |
|---|---------------|
| Savings in First Reading Report | 5,063 |
| Removal of grounds maintenance saving and reduction in A-Z saving | (50) |
| Removal of savings items that were growth reversal | (1,437) |
| Addition of new savings/income generation items | 427 |
| Savings in Appendix D(ii) | 4,003 |

The Gershon review

- 5.41 The Gershon review of efficiency in the public sector, which reported in July 2004, requires the council to look more strategically at how it delivers efficiency improvements. In the past the council has been successful at delivering savings to achieve the 2% annual target but this has been done at a service level rather than across services. The result is that opportunities to work across service areas to identify efficiency savings have been missed. In addition, the council has not been good at recording the efficiencies it has achieved.
- 5.42 The council will be required to publish an annual efficiency statement in April of this year setting out how it will achieve efficiencies under the Gershon agenda and a further statement in June outlining efficiencies achieved during 2004/2005. There is work going on within the council to develop our approach to delivering target cashable and non-cashable savings¹ of 1.25% per annum each over the next three years, and ensuring we have appropriate recording mechanisms in place.
- 5.43 There will need to be one-off funding to help generate these savings, which will be delivered from 2006/2007 onwards. This up-front investment will need to be clearly tied in with future savings. It is therefore proposed that £250k is set aside from balances as a “*spend to save*” fund, to be administered by the newly established officer level Efficiency Board. Decisions on utilisation of the fund would require Executive approval.

¹ The Gershon definition of cashable savings is providing the same level of service for less cost; the definition of non-cashable savings is providing a higher level of service for the same cost.

Member decisions on savings

- 5.44 Members have to decide whether they agree the savings in Appendix D(ii), or wish to take some of the savings out or amend the monetary amounts, or add in new savings proposals. In making amendments, Members have to consider the impact of the savings themselves, the effect on council tax and other service priorities, and the achievability of the savings. Members also have to consider whether they wish to ring-fence £250k of proposed balances for 2005/2006 to a “*spend to save*” fund, subject to balances being replenished from savings in future years.

Other Adjustments in 2005/2006 Service Area Budgets

- 5.45 Other adjustments to the budgets shown in Table 5.1 above are listed in Appendix D(iii). These cover:
- Transfers into service area budgets from central items;
 - Reversals of one-off adjustments in 2004/2005;
 - Correction of base budget provision in Social Services;
 - Consolidation of Social Services grants into FSS;
 - Use of increase in Social Services grants to support growth.

Member decisions on other adjustments

- 5.46 Members are asked to agree the other adjustments detailed in Appendix D(iii).

The Schools’ Budget

- 5.47 Under the provisions of the 2003 Local Government Act, the council is required to agree a provisional schools budget and notify the Secretary of State of this by 31st December. The Executive considered this on 13th December 2004 and agreed a provisional schools’ budget of £142.085m. This effectively equated to “*passporting*” the increase in formula spending share plus specific formula grants, applicable to the figures in the Provisional Local Government Finance Settlement, which guarantees no intervention from the Secretary of State. The Schools’ Budget is made up of two main elements: the Individual Schools Budget (ISB), the amount devolved to schools; and the non-devolved element which is held by the LEA.
- 5.48 The introduction of a minimum per pupil funding guarantee in 2004/2005 assures that all schools with static pupil numbers will receive a minimum increase in funding. For 2005/2006 this will be 5% for primary and nursery schools and 4% for secondary and special schools. However, the increase in the Individual Schools Budget (ISB) for 2005/2006 agreed on 13th December represents a rise on the 2004/2005 figure of 7.53%, excluding LSC and new school funding, comfortably exceeding that minimum funding requirement.

