

LONDON BOROUGH OF BRENT
Meeting of the Executive - 11 February 2013
2013/14 BUDGET AND COUNCIL TAX

SECTION 1

1. EXECUTIVE SUMMARY

- 1.1 The budget report sets out the key decisions Members are asked to make on:
- the 2013/14 General Fund revenue budget;
 - the 2013/14 Schools Budget;
 - the 2013/14 Housing Revenue Account;
 - the Council's capital programme for 2013/14 to 2016/17;
 - 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.
- 1.2 This executive summary covers the main items covered in each of the sections of the report.
- 1.3 *Section 2* details proposed 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.
- 1.4 The 2012/13 probable outturn for the General Fund budget is covered in *Section 3*. Balances at the end of 2012/13 are forecast at £12.041m which would be £961k higher than the forecast in the 2012/13 budget report.
- 1.5 *Section 4* deals with the key spending decisions. This section sets out the underlying budget assumptions, the process for development of the proposals, including the role of members of the Executive and the Budget and Finance Overview & Scrutiny Committee, and the involvement of the public and businesses.
- 1.7 The Budget and Finance Overview & Scrutiny Committee has held several meetings during the development of the budget and its draft recommendations are set out in their first interim report which is attached as Appendix E to this report
- 1.8 The key decisions Members need to take on the 2013/14 General Fund budget are as follows:
- Agreeing the service area budgets for 2013/14, which are detailed in Appendix C, incorporating growth and savings outlined in Appendix D;

- Agreeing the budget for central items for 2013/14, which is detailed in Appendix F;
- Agreeing to maintain the general reserves figure at its existing level in 2013/14;
- Agreeing the overall proposed budget of £284.301m for 2013/14;
- Agreeing the proposed council tax requirement of £81.741m.

1.9 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 budgets at the recommended level for services and council tax payers, and the realism of, and risks associated with, the budget.

1.10 Members also have to consider the impact of the budget on individuals and communities in Brent. Budget proposals are screened individually by service areas to ensure that equalities implications have been taken fully into account when making recommendations. Members also have a legal duty to ensure that the budget as a whole 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.

1.11 Severe pressure on budgets, limited resources, and uncertainty mean that there are significant risks within the budget. These risks are assessed as part of the budget setting process and then carefully monitored and managed during the year as part of the performance and finance review process. The most significant financial risks for 2013/14 that have been identified as part of this process are as follows:

- The cumulative impact of reductions in local government funding nationally, meaning that the Council has to continue to identify further savings against a budget that has been significantly cut since 2010/11;
- Demographic pressures and potential increase in client numbers above that allowed for in the budget;
- The impact of the changes to the welfare benefit system;
- The continued ability of the council to offset loss of interest on balances as a result of reduced interest rates by debt restructuring;
- The ongoing impact of the economic downturn on service income and service demand;
- The ability of the Council to ensure that savings identified are delivered;
- The up-front costs of restructuring the Council, including redundancy and pension costs as the Council's workforce reduces

1.12 The assessment of risk forms the basis for assessment of balances required. The advice of the Deputy Director of Finance on balances is as follows:

- The minimum prudent level of balances should be £12.0m (representing 4.2% of the net budget requirement for 2013/14) which would be 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, is within the range of £12.0m to £15.0m, with use of balances in any year being replenished in subsequent years;
 - Balances should only be used to fund one-off spending.
- 1.13 The resources to fund the General Fund budget are set out in *Section 5*. Overall the Council will receive Revenue Support Grant of £115.978m in 2013/14 and Brent will also receive £5.289m from the New Homes Bonus Grant
- 1.14 As part of the new business rates system the council will also receive £46.534m of business rate top up. In addition Brent has estimated that it will raise £106.307m in business rates in 2013/14 of which its retained share will be £31.892m.
- 1.15 The government has announced that council tax increases in excess of 2% would be deemed excessive and be subject to a local referendum. It has announced a grant for those councils that do not increase council tax for 2013/14. The grant amounts to £1.053m for Brent Council and would be received in 2013/14 and 2014/15. For succeeding years the government has announced that this funding will be incorporated as base funding for future spending review decisions.
- 1.16 In total from Revenue Support Grant, New Homes Bonus Grant, Business Rates Top Up, Brent's Retained Business Rates and the Council Tax Freeze Grant the Council will receive funding of £200.746m.
- 1.17 The council tax income requirement is £81.741m. This is based on the proposed budget requirement of £284.301m, less the funding identified in paragraph 1.17 of £200.746m and £1.814m for Brent's share of the Collection Fund surplus. Using the council tax base of 77,191 Band D equivalent properties agreed by General Purposes Committee on 22 January 2013, the Band D Council Tax for Brent services would be £1,058.94 in 2013/14, unchanged from the figure in 2012/13.
- 1.18 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 will be meeting on 25 February 2013 to consider the Mayor of London's proposal regarding the GLA council tax precept for 2013/14.
- 1.19 Subject to agreement to the recommendations in this report and the final decision on the Mayor's proposed precept, the overall council tax at Band D in Brent would be £1,361.94 in 2013/14, a reduction of 0.3% from 2012/13.
- 1.20 *Section 6* 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. In December 2012 the government announced a provisional two year settlement for local government that covered 2013/14 and gave indicative figures for 2014/15. A one year spending review for 2015/16 is anticipated for June. Therefore we cannot be certain of funding for future years but we can

