

LONDON BOROUGH OF BRENT
Meeting of Full Council - 5th March 2007
2007/08 BUDGET AND COUNCIL TAX

EXECUTIVE SUMMARY

1. The budget report sets out the key decisions Members are asked to make on:
 - the 2007/08 General Fund revenue budget;
 - the 2007/08 Dedicated Schools Budget;
 - the 2007/08 Housing Revenue Account;
 - the council's capital programme for 2007/08 to 2010/11;
 - the council's treasury management strategy; and
 - prudential indicators aimed at ensuring the affordability of capital spending and a secure approach to borrowing and investment.
2. This executive summary covers the main items covered in each of the sections of the report.
3. *Section 1* introduces the report, with brief descriptions of what is covered in each of the other sections. It highlights the 2003 Local Government Act requirement for the Director of Finance and Corporate Resources to report on the robustness of the budget estimates and the adequacy of financial reserves.
4. *Section 2* details the Executive's recommendations to Full Council. These are cross-referenced to appropriate parts of the main body of the report. They include the statutory decisions Full Council is required to make on the overall budget requirement of the council, gross revenue expenditure and income, and the council tax calculation.
5. The General Fund budget making process, including its links with the Corporate Strategy priorities and the council's Medium Term Financial Strategy, is set out in *Section 3*. This is the first year of the new Administration which has set out its priorities in the Corporate Strategy 2006-2010. The budget for 2007/08 is aimed at supporting delivery of the first year of that strategy, within the context of the Medium Term Financial Strategy. This section also sets out the underlying budget assumptions, the process for development of the proposals, including the role of members of the Executive and the Budget Panel, and the involvement of the public and other stakeholders.
6. The 2006/07 probable outturn for the General Fund budget is covered in *Section 4*. Significant potential overspends, particularly in children's services and adult care, were identified at an early stage of the financial year and actions have been taken to control these overspends and take actions in other budget areas to offset them. As a result of these actions, and a better than forecast outturn for 2005/06, the council's balances at 31st March 2007 are

now forecast at £9.124m, which is above the target range for balances set in the 2006/07 budget report of £7.5m to £8m.

7. *Section 5* deals with the key spending decisions. The recommended overall budget for 2007/08 is £242.890m, which, after taking account of resources available, would lead to an increase in the Brent element of the council tax of 4.8%.
8. The key decisions Members need to take on the 2007/08 General Fund budget are as follows:
 - Agreeing or varying the service area budgets for 2007/08, which are detailed in Appendix C, incorporating growth and savings outlined in Appendix D, as well as a number of invest to save items ;
 - Agreeing or varying the overall budget for service areas in 2007/08 which this report recommends should be set at £210.445m;
 - Agreeing or varying the budget for central items which is set at £34.069m for 2007/08, and is detailed in Appendix F;
 - Agreeing or varying the use of balances figure of £1.624m in 2007/08;
 - Agreeing or varying the overall budget requirement of £242.890m for 2007/08.
9. The impact of PCT cuts on the 2007/08 budget is significant. Whilst the council is disputing costs that would transfer to it as a result of PCT cuts, a contingency of £4.347m has been provided within the adults' and children's budgets to meet potential cost transfers. But the total potential impact is £11m and the balance therefore represents a risk within the council budget.
10. In making decisions on the budget, Members have to consider the extent to which the proposed budget supports delivery of corporate and service objectives, the consequences of agreeing or not agreeing growth and savings at the recommended level for services and council tax payers, and the realism of, and risks associated with, the budget.
11. Members also have to consider the impact of the budget on individuals and communities in Brent. The priorities within the Corporate Strategy reflect the needs and aspirations of the diverse communities and individuals within Brent. Growth and savings proposals are also screened individually by service areas to assess equalities implications of the proposals. But Members also have to ensure the budget as a whole – including growth and savings proposals - does not discriminate against communities or individuals because of age, ethnicity, gender, disability, religion, or sexual orientation, and meets the council's other duties to promote equal opportunities and good race relations.
12. The full range of budget risks is also outlined in *Section 5*. On the basis of an assessment of the worst case impact and likelihood of this happening, overall revenue budget risks to the council in 2007/08 are assessed at £7.5m. This includes risks from not providing fully for potential PCT transfers. The assessment of risk forms the basis for assessment of balances required. The advice of the Director of Finance and Corporate Resources on balances is as follows:

- The minimum prudent level of balances in 2007/08 should be £7.5m, which is sufficient to meet the revenue budget risks identified in the report;
 - The optimal level of balances, to enable effective medium term financial planning in the authority, remains at £7.5m to £8m, 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.
13. Members should note that the budget proposals in *Section 5* include a recommendation to use £1.624m of balances to fund the budget in 2007/08, and that the impact of this on future years' budgets has been built in to the Medium Term Financial Strategy in Section 7.
 14. The resources to fund the General Fund budget are set out in *Section 6*. Overall the council will receive external funding (excluding specific grants) of £150.556m in 2007/08, which is 2.2% higher than the £147.334m in 2006/07. The amount to be received, whilst in line with the two year settlement announced last year, is less than the 2.7% 'floor' increase announced by the government. The reason is adjustments to the base grant level for 2006/07 to reflect the impact of government funding which was meant to be transferred from borrowing to capital grant. In practice, these transfers have not happened and the council will continue to press government to reverse the adjustment so that it is not reflected in the base used for grant calculations in 2008/09 onwards.
 15. The council tax income requirement is £93.485m. This is based on the proposed budget requirement of £242.890m, less grant of £150.556m, with £1.151m added for Brent's share of the Collection Fund deficit. Using the council tax base of 93,900 Band D equivalent properties agreed by General Purposes Committee on 16th January 2007, the Band D Council Tax for Brent services would be £995.58 in 2007/08. This is 4.8% higher than the 2006/07 Band D Council Tax for Brent services of £950.13.
 16. The proposed increase in the Brent council tax is below the capping level of 5% and will mean that Brent's council tax is likely to remain in the lower half of council tax levels in London.
 17. Council tax payers in Brent also have to fund the GLA precept, which covers the Metropolitan Police, the London Fire and Emergency Planning Authority, Transport for London, the Olympics levy and the GLA itself. The Greater London Assembly meeting on 14th February 2007 confirmed the Mayor's proposal for a precept at Band D of £303.88 in 2007/08, an increase of 5.7% without the Olympics levy and an increase of 5.3% with the Olympics levy. The increase of 5.7% for GLA functions, excluding the Olympics, could leave the GLA open to the risk of capping action. If the GLA were to be required to re-set their budget, there would need to be re-billing across London.

18. Based on the GLA precept increase, and the 4.8% increase proposed for Brent Council services, the overall council tax at Band D in Brent would be £1,299.46 in 2007/08, 4.9% higher than in 2006/07.
19. *Section 7* of the report sets out the council's medium term financial strategy (MTFS) and is the last part of the report dealing specifically with the General Fund. The introduction of multi-year finance settlements should provide increased certainty about resources available to the council in future years. But this is the last year of the two year settlement for 2006/07 and 2007/08 and resources available for 2008/09 to 2010/11 will not be known until the results of national government's Comprehensive Spending Review are announced in the summer and the implications for individual councils have been worked through during the autumn. Indications are, however, that there will be less growth in public funding than in recent years and whatever growth is available will be directed to health and education. It is also likely that the council will remain at the 'grant' floor. The MTFS therefore predicts grant increases to be in the range of 1% to 2.5% per annum.
20. Decisions on council tax in future years will reflect Members' aspirations to limit increases in council tax but, even if Members were inclined to increase council tax, the maximum increase permitted under capping rules is likely to remain at 5% in future years.
21. In addition, the MTFS builds in spending growth to fund demographic pressures, the on-going impact of PCT transfers, other growth pressures including proposed changes to the basis for government funding of temporary accommodation and the impact of land-fill tax on the waste levy, and the expectation that funds will be released on a phased basis to meet priorities within the Corporate Strategy.
22. The MTFS sets out the potential budget gap, based on a range of assumptions about grant and council tax increase, and the proposed approach to addressing this.
23. *Section 8* of the report deals with the Dedicated Schools Budget (DSB) which was introduced in 2006/07. This is funded by a ring-fenced Dedicated Schools Grant (DSG) which can only be used to fund the DSB. DSG allocations for 2007/08 were announced last year as part of a two year settlement. The per pupil increase for Brent is 8.1% in 2007/08 - following an 8.2% increase in 2006/07¹ - which is the second highest in the country. An overspend on Special Education Needs in 2006/07 means that an adjustment has been necessary to school allocations in 2007/08. As a result, whilst growth in the overall DSB in 2007/08 is 8.1% per pupil, growth in the Individual Schools Budget is 7.3% per pupil in 2007/08.
24. The Housing Revenue Account, which covers the activities of the council as landlord for approximately 9,500 dwellings, is dealt with in *Section 9*. The HRA is separate from the General Fund and is ring-fenced – ie HRA expenditure is met from HRA resources, which primarily consist of

¹ The announced per pupil increase for Brent was 8.2% in 2006/07 - but the revisions as part of the introduction of Dedicated Schools Grant brought forward the pupil count by one year resulting in two years' pupil growth in one year and an actual per pupil increase of 10.3%.

government subsidy (Housing Revenue Account Subsidy) and rents. The Executive on 12th February 2007 agreed an average rent increase of 5%, which takes account of the government's guidelines on convergence between rents charged by councils and Registered Social Landlords (mainly housing associations). Whilst the Executive agreed the rent increase, the overall HRA budget is part of the overall budget decision to be taken by Full Council.

