

THE 30 YEAR GENERAL FUND BUSINESS PLAN MODEL

1. Background

- 1.1 Brent produced the first 30 Year Plan during the 2004/05 budget process and it was approved as an appendix to the Budget Report that year. The plan was designed to help Brent assess the long term implications of decisions on capital and revenue spending, and examine the sensitivity of the projections to various risks. Assumptions about costs and income were varied and the model could then be used to assess the feasibility of different budget options.
- 1.2 The 30 year plan was thoroughly revised and simplified as part of the 2006/07 budget process. This appendix is an update on the 2006/07 plan to accommodate the information from the 2007 comprehensive spending review and other known changes.
- 1.3 The plan is not intended to be a precise model of all eventualities but as a guide, and the further forward projected the less accurate it will become. It is an intentionally simplistic model in order to focus on the main variables and clearly demonstrate their impact.

2. Assumptions in the 30 Year Plan.

- 2.1 The 30 year plan works by taking the known position for 2008/09 and the medium term financial strategy and projecting that forward using a series of assumptions. This then provides the council with a picture of the affordability of the councils spending plans over a longer time frame.
- 2.2 There are a number of basic assumptions about inflation, annual savings targets and central items, and looks at three key variables and their impact on the level of additional savings required and growth permitted. The 3 variables are:
 - the rate at which grant income increases
 - the level of council tax increases
 - the amount of capital expenditure funded from borrowing
- 2.3 The table in Annex 1 lists the basic assumptions, rolled forward from the draft 2008/09 to 2011/12 General Fund revenue budget to 2036/7, which form the basis for all the scenarios.
- 2.4 This base then forms the majority of the model, with the impact of the key variables then highlighted as the change in the level of savings required to balance the budget in each scenario when compared to the main case.

2.5 Assumptions have also been made about the key variables for the main case:

Variable	Description	Reason for sensitivity testing	Assumptions for the main case
Government Grant	The Formula Grant distributed by central government.	Increase in funding is dependent on overall level of funding provided by central government to local government and decisions on distribution of grant between authorities	Actual settlement figures used for 2008/09 to 2010/11 and 1.25% for 2011/12. From then on it is assumed that Brent's grant increases at a rate of 1.5% per annum. This is an estimate based on the information we have so far.
Council Tax	Money raised from the local population.	Increases are affected by national capping regime and local political choice	3.8% rise in 2008/09 and then assume 2.5% per annum rise in all subsequent years.
Debt Charges/Net Interest Receipts Prudential Regime Financing Charges	Charges resulting from financing capital expenditure from borrowing.	Level of borrowing to fund the capital programme is determined by local political choice subject to the borrowing being affordable under the prudential regime	Planned borrowing to fund new capital expenditure for 2008/09 to 2011/12, and then new borrowing of £20m per annum increasing with inflation. New loans are assumed to be taken at the rate of 5%. The council mainly has fixed term loans and therefore interest rates do not have a major impact in the short term.

2.6 These assumptions can be varied to assess the sensitivity of the council's plans to changes in them, focusing on the resulting impact in terms of the level of savings necessary to achieve the set level of council tax.

2.7 The model demonstrates the impact of government grant increases between 1% and 4% per annum, new borrowing between £10m and £30m per annum, and council tax increases of between 0% and 5% per annum.

3. Results

3.1 The model's results are shown in Annex 2.

3.2 The spreadsheet in Annex 2 shows the results of the main case analysis which assumes annual grant increase of 1.5%, annual council tax increase of 2.5%, and borrowing to fund the capital programme at current levels of £20m per annum (increasing by 2% inflation each year), and growth in service area budgets for legislative, demographic and other reasons of around 2% per annum.

3.3 The two charts attached to Annex 2 show the percentage savings required depending on level of grant received and choices made about council tax and borrowing. Positive points (i.e. points plotted above the x-axis) mean a saving

over and above the 3% per annum whilst negative points indicate the potential for more growth to be incorporated within the budget.

- 3.4 The results of the central case shows that the council would have to make annual savings of over 2% (in addition to the 3% in service area budgets) next year, and between an additional 0.3% and 2.6% in the years that follow.
- 3.5 Levels of savings required increase or decrease according to the assumptions made about grant, council tax or borrowing.