- 5.49 The passporting figure included provision for two independent schools to become Voluntary Aided (VA) and funded by the council. These were The Avenue, a Muslim primary school, and Menorah, a Jewish girls' secondary school. However, Menorah have subsequently informed the LEA that they no longer wish to become VA. The passporting figure will be reduced by £314k to reflect this change. This is less than the estimated allocation to Menorah and so the change will not have a detrimental impact on the other schools. The passporting figure is £152.016m, of which the council's contribution is £141.771m.
- 5.50 Funding for school sixth forms comes from the Learning and Skills Council (LSC). The resources are shown as part of the delegated budget of the secondary (and two special) schools and then appear as income in the EAL budget. The original school budget projections for 2005/2006 assumed a 4% increase in the level of sixth form funding. The LSC have subsequently announced the 2005/2006 sixth form allocations and these are, overall, higher than the assumed 4% level and represent an overall increase in funding of £999k between the two years. The additional resources are not evenly spread across the schools – the amounts will vary depending upon pupil numbers and the type of courses being provided. This increase does not affect either the passporting figure or the overall EAL budget, since there will be matching LSC income and the net figures in each case will remain the same. However, it provides an overall increase in school resources in the secondary sector.
- 5.51 The DfES have allocated £3.559m as a specific formula grant for Excellence in Cities. Members are asked to confirm that this grant is to be used for that purpose. Similarly, £6.686m has been allocated for threshold and performance related pay for teachers.
- 5.52 The revenue Standards Fund allocation from the DfES for 2005/2006, excluding Excellence in Cities and Specialist Schools, is £16.776m, of which £11.594m will be met by government grant, leaving £5.182k to be funded by the council. There is budget provision to meet the council contribution in full. This compares with a 2004/2005 gross allocation of £14.426m, grant income of £9.903m and a council contribution of £4.523m.
- 5.53 The funding formula for schools for 2005/2006 was approved by the Executive on 14th February 2005.

Central Items

- 5.54 Table 5.3 sets out budgeted amounts for central items. Details are provided in Appendix F. The First Reading report included £1.7m for ward working and £600k for the Children Act. These issues are dealt with in more detail below (as new growth items not included in service area budgets) and therefore have been excluded from Table 5.3 and Appendix F.

Table 5.3 2005/2006 Budget for Central Items

| | 2004/05 £'000 | 2005/06 £'000 |
|--|------------------|------------------|
| Agencies/Third Parties (further breakdown in Appendix F) | 1,961 | 1,236 |
| Debt Charges/Net Interest Receipts | 21,053 | 19,349 |
| Prudential Regime Financing Charges | 557 | 1,907 |
| Asylum Seekers | 250 | 250 |
| Remuneration Strategy | 1,271 | 500 |
| South Kilburn Development | 0 | 250 |
| Investment in IT | 1,100 | 900 |
| Levies | 6,343 | 6,755 |
| Premature Retirement Compensation | 4,150 | 4,200 |
| Middlesex House/Lancelot Road | 355 | 360 |
| Other Items (further breakdown in Appendix F) | 422 | 949 |
| TOTAL | 37,462 | 36,656 |

5.55 Members should note that the debt charges and prudential regime charges are subject to Members agreeing the capital programme as set out in section 9. If the amount of unsupported borrowing required to fund the capital programme changes, these figures will change too.

5.56 Members are asked to agree these revised amounts for central items, subject to the level of unsupported borrowing in section 9 being agreed.

Growth Items not Allocated to Service Area Budgets

5.57 Most of the proposed growth for 2005/2006 has been incorporated within service area budgets and is covered in Appendix D(i). There are some items not included in the service area budgets either because they are of a corporate nature or they are new items which were not covered in the First Reading debate papers. The items are listed in Table 5.4, followed by a description of each of them.

Table 5.4 2005/2006 Growth Items not in Service Area Budgets

| | 2005/06 £'000 |
|--|------------------|
| Children Act 2004 – Funding for New Children and Families Service Area | 449 |
| Ward Working | 500 |
| Ward Based Newsletters | 211 |
| Intensive Street Cleaning | 1,060 |
| Retendering of Onyx Contract | 80 |
| Willesden Green PFI | 79 |
| Total new growth outside service area budgets | 2,379 |

