

SECTION 3

3. THE BUDGET MAKING PROCESS

Introduction

- 3.1 The budget making process is a key part of the overall strategic planning framework for the council. This framework consists of a number of inter-related processes involving:
- working with partners to determine the overall Community Strategy for Brent;
 - developing a Corporate Strategy which sets out what the council will do to deliver the priorities of the Administration;
 - developing service strategies in the context of the Community Strategy, Corporate Strategy, wider statutory responsibilities and an assessment of needs;
 - putting in place action plans to deliver the various cross-cutting strategies, including the Local Area Agreement and the Improving Brent Action Plan;
 - agreeing annual service plans and individual project plans which set out key priorities and targets for individual services over the next year in the context of the wider strategic objectives of the authority and the individual service;
 - backing these arrangements up with a performance framework in which performance indicators and targets are agreed and monitored at service and corporate level, and link down into team plans and individual staff appraisals.
- 3.2 The role of the budget making process in the strategic planning framework is to ensure that:
- there is a clear link between the strategic ambitions of the authority set out in the Community Strategy. Corporate Strategy and individual service strategies and resources likely to be available to the authority over the medium term – hence the importance of the council’s Medium Term Financial Strategy which is set out in Section 7 of this report;
 - resources are redirected to priorities for improvement where these priorities cannot be provided within existing resources;
 - the benefits to service users in terms of improvements in, or protection of, services are balanced against the interests of council tax-payers;
 - performance targets are realistic in the context of the budgets that are set;
 - there is a basis for monitoring spending and income alongside the delivery of service priorities.

- 3.3 The statutory framework within which the council sets its budget is set out in Appendix O. Key elements are as follows:
- the budget and council tax for the following year need to be set annually before 11 March;
 - the government has the power to cap council tax increases if it considers them excessive;
 - the Director of Finance and Corporate Resources has to report on the robustness of the budget estimates and the adequacy of balances;
 - the Schools Forum, which consists of governors and heads, has a defined role in relation to decisions on the Dedicated Schools Budget.
- 3.4 The government has a key role in the budget process because it determines levels of grant funding. There are now multi-year settlements which coincide with the period of government spending reviews intended to give local authorities and schools certainty about general grant funding and funding for the Dedicated Schools Budget. Levels of government grant for 2007/08 were determined as part of the 2006/07 local government finance settlement, although the Comprehensive Spending Review being carried out for the period 2008/09 to 2010/11 means there is no certainty of funding for the period 2008/09 onwards.
- 3.5 Members have a key role in the process in different ways:
- as members of the Executive to determine the overall strategy and make recommendations on the budget;
 - as Lead Members, to ensure the budget will deliver the priorities for their areas of responsibility;
 - as members of the newly formed Budget Panel, to advise the Executive on factors it should take into account in making its budget proposals and scrutinise those proposals when they are made;
 - as members of Full Council, to make their views known on priorities for the budget in the First Reading Debate and to make final decisions on the budget and council tax.
- 3.6 The public are also involved in the budget process. There is a statutory requirement to consult business rate-payers. But there is also an expectation that the public will be involved. In practice, this is achieved through public consultation on corporate and service priorities of the council through the Citizens' Panel, use of residents' attitude surveys and user satisfaction to find out what people think of the services they receive, feedback from area consultative and service user forums, and so on. Most importantly, it is achieved through councillors understanding the needs and expectations of local residents and ultimately through the ballot box.

3.7 This section of the report sets out:

- links between the budget process, the Corporate Strategy, and the service planning process;
- how the annual budget process fits in with the medium term financial process;
- the underlying budget assumptions used in the 2007/08 budget process;
- the process for developing the budget proposals;
- the involvement of the public and other stakeholders in the budget process;
- monitoring arrangements for the budget.

Links to the Corporate Strategy and service planning process

3.8 The 2007/08 budget is the first of the new Administration formed following the May 2006 elections. The budget has been prepared in parallel with preparation of the new Corporate Strategy 2006-2010, agreed by Full Council on 27th November 2006, and reflects the priorities within it.