4. Summary and Conclusions

- 4.1 Expenditure in the 30 year business plan is based on current trends with respect to service pressures, an allowance for unfunded legislative demands and local discretionary expenditure, and annual 3% savings on service area costs. It also includes the financing costs of a capital programme that continues at the current level.
- 4.2 The 3% savings built into service area budgets for future years were calculated on net expenditure as opposed to the gross used in the medium term financial strategy, because when modelled the gross 3% savings were unsustainable with service area budgets reducing into negative figures, in the case of the Corporate Services, within 14 years. The assumption was therefore revised to 3% of net budgets to ensure that the figures included remained reasonable.
- 4.3 Savings shown in the report are annual savings, they are not cumulative. This means that savings in addition to the 3% assumed within service area budgets are likely to be required year on year. The model clearly demonstrates that in the coming years, where the forecast is more certain, difficult decisions will need to be made to balance the budget and deliver an affordable level of council tax. Year on year additional savings of this level become increasingly difficult to achieve, and will require large changes within the council structures and services to deliver.
- 4.4 Lower levels of borrowing to fund capital investment, and higher council tax increases would ease the pressure on the budget, however reducing investment and/or increasing council tax bills are not easy options.
- 4.5 The balance of funding between formula grant and council tax alters significantly over the course of the main case, with council tax moving from funding 38% of council expenditure to 50% by 2036/37, with the council still needing significant levels of savings to balance the budget. The below inflation increase in government grants that are being experienced during the current spending review will result in local tax payers supporting an increasing amount of council expenditure.
- 4.6 The model highlights that any additional growth will have to be funded through further savings, reduced borrowing to fund capital expenditure or by increasing council tax by more than 2.5% per annum.

Annex 1 – 30 Year Plan Assumptions

Budget Item in 2008/09 Budget	Assumption
Service Area Budgets	Budgets are subject to the annual 3% savings exercise, and inflation which has been assumed at 2.5% for pay and 2% for all other costs. Growth has not been included in any service area budget, but is shown separately below.
Middlesex House/Lancelot Road	2008/09 to 2011/12 as per medium term financial strategy and then increasing at 7.6% per annum.
Agency/Third Party costs Insurance Fund/ HRA Recharges/Rent Rebates/ Civic Facility/Property Repairs and Maintenance/ Criminal Records Bureau/ Neighbourhood working/ Affordable Housing PFI / Area Based Grant	2008/09 to 2011/12 as per medium term financial strategy. Thereafter increase at the rate of 2% per annum.
Future of Wembley	Drop out in 2012/13.
South Kilburn Development	2008/09 to 2011/12 as per medium term financial strategy. Remains at 2011/12 level thereafter.
Premature Retirement Compensation Investment in IT Advertising Hoardings/Sponsorship Leasing Costs (Internal Scheme)	2008/09 to 2011/12 as per medium term financial strategy. Thereafter remain at 2011/12 level.
Remuneration Strategy	2008/09 to 2011/12 as per the medium term financial strategy, and thereafter rising at 2.5% in line with pay.
Levies	2008/09 to 2011/12 as per medium term financial strategy. From 2011/12 increase at 10% per annum to reflect the likely impact of the Landfill Allowance Trading Scheme.
Freedom Pass Scheme Growth	2008/09 to 2011/12 as per medium term financial strategy. Thereafter increases by £400k per annum.
Local Authority Business Growth Incentive (LABGI)	As per medium term financial strategy then assuming £500k from 2012/13 onwards.
Cashable Efficiency Savings	As per medium term financial strategy for 2008/09 to 2011/12 then remaining at 2011/12 level.
Taxbase	From 2009/10, taxbase is assumed to grow at 0.75% per annum.
Contingency/Growth	As per medium term strategy, then from 2012/13 growing at the rate of 2% of Service Area Budgets (approx £4m per annum).
Balances	As per medium term financial strategy, then growing at 2% per annum from 2012/13 onwards.