25. The council's overall capital programme for 2007/08 to 2010/11, together with the revised 2006/07 programme, is dealt with in *Section 10*. It is a four year rolling programme, based on the agreed Capital Strategy. It balances the need to deliver the council's priorities as set out in the Corporate Strategy, requirements to manage and maintain the council's existing assets, and the need to limit the impact of borrowing on the revenue budget both in the short and the longer term. The overall capital programme has been set at £78.695m in 2007/08, with £60.295m spent on General Fund assets and £18.400m on HRA assets. Levels of unsupported borrowing have been maintained at previous levels over the period of the programme. The capital financing charges on unsupported borrowing have been allowed for in the central items in the proposed General Fund revenue budget in *Section 5*.
26. The treasury management strategy is set out in *Section 11*. The council has total borrowing of around £590m and total investments of around £100m. The treasury management strategy is aimed at managing this portfolio in such a way as to minimise borrowing costs, maximise investment returns, and minimise risk. It is based on an assessment of the state of the economy over the next year and the prospects for interest rates. It sets out various interest rate scenarios and the actions that will be taken in response to these. The strategy has been prepared in consultation with our treasury advisers, Sector.
27. Adoption of the treasury management strategy by Full Council is seen as good practice and is one of the prudential indicators set out in the CIPFA Prudential Code for Capital Finance, which is covered in *Section 12* of the report. The Prudential Code was introduced in 2003 as part of the reforms to the local government finance system resulting from the Local Government Act 2003. The LGA 2003 gave councils significant freedom to exercise borrowing powers to meet local needs for capital investment. The aim of the Code is to ensure councils use these new freedoms responsibly. It requires councils to set affordability limits on the amount of borrowing for capital purposes, to be clear about the impact on council tax and rents of their borrowing policy, to manage their borrowing and lending in a professional way, and to ensure value for money from the use of borrowing to fund capital investments.
28. *Section 13* provides details of the council's approach to delivering value for money. The council is on course to achieve the Local Area Agreement stretch target for efficiency gains – which exceeds the target set for the council following the Gershon review. The council also achieved a level 3 – 'consistently above minimum requirements' - in the value for money element of the CPA Use of Resources judgement, and has one of the lowest council taxes in outer London – 17th out of 20 outer London boroughs.
29. The council's Efficiency Programme is aimed at delivering further value for money improvements in procurement, processes, support services, and

productive use of staff time. Corporate savings from these efficiency projects of £1m in 2007/08 have been included in the budget as well as efficiency savings within individual service areas. Invest to save proposals in this budget relating to children's care, customer care, IT and HR transactions will lead to increased efficiency across a range of council services. Further invest to save proposals are being considered for adult social care, libraries, and financial systems. In addition, providing better value for money is at the core of the council's proposals for a new civic centre

30. Despite the PCT financial issues, the council has worked closely with the PCT in delivering efficiencies in areas such as the equipment store and mental health services. Initiatives progressed through the Local Area Agreement are leading to increased efficiency – such as the Partnership with Older People Project (POPP) and the Stonebridge integrated children's services pilot – as will the planned integration of town centre warden teams into the Metropolitan Police's safer neighbourhood teams. The council is also working closely with West London Alliance partners on the development of shared services across borough boundaries and is at the forefront of work with the Carbon Trust to fund projects which will deliver both cost savings and energy efficiency, with £600k included in the capital programme for this purpose.
31. Members have a leading role in overseeing the delivery of the efficiency programme. The Deputy Leader is the council's efficiency champion, and other Lead Members play an active role in ensuring services for which they are responsible are efficient. Performance and Finance Select Committee scrutinises key areas where performance has been weak such as council tax collection. These mechanisms are replicated at officer level, with the Director of Finance and Corporate Resources taking an overall lead on efficiency, through chairing the Efficiency Board, responsibility at service level resting with service directors, and the Chief Executive leading the High Level Monitoring Group, which monitors progress in performance hot-spots, including waste management and adults' and children's social care.
32. *Section 14* deals with the procedures required to control expenditure. This includes setting out roles and responsibilities, the arrangements for monitoring spending, and the approach to controlling the budget. The council needs to maintain spending within budget to ensure delivery of corporate and service priorities. The arrangements set out in *Section 14* seek to ensure this happens.
33. Setting the budget and council tax is one of the most important decisions Members take during the year. Decisions can affect the services received by the people of Brent and the level of council tax they pay. The legal basis on which the budget and council tax is set is also carefully defined in statute. *Appendix O* sets out advice from the Borough Solicitor on Members' individual responsibilities to set a legal budget and how they should approach this task. It is important that all Members read this advice carefully before taking part in decision making on the 2007/08 budget.