Children Act

- 5.58 The Executive on 14th February 2005 received a report on the new Children and Families Service Area. Costs identified at this stage for the new service are £752k in 2005/2006. There is already funding of £100k in the base, and a further £203k in grants. Estimated net growth is therefore £449k. Further work needs to be done on the new structures and this amount may change, or be used in different ways.
- 5.59 There are also consequential changes to other parts of the organisation set out in the Chief Executive's report to the Executive on 14th February on organisational change. The report included options which are out for consultation. It is not therefore possible at this stage to assess the costs of the new structure. However, the Director of Finance is satisfied that the restructure proposals would not conflict with the budget if the proposals in this report are adopted because the level of spending on particular functions will not change.
- 5.60 Service area budgets for 2005/2006 in this report are based on existing organisational structures. The creation of Children and Families Service Area and the other proposed changes to organisational structures will require changes to service area budgets. Decisions on organisational changes are due to be taken by the Executive on 12th April 2005. After that, budgets will be revised to reflect the new organisational structure and presented to Full Council for approval.

Ward Working

- 5.61 At Full Council on 28th June 2004 it was agreed that a 6 ward pilot would be implemented in 2004/2005 at a cost of £200k. This would be followed by a full roll out to all 21 wards with a potential cost of up to £1.7m in a full year. An evaluation was to be carried out on the results of the pilot to inform the roll out process. Following a recent reappraisal potential revisions to the scheme are proposed:
- (a) Continuing support for the concept of Ward Working, with continuation of a phased approach, including possible extension to around 5-6 additional wards in 2005, and a commitment to see a full roll out taking place from May 2006.
 - (b) Continuing with the six pilots from 2004/2005 into 2005/2006.
 - (c) An independent evaluation to be commissioned of these six pilot wards reporting back in autumn 2005.
 - (d) Work to be undertaken identifying around 5-6 wards to go live as part of the phased roll out in 2005, with the criteria and rationale to be discussed alongside the evaluation and a decision to be taken by Members in autumn 2005.

- 5.62 Members are asked to consider this proposal which will require a budget of £500k in 2005/2006. £1.5m has been provided in the medium term forecast for future years (see section 7) to reflect the full roll out.

Ward Based Newsletters

- 5.63 There is an increasing recognition by government and research groups that the most successful local authorities are those that communicate effectively with local residents. In response to demands from local people in Brent, highlighted in the 2002 Residents' Attitude Survey, Brent Council has already decided to increase its magazine for residents from six to 12 issues per year. To support the increased publication of general information about services the council provides, it is proposed that the council produces complementary localised information for residents about activities taking place in their ward.
- 5.64 This information would be provided through ward-based newsletters produced on a quarterly basis. The draft costings outlined here include design, photography, printing, and distribution for 5,000 copies of an 8-page, A5 publication, produced four times per year. In total two communication officers posts would need to be created to produce ward quarterly newsletters for the whole borough including those wards already part of the council's ward-working pilot scheme. Estimated costs are set out below.

| | £'000 |
|--|--------------|
| Total production cost for 21 wards per annum | 138 |
| 2 Communication's Officer posts | 73 |
| Total Funding Required | 211 |

Intensive Street Cleaning

- 5.65 There has been considerable concern for some time about the inconsistent performance of Onyx in the street cleaning element of their contract. This has had a number of causes and some improvement has been achieved through better clienting of the contract, through Onyx providing better managers, better training and supervision of staff and the introduction of some mechanical sweeping.
- 5.66 A fundamental remaining problem is that the specification for this contract, now in its final years, no longer provides a cleaning regime that meets modern standards. The introduction of BV199, the new measure of street cleanliness, requires a much more thorough approach to sweeping and the management of the street scene whilst the contract specification remains focused on litter.
- 5.67 To address this problem a programme of comprehensive cleaning for each street every three months is proposed and is being piloted under a supplementary contract with ECT, who currently have the recycling contract. Assessment of the progress with the pilot and the capacity of the teams has concluded that revenue growth of £745k in 2005/2006 and £775k in a full year will be needed to roll out the programme borough-wide. This figure is

analysed below and allows for the six cleaning teams proposed, additional management capacity within StreetCare, and a small budget to cover ad hoc items identified during the comprehensive cleans but outside their scope.