Annex 2

30 Year Plan - Tables and Charts

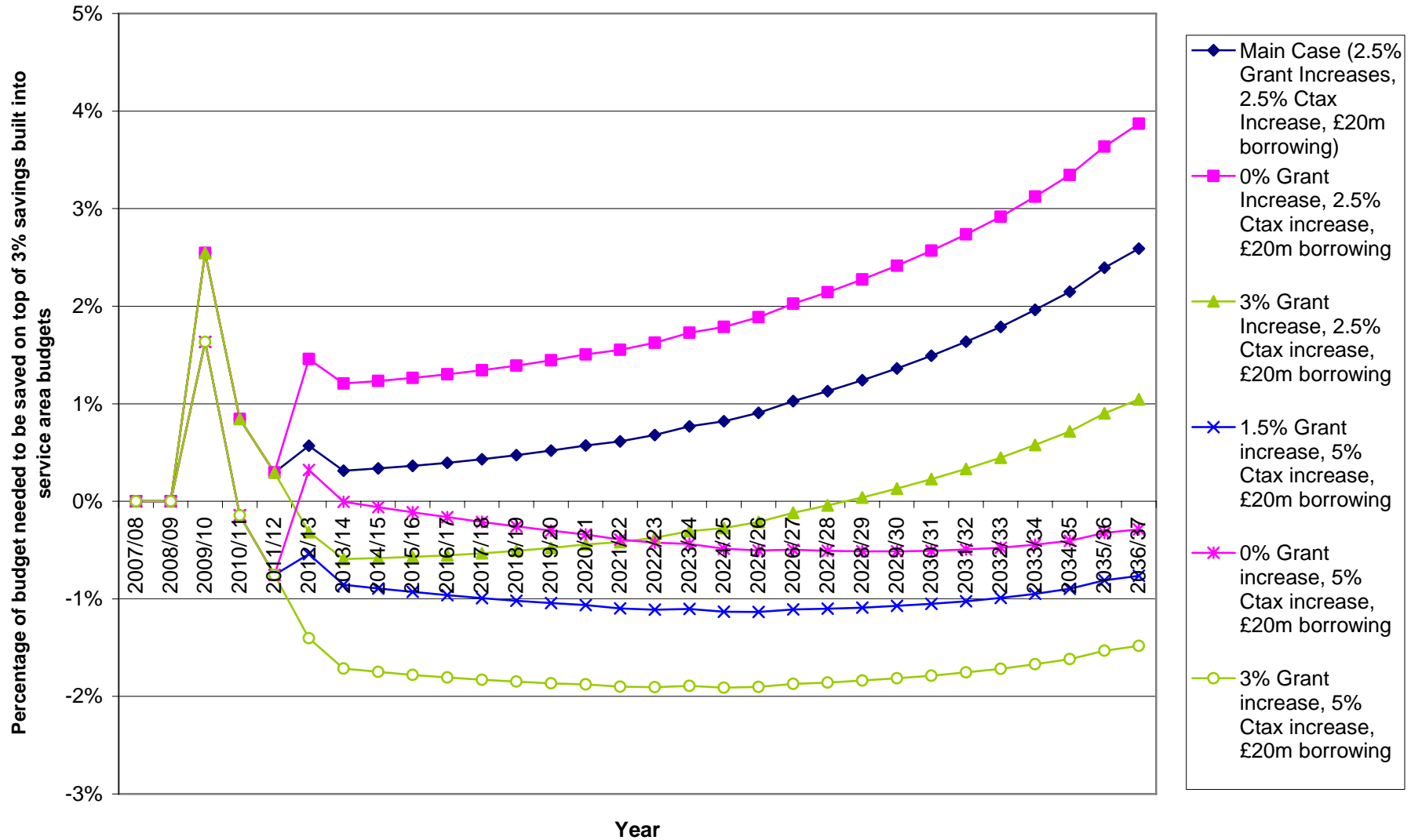
The Main Case

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Area Budgets (SABs)															
Corporate	22,024	21,040	20,702	19,862	18,989	18,948	18,909	18,874	18,841	18,811	18,783	18,759	18,738	18,719	18,704
Children & Families	48,902	58,680	59,030	58,355	57,891	57,440	56,993	56,549	56,108	55,671	55,237	54,806	54,378	53,954	53,532
Environment and Culture	46,819	47,453	46,675	45,724	44,805	44,535	44,269	44,007	43,749	43,495	43,244	42,997	42,754	42,515	42,280
Housing and Community Care	93,408	107,013	118,285	116,612	115,060	114,088	113,121	112,159	111,203	110,252	109,307	108,366	107,431	106,500	105,574
Total SABs	211,153	234,186	244,692	240,553	236,745	235,011	233,293	231,589	229,901	228,228	226,571	224,928	223,301	221,688	220,090
Growth outside SABs															
Neighbourhood Working	460	850	850	850	850	867	884	902	920	938	957	976	996	1,016	1,036
Total Growth outside SABs	460	850	850	850	850	867	884	902	920	938	957	976	996	1,016	1,036
Other Budgets															
Central Items (excluding civic centre)	31,562	37,261	42,809	47,630	50,766	55,329	59,390	63,618	68,033	72,657	77,512	82,626	88,027	93,744	99,751
Civic centre	1,251	1,200	2,200	2,400	2,600	2,665	2,732	2,800	2,870	2,942	3,015	3,091	3,168	3,247	3,328
Area Based Grant	0	(15,767)	(30,083)	(30,113)	(30,113)	(30,715)	(31,330)	(31,956)	(32,595)	(33,247)	(33,912)	(34,590)	(35,282)	(35,988)	(36,708)
Spend to Save Scheme	106	(156)	0	0	0	0	0	0	0	0	0	0	0	0	0
One off growth	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contribution to/Use of Balances	(1,642)	(1,105)	0	0	0	128	130	133	136	138	141	144	147	150	153
Income generation	0	(497)	(497)	(497)	(497)	(497)	(497)	(497)	(497)	(497)	(497)	(497)	(497)	(497)	(497)
Adjustment to Amending Reports	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Provision for Growth	0	0	8,759	15,889	22,634	27,822	33,078	38,406	43,806	49,280	54,830	60,458	66,166	71,955	77,828