3.9 The process for developing the Corporate Strategy took into account the projections in the 2006 Medium Term Financial Strategy of limited growth in General Fund resources and pressures on budgets. In order to deliver the targets set out in the Corporate Strategy and ensure continuous improvement in council services, the following principles were set out in the Corporate Strategy:

- Improvements identified in it would be funded within existing resources, wherever possible;
- Where growth is required to deliver the improvements, there would be rigorous assessment of the level of additional funding needed;
- There was an expectation of equitable sharing of costs of providing services with our partners, including Brent PCT;
- All services were expected to deliver 2% annual savings built into cash limits by improving efficiency of service provision and disinvesting in services which are low priority;
- The corporate efficiency agenda would focus on those changes that could yield the most significant savings – particularly:
 - o reviewing support services, including identifying the potential for achieving efficiencies by sharing services;
 - o reviewing major service areas including customer service provision, children's services and adult day care to identify changes which would improve services whilst reducing cost;
 - o using IT to deliver process efficiencies e.g. remote working;

- delivering improved commissioning arrangements in adult and children's social care;
- maximising savings from better procurement;
- Fees and charges would be reviewed to identify opportunities for increasing income without compromising key council objectives including promoting healthy living and reducing poverty.

These principles have informed the proposals on the 2007/08 revenue budget in Section 5 below and the Medium Term Financial Strategy in Section 7 below.

- 3.10 Corporate priorities are not only delivered through the General Fund revenue budget. Significant amounts are spent through the Dedicated Schools Budget on schools, through the Housing Revenue Account on the council's housing stock, and through the capital programme on the range of capital assets the council is responsible for. The way these resources are used – and the way the council uses its resources alongside those of partners in health, the police, fire, the voluntary sector and so on – can make a significant contribution to achievement of the priorities within the Corporate Strategy. Details of the Dedicated Schools Budget, HRA, and capital programme are in Sections 8 to 10 respectively.
- 3.11 Despite the constraints on revenue and capital resources, the proposals in this budget chart a way to delivering the Corporate Strategy priorities over the next four years. Additional revenue spending that is required to deliver corporate priorities over the next four years has been identified and phased over the four years of the Medium Term Financial Strategy. In addition, the capital programme proposed in this report includes redirection of capital resources to key priorities within the Corporate Strategy whilst protecting the underlying capital programme required to ensure the council's assets are fit for purpose.
- 3.12 There is also recognition within the budget proposals of the need to invest – both revenue and capital – to allow more efficient services to be delivered in the future. The delivery of savings over the medium term is an essential element of the Medium Term Financial Strategy set out in Section 7. The revenue and capital proposals include revenue and capital investment in children's services, customer services, information technology, and HR transactional services in order to deliver more efficient and effective services in the future.
- 3.13 The council has introduced a new service planning process to coincide with the development of a new Corporate Strategy. In the past draft service development plans have been published before the budget was finalised. The result is that they have included targets which are dependent on what resources are agreed. This year the service development plans and budget have been prepared in parallel. Service development plans, which will be more streamlined than in the past setting out priorities and targets directly linked to the Corporate Strategy and individual service strategies, will be

produced at the end of March once the budget has been determined. These will be the basis for individual team work plans, and individual staff work programmes and development plans agreed as part of the staff appraisal process.

Links to the Medium Term Financial Strategy

3.14 The Medium Term Financial Strategy sets out:

- The likely resource envelope available to the authority, taking account of likely government grant increases and a range of council tax assumptions;
- The underlying budget assumptions for future years;
- Spending pressures the council faces;
- Projections of the levels of savings the council will need to make to stay within the projected resource envelope; and
- The scope for funding priority growth within the identified resource envelope, which in practice is determined by the level of savings that can be identified within existing budgets and the level of council tax increase Members are prepared to agree;
- The process for bridging any budget gap identified for future years.

It has a key role in determining the ambitions set out in the Corporate Strategy and individual service strategies. It also ensures that decisions are not taken which might yield benefits in the short term but which undermine the budget strategy – and the ability to deliver services – in the longer term. Details are provided in Section 7 below which up-dates the strategy agreed in the 2006 budget.