- 5.68 The proposal is that the borough wide roll-out will require a StreetCare officer dedicated to each ward. At present there are fourteen StreetCare officers. The intention is to add seven officers to the pool of StreetCare officers so that each ward will have a dedicated officer. This will have considerable synergy with ward working and will support the ward working roll out.
- 5.69 The budget proposals for intensive cleaning are set out in Table 5.5 below.

Table 5.5 Proposed Budget in 2005/2006 for Intensive Cleaning in Wards

| Item | Unit Cost £000 | 2005/2006 Total £000 |
|---|-------------------|----------------------------|
| Six deep cleaning teams | 100 | 600 |
| Additional management (part-year cost in 2005/06) | 125 | 95 |
| Ad hoc cleaning items | 50 | 50 |
| Seven StreetCare officers | 45 | 315 |
| Total Funding Required | | 1,060 |

Re-tendering of Onyx Contract

- 5.70 The current contract expires in April 2007. This is the council's largest service contract and the need to undertake a fundamental review of how the service might be delivered combined with the complexity of retendering prompted a recommendation from the Audit Commission, when they recently reviewed the service, to start the process now. They also recommended that specialist support with knowledge of the market be brought in to assist with the exercise. Such high level support would cost around £80k a year.

Willesden Green Sports Centre PFI

- 5.71 A report to the Executive on 14th February updated Members on the latest position on the Project. This report assumed provision of an additional £34K above that held within the Environment Budget, due to delays in finalising the deal. This has led to rises in building and utility prices. Although the contract is very close to being signed, there are two outstanding issues to be finally resolved. One issue covers the removal of Japanese Knotweed on the site, which the Council will pay for as a one-off cost, estimated to be up to £25k. This is intended to remove the risk of the weed re-appearing and damaging the new sports centre. The second issue covers the possibility of Stamp Duty Land Tax being payable. The latest position from the Inland Revenue is that it is unlikely to apply. However, an agreement will be needed with the contractor for an additional annual payment by the council if it does. This cost will be split between the council and the contractor, which will increase the

council's contribution by up to £20k per annum, if eventually payable. The new Centre will take 21 months to build and open, which will mean an opening date in November or December 2006. No unitary payments will be due until then, but the financial model on which the scheme is based, assumes that contributions are paid by the council into an earmarked reserve immediately. This will help smooth out costs over the life of the scheme. The total additional provision required is therefore a maximum £79k in 2005/2006 and £54k in subsequent years.

Member decisions on growth not within service area budgets

- 5.72 Members have to decide whether they support the growth not allocated within service area budgets set out in Table 5.4 above.

Risks

- 5.73 It is important that as part of the budget an assessment is made of potential risks. This helps the council set an appropriate level of balances and also ensures that risks can be monitored and managed effectively during the year.

- 5.74 The overall budget risks fall into the following main categories:

- demand risks where the level of service provision depends on projections of need. These include social services children's and adults' budgets, the Special Education Needs budget in EAL, and the temporary accommodation budget in Housing;
- risks from new legislation, where the council faces uncertainty about the costs of implementing new legislation. Key areas are the Freedom of Information Act, new licensing arrangements, and the Children Act;
- risks from legal challenges. A recent example is a challenge from a former leisure services provider;
- partnership risks, where the council depends on delivery by partners. The main area here is our work with health where we depend on each other, for example, to meet government bed blocking targets;
- interest rate risks, where fluctuations would have an impact on the estimated costs of borrowing;
- procurement risks, where market conditions could mean that costs could increase as a result of re-tendering for contracts;
- grant risks, arising from changes to grant conditions or the council not meeting grant conditions;
- risks of not achieving savings or loss of income in the budget;
- asset management risks if corporate or service buildings have to be closed because of current condition; and
- risks of overspend on major capital schemes, such as the Stadium Access Corridor.