Savings from Previous Years	0	0	0	(6,873)	(9,162)	(9,973)	(11,582)	(12,485)	(13,474)	(14,566)	(15,779)	(17,135)	(18,655)	(20,365)	(22,291)
Total Other Budgets	31,277	20,936	23,188	28,436	36,228	44,758	51,923	60,019	68,278	76,706	85,310	94,096	103,073	112,246	121,564
Total Budget Requirement	242,890	255,972	268,730	269,839	273,823	280,637	286,099	292,510	299,100	305,873	312,838	320,001	327,369	334,950	342,690
Plus Deficit on the Collection Fund	1,151	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149
Grand Total	244,041	257,121	269,879	270,988	274,972	281,786	287,248	293,659	300,249	307,022	313,987	321,150	328,518	336,099	343,839
Reductions required to achieve target council tax increase		0	(6,873)	(2,290)	(811)	(1,609)	(903)	(989)	(1,092)	(1,213)	(1,356)	(1,520)	(1,710)	(1,926)	(2,112)
Revised Grand Total	244,041	257,121	263,006	268,699	274,161	280,177	286,345	292,670	299,157	305,809	312,632	319,630	326,808	334,173	341,728
% Spending increase	2.6%	5.4%	2.3%	2.2%	2.0%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.3%	2.3%
Grant Calculation for Future Years															
Previous year's grant, excluding schools spend from 2005/06, plus floor at 2.5% on non-schools budget	150,556	159,404	162,095	164,489	166,545	169,043	171,579	174,153	176,765	179,416	182,108	184,839	187,612	190,426	193,282
% Increase in grant		5.9%	1.7%	1.5%	1.2%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Council Tax Calculation for Future (excluding GLA)															
Brent Council Tax Requirement (£) - 93900	995.58	1,033.11	1,058.94	1,085.41	1,112.55	1,140.36	1,168.87	1,198.09	1,228.05	1,258.75	1,290.22	1,322.47	1,355.53	1,389.42	1,424.16
% Increase in Brent part of CT		3.8%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Balances															
Balances Brought Forward	9,124	7,500	6,395	6,395	6,395	6,395	6,523	6,653	6,786	6,922	7,061	7,202	7,346	7,493	7,643
Contribution to/Use of Balances	(1,624)	(1,105)	0	0	0	128	130	133	136	138	141	144	147	150	153
Balances Carried Forward	7,500	6,395	6,395	6,395	6,395	6,523	6,653	6,786	6,922	7,061	7,202	7,346	7,493	7,643	7,795

Appendix I (ii)