Underlying budget assumptions used in the 2007/08 budget process

3.15 The underlying assumptions in the budget are as follows:

- Pay inflation of 2.5% has been allowed in the budget. This is less than the 3% included in last year's Medium Term Financial Strategy and reflects the Government's declared intention to reduce public sector pay awards. The actual local authority pay award will not be known until after the budget is agreed but 2.5% will be a tough target for the local government employers to achieve. Annual growth in the Consumer Price Index at January 2007 was 2.69%, with the Retail Price Index annual growth running at 4.24%. If the increase in pay in local government is more than 2.5%, services will have to contain it by reducing spending. This is a risk to the budget (taken into account in Section 5 of this report) and a risk to achievement of service targets if cuts have to be made to fund a higher than budgeted pay award.
- Price inflation has been allowed at 2%. This is in line with the assumption in last year's Medium Term Financial Strategy and makes no allowance of the upward trend in price inflation since. Services have opportunities to procure goods and services more efficiently and the expectation is that most will be able to contain price increases within the

2% inflation provision although in some cases, where there are contractual commitments, additional funding has been allowed. Where price increases are above provision within budgets, services will have to review purchasing needs to contain spending within budget. Overall, increases in prices above 2% are expected to have less impact than pay awards above the 2.5% allowed in the budget.

- The employer's contribution to pensions has increased by 1.5% of pensionable pay. This is based on the actuarial valuation of the Pension Fund in 2004. It means an overall employer's contribution of 23.1% of pensionable pay. The contribution for 2008/09 will be determined following the 2007 valuation which will be based on valuation of assets and liabilities at 1st April 2007.
- The Medium Term Financial Strategy assumes a minimum level of 2% per annum savings in each service area budget but it was also recognised within it that further savings were likely to be required. The savings set out in Section 5 of £9.9m are double the level included in the MTFS and enable additional budget pressures and service priority growth to be funded.
- A separate report on this agenda sets out proposals for increasing fees and charges where this can be achieved without compromising key council objectives. Increases above the 2% assumed in the budget contribute to the savings total identified above.

The process for developing the proposals

3.16 The proposals in this budget have been developed by the members of the Executive, taking account of the advice of officers. The key processes for doing this are as follows:

- Development of the overall strategy, linked to development of the Corporate Strategy, at joint Member/CMT away-days and meetings of the Policy Co-ordination Group;
- Development by officers in consultation with relevant Lead Members of budget proposals for individual services within the context of the Corporate Strategy and the Medium Term Financial Strategy;
- A process of challenge of budget proposals through Star Chambers involving the Leader, Deputy Leader and relevant Lead Members;
- Key decisions by the Executive at various stages of the budget process – for example, decisions on the 2% savings by the Executive in September, decisions on parking and the waste contract in November, and decisions on fees and charges at the February Executive;
- Agreeing the publication of the detailed budget proposals in this report.

3.17 Full Council had a First Reading Debate on 27th November which was informed by a report from the Leader of the Council setting out the priorities of the Administration and a report from the Director of Finance and Corporate Resources setting out budget projections and options. The minutes of that meeting are attached as Appendix E(i) to this report.

- 3.18 The newly formed Budget Panel met on a number of occasions before the First Reading Debate and subsequently. They have produced a second interim report, attached as Appendix E(ii). The Budget Panel's recommendations were taken into account by the Executive on 12th February when agreeing the recommendations in this report. The Panel is meeting again on 21st February to agree their final report on the 2007/08 budget process. This will be circulated in advance of the meeting on 5th March.
- 3.19 Other decisions have been made on items that have been taken into account in these budget proposals. The Executive on 15th January 2007 agreed the balance on the Collection Fund and General Purposes Committee on 16th January 2007 agreed the council tax tax-base for 2007/08 – both of these decisions are taken into account in the council tax calculation in Section 6 below.
- 3.20 Decisions of external bodies affect the budget process. Government confirmed the final grant settlement for 2007/08 on 19th January 2007, with the total amount in line with the two year settlement announced last year. Levying bodies, including the West London Waste Authority, have confirmed their levies and these are taken into account in central items included in Section 5 of this report. The precept for the GLA was confirmed by the Greater London Assembly on 14th February.