- 5.75 The council has in previous years had to manage significant overspends in particular areas: in 2002/2003 in Social Services, in 2003/2004 in Special Education Needs, and in the current year in the parking control account. The

council has learnt from these experiences and in each case put in place measures to deliver spending within budget. Special Education Needs are expected to be within budget in 2004/2005, and the projected overspend for Social Services is small. Measures are being taken to limit the overspend on the parking control account in 2004/2005 and ensure it comes within budget in future years. However good the control measures and sophisticated the forecasting of demand, there remain risks that the council cannot control. Demand can change for reasons that the council has no control over; predicting with accuracy the financial impact of new legislative requirements, such as the Freedom of Information Act, is not possible; forecasting market conditions that affect interest rates and major procurement is also fraught with uncertainty. Other unforeseen events, such as a major emergency, are by their nature impossible to predict.

5.76 In assessing the growth requirements for 2005/2006, officers have made their best estimate of the impact of those events we can reasonably predict. However, the council has finite resources and we have not therefore been able to allow for all possible eventualities. As a result there are risks within the budget which need to be monitored and managed at both a service area and corporate level.

5.77 As part of development of the budget proposals, officers have identified the main risks we consider could impact on the budget. These are set out in Table 5.6 below, together with the estimated cost of the worst case scenario, the likelihood of the worst case scenario happening, and therefore the estimated cost of risk in 2005/2006. The major spending risks identified in 2005/2006 are as follows:

Table 5.6 Major 2005/2006 Spending Risks

| | Worst case £'000 | Like- lihood % | Estimated risk £'000 |
|--|-----------------------------|-------------------------------|-------------------------------------|
| <u>Demand risks</u> | | | |
| Social Services care packages – children and adults | 1,500 | 30% | 450 |
| Lone children seeking asylum | 200 | 30% | 60 |
| Failed asylum seekers accommodated under the National Assistance Act 1948 | 200 | 30% | 60 |
| Special Education Needs – out borough placements | 1,000 | 30% | 300 |
| Temporary accommodation – increase in homelessness | 1,000 | 30% | 300 |
| Unplaced pupils | 200 | 20% | 40 |
| <u>New legislation</u> | | | |
| Children Act – requirements exceed those planned for | 400 | 25% | 100 |
| Housing Act – inspections of health and safety in houses of multiple occupation – requirements exceed those provided for | 200 | 25% | 50 |
| Freedom of Information Act – increasing numbers of requests for information | 800 | 10% | 80 |

| | Worst case £'000 | Like- lihood % | Estimated risk £'000 |
|---|-----------------------------|-------------------------------|-------------------------------------|
| Licensing Act – increased numbers of applications above those allowed for in the £300k growth provision | 100 | 20% | 20 |
| Civil Contingencies Act – funding that could be required above the £169k provide within the budget | 100 | 20% | 20 |
| Criminal Records Bureau checks | 100 | 20% | 20 |
| Legal challenge | | | |
| Legal challenges – eg to contracts and in employment tribunals | 2,000 | 30% | 600 |
| <u>Partnerships</u> | | | |
| Community care delayed discharge – reimbursement to NHS acute trusts | 500 | 20% | 100 |
| Cost of continuing care – change in banding so costs fall on Brent Council rather than the PCT | 500 | 30% | 150 |
| <u>Interest rate fluctuations</u> | | | |
| Risk of major turbulence on markets | 500 | 10% | 50 |
| <u>Procurement risks</u> | | | |
| Risk of additional costs from major re-tendering exercises eg leisure centres, parking contract | 1,000 | 20% | 200 |
| Risk that legal and financial costs of affordable housing PFI cannot be recovered | 350 | 20% | 70 |
| <u>Grant risks</u> | | | |
| Risk that local authorities will remain responsible for asylum seekers in 2005/2006 but grant will not be sufficient to compensate for the responsibility | 500 | 20% | 100 |
| Risk of exceeding the threshold on housing benefit overpayments in 2005/2006 | 600 | 30% | 180 |
| <u>Savings/income risks</u> | | | |
| Risk of not achieving savings in the budget | 4,000 | 5% | 200 |
| Risk of not achieving income targets on internal trading accounts | 300 | 20% | 60 |
| Parking control account – risk of continuing under-recovery of income due to vandalism and theft | 1,000 | 20% | 200 |
| Gordon Brown centre – income risk | 40 | 25% | 10 |
| <u>Asset management risks</u> | | | |
| Closure of council buildings and need to find alternative accommodation eg Quality House, Social Services care homes | 1,000 | 20% | 200 |
| Surveys show need for spending to bring back properties to usable condition | 2,000 | 10% | 200 |
| Insurances fund is inadequate | 1,000 | 20% | 200 |