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Area Budgets (SABs)															
Corporate	18,691	18,682	18,675	18,672	18,673	18,676	18,683	18,693	18,706	18,723	18,744	18,768	18,796	18,827	18,862
Children & Families	53,114	52,699	52,287	51,878	51,472	51,069	50,669	50,272	49,877	49,486	49,097	48,712	48,329	47,949	47,572
Environment and Culture	42,049	41,822	41,598	41,379	41,164	40,952	40,745	40,542	40,342	40,147	39,956	39,770	39,587	39,409	39,234
Housing and Community Care	104,653	103,737	102,825	101,918	101,015	100,116	99,222	98,332	97,445	96,563	95,685	94,810	93,938	93,071	92,207
Total SABs	218,507	216,939	215,386	213,847	212,323	210,813	209,318	207,838	206,371	204,920	203,482	202,059	200,650	199,255	197,875
Growth outside SABs															
Neighbourhood Working	1,057	1,078	1,100	1,122	1,144	1,167	1,190	1,214	1,238	1,263	1,288	1,314	1,340	1,367	1,395
Total Growth outside SABs	1,057	1,078	1,100	1,122	1,144	1,167	1,190	1,214	1,238	1,263	1,288	1,314	1,340	1,367	1,395
Other Budgets															
Central Items (excluding civic centre)	106,144	113,026	120,282	128,057	136,503	145,580	155,352	165,890	177,269	189,573	202,895	217,376	233,133	250,503	269,320
Civic centre	3,411	3,497	3,584	3,674	3,766	3,860	3,956	4,055	4,156	4,260	4,367	4,476	4,588	4,703	4,820
Area Based Grant	(37,442)	(38,191)	(38,954)	(39,733)	(40,528)	(41,339)	(42,165)	(43,009)	(43,869)	(44,746)	(45,641)	(46,554)	(47,485)	(48,435)	(49,404)
Spend to Save Scheme	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
One off growth	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contribution to/Use of Balances	156	159	162	165	169	172	176	179	183	186	190	194	198	202	206
Income generation	(497)	(497)	(497)	(497)	(497)	(497)	(497)	(497)	(497)	(497)	(497)	(497)	(497)	(497)	(497)
Adjustment to Amending Reports	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Provision for Growth	83,786	89,832	95,967	102,194	108,515	114,932	121,447	128,062	134,780	141,603	148,534	155,574	162,727	169,994	177,379
Savings from Previous Years	(24,403)	(26,792)	(29,559)	(32,584)	(36,007)	(39,977)	(44,449)	(49,483)	(55,142)	(61,500)	(68,634)	(76,631)	(85,628)	(95,736)	(107,284)
Total Other Budgets	131,155	141,034	150,986	161,275	171,920	182,731	193,820	205,198	216,880	228,880	241,214	253,937	267,035	280,733	294,541
Total Budget Requirement	350,720	359,051	367,471	376,244	385,387	394,711	404,328	414,250	424,490	435,063	445,984	457,311	469,026	481,356	493,810
Plus Deficit on the Collection Fund	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,149
Grand Total	351,869	360,200	368,620	377,393	386,536	395,860	405,477	415,399	425,639	436,212	447,133	458,460	470,175	482,505	494,959
Reductions required to achieve target council tax increase	(2,389)	(2,767)	(3,025)	(3,423)	(3,970)	(4,472)	(5,033)	(5,660)	(6,357)	(7,134)	(7,998)	(8,997)	(10,108)	(11,548)	(12,819)
Revised Grand Total	349,479	357,433	365,595	373,970	382,566	391,388	400,444	409,739	419,281	429,078	439,135	449,463	460,067	470,957	482,140
% Spending increase	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%	2.4%
Grant Calculation for Future Years															
Previous year's grant, excluding schools spend from 2005/06, plus floor at 2.5% on non-schools budget	196,182	199,124	202,111	205,143	208,220	211,343	214,513	217,731	220,997	224,312	227,677	231,092	234,558	238,077	241,648
% Increase in grant	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Council Tax Calculation for Future (excluding GLA)															
Brent Council Tax Requirement (£) - 93900	1,459.76	1,496.26	1,533.67	1,572.01	1,611.31	1,651.59	1,692.88	1,735.20	1,778.58	1,823.05	1,868.62	1,915.34	1,963.22	2,012.31	2,062.61
% Increase in Brent part of CT	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Balances															
Balances Brought Forward	7,795	7,951	8,110	8,273	8,438	8,607	8,779	8,955	9,134	9,316	9,503	9,693	9,887	10,084	10,286
Contribution to/Use of Balances	156	159	162	165	169	172	176	179	183	186	190	194	198	202	206
Balances Carried Forward	7,951	8,110	8,273	8,438	8,607	8,779	8,955	9,134	9,316	9,503	9,693	9,887	10,084	10,286	10,492

Graph 1: Savings Required as a Result of Grant and Council Tax Changes



Graph 2: Savings Required if Borrowing is Varied