Involvement of the public and other stakeholders

- 3.21 There have been a number of ways in which the council has sought to obtain views of the public and other stakeholders to inform budget decisions:
- Use of results from the residents attitude survey and user satisfaction surveys to help determine corporate and service priorities;
 - Feedback through area consultative forums and service user forums;
 - Feedback from partners through the Local Strategic Partnership;
 - Meetings on the budget with voluntary sector organisations, the unions, and local businesses.
- 3.22 Residents' surveys have consistently shown the top priorities of residents to be low levels of crime and clean and well maintained streets. The residents' attitude survey carried out in 2005 showed that 50% of residents surveyed felt a low level of crime was one of the most important things about where they live, with 43% citing public transport and 37% citing clean streets. When asked what most needs improving, crime was again the most often cited with 32%, followed by clean streets and road and pavement repairs both with 28%, and activities for teenagers with 22%. These results were confirmed by the citizens' panel survey in August 2006 and the recent Best Value Performance Indicator user satisfaction survey although there is clear evidence that levels of concern, though high, are reducing from levels in earlier surveys.

- 3.23 London Councils (formerly, the Association of London Government) carries out an annual survey of residents' perceptions across the 33 London boroughs which includes information on the importance residents attach to council tax. Council tax is still second to crime as the most cited concern although the proportion of people mentioning it has reduced from a peak of 36% in 2003 to 28% in 2006/07.
- 3.24 Resident attitude surveys have also highlighted concern by residents about lack of information on financial and budget issues. In response to this, the council now includes a summary of what the council has spent its money on in the Annual Review, there have been regular articles on the budget in The Brent Magazine, and budget information has been circulated at area consultative forums and service user forums. Whilst awareness of budget issues may have been heightened by this, there has been very little direct feedback to the council from residents on what measures they would want included in the budget. Residents and users do however have other ways of feeding back views on individual services direct to service areas and these are used to inform proposals from individual services.
- 3.25 The development of pooled budgets with health and subsequent work on the Local Area Agreement means there has been increased engagement and understanding by partners of the financial drivers affecting each other's budgets, although in the past few months this has been overshadowed by PCT budget issues. However, the PCT budget issues make it even more important that levels of engagement and understanding increase in the future. The council intends to put the budget on the agenda for the next meeting of the Local Strategic Partnership on 23rd March so that there can be better understanding of the budget issues affecting each of the local partners next year and in following years. This is particularly important given that the Comprehensive Spending Review is likely to lead to a further tightening of resources across most public services delivering within Brent.
- 3.26 Local businesses have been invited to provide their views on the council's budget as part of statutory consultation with businesses on the budget but so far no comments have been received. The Deputy Leader of the Council held a breakfast meeting with business rate-payers on 8th February 2007. Bad weather on the day contributed to poor attendance. There was a general discussion about the budget issues affecting business but no specific issues were raised by those present on the budget proposals. It was agreed that the meeting was useful but that a means needed to be found in future years of encouraging more businesses to take part. The Director of Finance and Corporate Resources met union representatives on 7th February 2007. They were concerned that in future they should be consulted at an earlier stage of the budget process and that they are fully consulted on implementation of any agreed savings which have staffing implications.

Budget and service planning monitoring arrangements

- 3.27 Frequent monitoring of the budget is important to ensure that no overspends occur which could endanger the council's financial stability and impact on the delivery of service outcomes. Levels of spending, and levels of activity underlying the spending, are monitored monthly by the council's Strategic Finance Group, which is chaired by the Director of Finance and Corporate Resources. In addition, service directors are fully aware of their responsibility to control their budgets within the cash limited targets set for them as set out in Section 14. Financial monitoring information is reported regularly to the Executive and Performance and Finance Select Committee, who also receive reports on performance against key performance targets as part of the Vital Signs and Local Area Agreement monitoring process. From 2007/08, financial monitoring and performance monitoring will be more closely aligned so that Members can see more clearly the relationship between spending levels and delivery of priority outcomes.