| | Worst case £'000 | Like- lihood % | Estimated risk £'000 |
|--|-----------------------------|-------------------------------|-------------------------------------|
| <u>Major disaster</u> | | | |
| The government has a scheme (the Bellwin scheme) that covers authorities for 85% of costs of a major disaster above 0.2% of net revenue budget. The risk to the council is 100% of costs below the threshold and the 15% above it. | 700 | 10% | 70 |
| Total General Fund revenue risks | 22,290 | | 4,090 |
| <u>Major capital schemes</u> | | | |
| Risk that major schemes in the agreed capital programme will overspend | 4,000 | 20% | 800 |
| Total General Fund revenue and capital risks | 26,290 | | 4,890 |

Balances

- 5.78 As set out in section 4, the council's General Fund usable balances are forecast to be £7.065m at the end of 2004/2005.
- 5.79 Councils need balances so that they can deal with unforeseen calls on resources without disrupting service delivery. The level of risk that a council assesses it faces are therefore the minimum level of balances that a council should maintain.
- 5.80 But balances also contribute to effective medium term financial planning for councils. They allow councils to adjust to changes in resources and spending requirements over a period of time (see section 7 below for the medium term forecast for Brent), to plan council tax rises to avoid excessive increases in any one year, and to take a more flexible approach to the annual budget cycle, for example through "spend to save" schemes. They also allow councils to respond to new demands/priorities for spending which arise during the year.
- 5.81 Balances also have to be used carefully. They can be used only once. Decisions to use balances to fund on-going spending or hold down council tax increases can only apply for one year. In the following year, either additional budget reductions have to be made or additional council tax increases are required. There is a significant risk of future financial instability if significant levels of balances are used to fund on-going spending or reductions in council tax. This is particularly the case when the government has made it clear that they intend to retain a tough council tax capping regime, which will limit council tax rises in future years to pay for one-off use of balances.
- 5.82 Under the 2003 Local Government Act, the Director of Finance, as chief finance officer, has to be satisfied that the level of available General Fund balances is adequate. The Director of Finance's advice is that:

- The minimum prudent level of balances is £4.1m, which is sufficient to meet the revenue budget risks identified in Table 5.6 above;
- The optimal level of balances to enable effective medium term financial planning in the authority is £7m, with use of balances in any year being replenished in subsequent years;
- As a general rule, Members should only plan to use balances to fund one-off spending;
- Where Members wish to use balances to fund on-going spending or reductions in council tax, they should indicate how they plan to make up the budget shortfall in future years.

5.83 Table 5.7 below presents the proposals from the Administration on use of balances in 2005/2006.

Table 5.7 Proposed General Fund Balances in 2005/2006

| | £'000 |
|--|--------------|
| Total Estimated Balances at 31st March 2005 | 7,065 |
| Planned Use of Balances to Support the 2005/2006 Budget | (65) |
| Planned Use of Balances in 2005/2006 for “Spend to Save” Schemes | (250) |
| Estimated Balances at 31st March 2006 | 6,750 |

5.84 The £65k is a one-off contribution from balances to on-going spending. Alternative sources of funding for this spending will have to be identified from 2006/2007 onwards. The £250k “*spend to save*” funding is assumed to be repaid over the three remaining years of the financial forecast in Appendix K.

Member decisions on balances

5.85 Members have to decide the contribution they wish to make to or from balances in 2005/2006 to support the General Fund revenue budget. In doing so they need to consider the advice on the factors to take into account in paragraph 5.82.

Overall Budget Requirement

5.86 The overall budget requirement in 2005/2006 resulting from the proposals in this section is £367.234m. The make up of this budget requirement is summarised in Table 5.8 (details in Appendix B).

