

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 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 Schools Budget. A new three year funding settlement was announced following the 2007 Comprehensive Spending Review. That means that the council can plan its spending over the next three years with some certainty about funding over the three year period 2008/09 to 2010/11.
- 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 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 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 2008/09 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 2008/09 budget is the second of the new Administration formed following the May 2006 elections. The first, for 2007/08, was prepared in parallel with preparation of the Corporate Strategy 2006-2010 and reflected the priorities within it. This one, for 2008/09, continues the focus on priorities within the Corporate Strategy but also reflects the emphasis placed on the Administration's four key priority areas – regeneration, young people, crime and community safety, and sustainability.

3.9 The Corporate Strategy was developed in the context of the medium term financial strategy which envisaged tight constraints on resources. The following funding principles were therefore set out within 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 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;
 - o delivering improved commissioning arrangements in adult and children's social care;
 - o 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 informed the development of the 2007/08 revenue budget and have informed the development of proposals on the 2008/09 revenue budget within this report.

- 3.10 The 2007 Comprehensive Spending Review and subsequent local government finance settlement confirmed the tightening resource constraints that would affect the council. The expectation of real terms reductions in resources was confirmed at a time when the council faces increased pressure from a growing population, more people in need of care services, transfers of costs from the Primary Care Trust, reductions in government funding for homelessness, and increases in the costs of waste disposal partly because of the impact of shortage of land-fill on costs of land-fill and partly because of increases in land-fill tax.
- 3.11 Within this overall context, the process for preparing the budget has been aimed at:
- Consolidating the improvements agreed as part of the 2007/08 budget process in street cleansing and recycling, improved highways maintenance, additional Police Community Support Officers, and the implementation of an ambitious invest to save programme in children's services aimed at preventing children coming into care;
 - Rolling out Neighbourhood Working to all wards, with associated budgets to spend on priorities identified at ward level;
 - Using a variety of other means to deliver priorities of the Administration without making an additional call on mainstream resources by:
 - o Continuing to focus on the preventative agenda – eg for children's and adult care, waste management, and crime and community safety;
 - o Working with partners as part of the Local Area Agreement process to maximise the effectiveness of our joint activity; and
 - o Combining mainstream resources and the new Area Based Grant and targeted specific grants to ensure that, despite limited resources, where possible additional resources are targeted at priority areas;
 - Protecting direct service budgets;
 - Continuing to deliver savings as part of the efficiency agenda;
 - Increasing fees and charges in a discriminating way to help bridge the budget gap without undermining policy priorities of the Administration.
- 3.12 Corporate priorities are not only delivered through the General Fund revenue budget. Significant amounts are spent through the 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. Details of the Schools Budget, HRA, and capital programme are in Sections 8 to 10 respectively.
- 3.13 The council service planning process is linked in with the development of the budget. Each service area within the council has a service plan which links

service objectives to key drivers including the Community Strategy, the Corporate Strategy and the Local Area Agreement. The plans also set out the performance measures to be used to achieve the objectives, targets for the next three years, and key actions the service area will be undertaking to deliver the objectives. There is a clear link back to the financing of the services and increased emphasis within this year's plans on mainstreaming the efficiency agenda. Plans for all service areas will be in place by 31st March 2008. These form the basis for individual team plans and for priorities set for individuals as part of the staff appraisal process.

- 3.14 The council has also introduced a new corporate performance and finance review process which combines quarterly monitoring of budgets, underlying activity, and performance. This enables members of the Executive and Performance and Finance Select Committee to monitor delivery of the council's priorities and ensure appropriate action is being taken to keep both performance and finance on track.

Links to the Medium Term Financial Strategy

- 3.15 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;
- 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; and
- 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 2007 budget.

Underlying budget assumptions used in the 2008/09 budget process

- 3.16 The underlying assumptions in the budget are as follows:

- Pay inflation of 2.5% has been allowed in the budget. This is in line with the 2.5% included in last year's Medium Term Financial Strategy. The government has a declared strategy of restricting pay increase in the public sector to 2% each year and introducing 3 year deals. But there is increasing evidence of disquiet amongst unions and indications of increased militancy. The teachers' unions are considering their response

to a three year deal which involves a 2.45% increase in September 2008 and 2.3% in the two years thereafter. The local government unions have submitted a pay claim for 6%. With inflation running significantly above 2%, it is unlikely that public sector employers are going to be able to enforce a 2% increase and therefore that 2.5% is a reasonable estimate. The actual local authority pay award will not be known until after the budget is agreed. This is therefore 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. The Medium Term Financial Strategy set out in Section 7 assumes that awards will be 2.5% in subsequent years.