make assumptions based upon the national figures included within the Autumn Statement in December 2012. The provisional settlement figures detail a reduction in Revenue Support Grant of £20m for 2014/15 and our current assumptions are that funding will continue to fall in future years with reductions of £13m and £12m in 2015/16 and 2016/17 respectively leading to savings required in total by 2016/17 of £55m.

- 1.21 The current economic situation makes assumptions about other variables in the budget difficult. The government's announcement on public sector pay generally is likely to mean pay increases will be limited. Uncertainty about future price inflation will also impact on the cost of supplies and services purchased by the council. A number of the council's contracts are linked to inflation indices and the ability to restrict future cost increases will be dependent upon the Council's negotiations with its key suppliers. On the other hand, continuation of low interest rates will have an on-going impact on the council's interest on balances.
- 1.22 There are other service pressures that have been incorporated into the Council's budget for 2013/14. These include a provision for potential increased costs in temporary accommodation, increased adult social care clients and increased costs of waste disposal. The Council's MTFS is a key tool in managing the pressures and uncertainties it faces. The delivery of the One Council Programme is instrumental to the MTFS which builds upon the council's financial stability and its judicious use of balances to manage risk. The Council has sought to deal with the financial climate by taking decisions about the services it can afford to provide to ensure the budget is sustainable, not just in 2013/14 but over the medium term. Finally, the Council has been careful not to build up unsustainable commitments by limiting the amount of prudential borrowing to fund the capital programme.
- 1.23 *Section 7* of the report deals with the Schools Budget. The structure of the Dedicated Schools Grant (DSG) is changing for 2013/14 and will be disaggregated into three blocks – Schools, High Needs and Early Years. For 2013/14 Brent will receive a basic DSG allocation of £5,066 per pupil. This compares to an average for England of £4,550 and a maximum and minimum of £8,595 and £3,949 respectively. Schools also receive a pupil premium targeted at deprivation – in 2013/14 this will be an additional £900 per pupil eligible for free school meals over the last six years.
- 1.22 The Housing Revenue Account, which covers the activities of the council as landlord for approximately 8,900 dwellings, is dealt with in *Section 8*. The HRA is separate from the General Fund and is ring-fenced – ie HRA expenditure is met from HRA resources, which primarily consists of rents. An average rent increase of 3.74% is proposed for 2013/14 in line with the government's Rent Restructuring Policy. There is a separate report on this agenda on the HRA budget for 2013/14. Whilst the Executive is asked to agree the rent increase, the HRA budget is part of the overall budget decision that will be taken by Full Council on 25 February 2013.
- 1.23 The Council's overall capital programme for 2013/14 to 2016/17, together with the forecast outturn for 2012/13, is dealt with in *Section 9*. It is a four year

rolling programme and balances the need to deliver the council's priorities, 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 proposed capital programme is £102.5m in 2013/14, with £85.3m spent on General Fund assets and £17.2m on HRA assets.

- 1.24 The treasury management strategy, in *Section 10*, sets out how the council plans to protect itself against future banking failures and to minimise the adverse impact of reduced interest rates. The CIPFA Prudential Code for Capital Finance requires the treasury management and annual investment strategy to be approved by Full Council.
- 1.25 In addition to the requirement that councils adopt a treasury management strategy, the Prudential Code aims to ensure that councils use freedoms to borrow introduced in the Local Government Act 2003 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. Details of the limits set for the prudential indicators included in the Code and other ways in which the council intends to use its prudential borrowing powers are set out in *Section 11*.
- 1.26 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 M* sets out advice from the Director of Legal and Procurement 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 2013/14 budget.