Table 5.8 General Fund Budget Requirement in 2005/2006

| | £'000 |
|--|----------------|
| Service Area Budgets – Table 5.1 | 328,264 |
| Budget for Central Items – Table 5.3 | 36,656 |
| Growth not within Service Area Budgets – Table 5.4 | 2,379 |
| Spend to Save – Paragraph 5.43 | 250 |
| Use of Balances to Fund Spend to Save – Table 5.7 | (250) |
| Use of Balances to Fund Budget Proposals | (65) |
| Proposed budget requirement for 2005/2006 | 367,234 |

Statement by the Director of Finance on the budget and balances

- 5.87 Under Section 25 of the 2003 Local Government Act, the chief finance officer is required to comment on the adequacy of the budget calculation and the level of balances proposed within a budget. The two issues are related. The less prudent the revenue provision, the less accurate forecasts of demand and risk, the higher the level of balances required to justify the budget calculations. This budget however has been carefully prepared, and while excessive provision has not been made in the budget a prudent and cautious approach has been taken. Risks have been identified and quantified. The council also has rigorous budget monitoring arrangements during the year and a policy of restoring balances once used. The combined approach means that a minimum prudent level of balances is £4.1m, in line with the General Fund revenue budget risk identified. The Director of Finance's view is however that an optimal level of balances to cover risks and allow effective financial planning, which will contribute to longer term financial stability, is £7m. The Director of Finance also advises that as a general rule use of balances should only be to cover one-off expenditure. Any decision to use balances to fund on-going spending or council tax reductions needs to set out the measures that will be taken to make up the short-fall in future years.

Member decisions on the overall budget

- 5.88 Section 32 of the Local Government Finance Act 1992 requires the council to calculate its budget requirement in terms of gross revenue expenditure, income and net revenue expenditure. For these purposes expenditure and income relating to the Housing Revenue Account is included even though it has no effect on the net revenue budget. The formal calculation, based on the budget in Appendix B, is as follows:

| | £m |
|--|-----------|
| (a) Aggregate of the amounts which the Council estimates for items set out in Section 32(2)(a) to (e) of the Local Government Finance Act 1992. | 780.050 |
| (b) Aggregate of the amounts which the Council estimates for items set out in Section 32(3)(a) to (c) of the Local Government Finance Act 1992. | 412.816 |
| (c) Calculation of the budget requirement under Section 32(4), being the amount by which the sum aggregated at (a) above exceeds the aggregate of (b) above. | 367.234 |

- 5.89 The council is no longer constrained by a pre-set capping limit, but the government have indicated that excessive increases will be capped. Further details are provided in Section 6.
- 5.90 The context in which Members set the budget is less financially tight than in previous years. The council has successfully replenished its balances and this has been commented upon favourably in the Annual Audit and Inspection Letter. However, the council still faces significant budget pressures in 2005/2006 and prospects for increases in external resources in future years are not good (see section 7).
- 5.91 Members have a wide range of options available to them:
- (a) they could increase the budget and level of council tax to invest in service priorities subject to the information on capping;
 - (b) they could agree the budget as set out in the report;
 - (c) they could agree reduced growth, further savings (provided they are satisfied that they can be achieved), or a lower level of balances (subject to the Director of Finance's advice on balances) in order to reduce council tax.
- 5.92 Table 5.9 below sets out the implications for council tax of an increase or reduction in Brent's expenditure compared with the current budget. This incorporates the latest GLA budget for a precept of £254.62.

Table 5.9 Impact of Changes to Budget Requirement on Council Tax

| | Current Position | Expenditure - £1m | Expenditure + £1m | Expenditure at FSS |
|----------------------------------|------------------|-------------------|-------------------|--------------------|
| Brent's budget requirement (£m) | 367.234 | 366.234 | 368.234 | 374.249 |
| Council Tax Band D £ | 929.52 | 918.75 | 940.29 | 1,005.05 |
| GLA proposed precept £ | 254.62 | 254.62 | 254.62 | 254.62 |
| Total Council Tax Band D £ | 1,184.14 | 1,173.37 | 1,194.91 | 1,259.67 |

- 5.93 The table illustrates that each £1m fall or rise in expenditure decreases or increases council tax by £10.77 (1.2%) at Band D for the Brent element of the tax.