- Price inflation has been allowed at 2%. This is in line with the assumption in last year's Medium Term Financial Strategy. Currently head-line price inflation is 4.07% although other inflation measures which leave out housing costs are less than this. The council is increasingly efficient and effective at procurement which is helping to contain increases in costs. Where there are contractual commitments for increases above 2%, additional funding has been provided within the budget. In other cases, if price increases are above the 2% provision, services will have to review purchasing needs to contain spending within budget. Nevertheless the low amount allowed for inflation within the budget remains a risk.
- The employer's contribution to pensions has remained at 23.1% of pensionable pay following the actuary's valuation of assets and liabilities at 1st April 2007. It will remain at this level for the first three years covered by the Medium Term Financial Strategy but may be subject to change from 2011/12 following the next valuation in 2010.
- The Medium Term Financial Strategy assumes a minimum level of 3% per annum savings in each service area budget, which is an increase from the 2% included in last year's Medium Term Financial Strategy, reflecting the 3% annual savings target included in the 2007 Comprehensive Spending review.

The process for developing the proposals

3.17 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 budget approach, based on the Corporate Strategy and last year's Medium Term Financial Strategy, which was agreed at the Executive in July 2007;
- 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 first phase of savings by the Executive in October;
 - Agreeing the publication of the detailed budget proposals in this report.
- 3.18 Full Council had a First Reading Debate on 26th November 2007 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.
- 3.19 The Budget Panel have met on a number of occasions during the budget process. All Members were invited to a session of the Budget Panel on 7th February 2008 where they had an opportunity to pose questions to the Deputy Leader and Lead Member for Resources on the proposals in the first draft of this report to the Executive on 11th February 2008. The Panel also met on 18th February to consider the Executive report on fees and charges and to finalise their report on the 2008/09 budget. The final report of the Budget Panel is attached as Appendix E(ii). The recommendations made by the Budget Panel were taken into account in drafting the proposals in this budget report.
- 3.20 A particular priority of the Budget Panel was to secure more involvement from members of all groups in the budget process. As part of this, party group leaders were encouraged to invite the Director of Finance and Corporate Resources to make presentations on budget issues to individual groups and to answer questions put to him. In addition, the involvement of a wide range of Members at the Budget Panel meeting on 7th February 2008 helped ensure rigorous questioning of the Deputy Leader.
- 3.21 Other decisions have been made on items that have been taken into account in these budget proposals. The Executive on 14th January 2008 agreed the balance on the Collection Fund and Full Council on 21st January 2008 agreed the council tax tax-base for 2008/09 – both of these decisions are taken into account in the council tax calculation in Section 6 below.
- 3.22 Decisions of external bodies affect the budget process. Government confirmed the final grant settlement for 2008/09 on 24th January 2008, with the total amount in line with that announced in the provisional settlement announced in December 2007 except for a base-line adjustment to grant to fund additional court fees for child care proceedings. 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 set by the Greater London Assembly on 13th February 2008.

Involvement of the public and other stakeholders

- 3.23 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.
- 3.24 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 2006/07 Best Value Performance Indicator user satisfaction survey although there is clear evidence that levels of concern about crime, though high, are reducing from levels in earlier surveys.
- 3.25 London Councils carries out a regular survey of residents' perceptions across the 33 London boroughs which includes information on the importance residents attach to council tax. Council tax is 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.
- 3.26 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.
- 3.27 The council also held focus group meetings with residents in March 2007 to find out their views on financial information they wanted and how they wanted to be involved in the budget process. The key findings are attached as Appendix E(iii). Whilst participants in the focus groups were reasonably positive about the information the council provided, concerns were expressed about the accessibility of information in the council tax leaflet and the extent to which information on the council's finances could be found on the website. Revisions are being made to this year's council tax leaflet although statutory prescription of what needs to be included within it continues to limit its usefulness as a means of communication to the public on the council's

finances. The council has redesigned its website to make it more accessible overall and the financial information on the website has been re-organised to make it easier to find. These changes were only made recently and there has not been sufficient time to receive feedback.

- 3.28 Focus group participants felt that a balance needed to be struck between the provision of financial information and involvement in the budget process. They recognised that this was more difficult and did not have specific suggestions. The introduction of Neighbourhood Working will provide the opportunity for more local involvement in budget issues – both by directly influencing the spending of neighbourhood budgets and by the introduction of new channels for feeding back information on spending – and this may help address the desire for more involvement in the budget process.
- 3.29 The council already achieved a significant amount of partner involvement in the budget process through its work on the pilot Local Area Agreement in 2006/07. The full roll-out of local area agreements, including the need to identify 35 priorities for the area, has significantly increased this involvement, with three challenge days involving partners to help determine what the priorities will be. The council is also now sharing more information on its financial projections with partners at the Local Strategic Partnership, including a summary of the proposals in this report at the LSP meeting on 13th February 2008.
- 3.30 Local businesses were invited to provide their views on the council's budget as part of statutory consultation with businesses on the budget but no comments were received.¹ They were also invited to attend a breakfast meeting with the Deputy Leader but again there was very little interest.
- 3.31 There has also been increased engagement with the trade unions. The Director of Finance and Corporate Resources has been meeting union representatives on a regular basis to keep them informed of the budget issues and the key decision making dates so that they can feed in their views as appropriate.
- 3.32 Managers and staff are kept informed about the overall budget situation through regular up-dates at the quarterly Senior Management Group events and in the Chief Executive's Bulletin.

¹ A letter and note setting out budget issues was sent to all Brent businesses with a rateable value over £500k, members of the Park Royal Partnership, the Brent Employer Partnership and the North West London Chamber of Commerce.