	Executive 26 July 2010 **Report from Director of Finance and Corporate Resources**
	All Wards

Budget Strategy 2011/12 to 2014/15

1.0 Introduction

1.1 This report sets out the financial prospects for the Council for the next four years within the context of unprecedented reductions in funding for local authorities.

1.2 It seeks Executive approval for the overall budget strategy based on the One Council Programme. This aims to deliver cost reductions through a planned and strategic approach to service provision. This will be mindful of the priority objectives which will be set out in the new Corporate Strategy.

2.0 Recommendations

2.1 To note the latest forecast for the council's revenue budget for 2011/12 to 2014/15 at Appendix A and the assumptions used to derive this.

2.2 To endorse the overall budget process set out in the report.

2.3 To note the proposed budget timetable.

3.0 The Base Position 2011/12 to 2013/14

3.1 In the Budget Report to Full Council on 1st March 2010, a financial forecast was set out as part of the Medium Term Financial Strategy, which included the following main assumptions:

3.2 Spending assumptions

- Replacing the one-off use of £1.4m of balances in 2010/11 in 2011/12;
- Pay inflation, national insurance and pension fund increases amounting to 2.5% per annum in total;
- 2% per annum for prices;
- No savings assumptions built into service area budgets;

- Provision for *'inescapable growth'* in service area budgets in future years. This included identified growth for future years of £1,086k in 2011/12, £296k in 2012/13 and £25k in 2013/14. An additional contingency for 'inescapable growth' of £6m in 2011/12 and £6m in each of the subsequent years has been included. This would have to meet additional demand pressures, legislative or other regulatory changes which lead directly to additional costs to the council, and any on-going loss of income due to recession or other factors.
- The movement in central items included:
  - *Debt charges (capital financing charges net of interest receipts)*: These are forecast to grow from £24.085m in 2011/12 to £24.201m in 2012/13 and £24.344m in 2013/14;
  - *Levies:* These are forecast to increase from £10.576m in 2010/11, £12.295m in 2011/12 and £13.336m in 2012/13 and £14.441m in 2013/14. The main reason for this is the West London Waste Authority levy which is expected to rise as a result of the higher cost of waste disposal and Landfill Tax increases of £8 per tonne per year;
  - *South Kilburn Development:* Funding for the South Kilburn Development is set at £600k in 2010/11, rising to £1.5m in subsequent years as the level of development increases;
  - *Freedom Pass/concessionary fares.* The budget requirement has needed to be increased substantially in recent years. £30.2m of government grant was removed in 2010/11. Furthermore the phased move to apportioning costs to London boroughs on the basis of usage rather than passes issued has increased costs for Brent. These factors mean that additional resources will need to be provided in future years and Brent has budgeted for a further £1.532m (2010/11), £2.608m (2011/12), £1.140m (2012/13) and £1.175m (2013/14).

<u>Resource assumptions</u>

- Area Based Grant decreased by 2.5% per annum from 2011/12;
- Council tax base increase of 0.25% per annum in line with recent trends;
- Council tax collection of 97.5% in each year;
- Council tax increases of 0%.

3.3 These assumptions produced a gap to be bridged for the period 2011/12 to 2013/14 as follows:

Table 1: Estimated Budget Gap at 1st March 2010

	2011/12 £m	2012/13 £m	2013/14 £m
Per annum	25.7	18.8	18.6
Cumulative	25.7	44.5	63.1

3.4 The Emergency Budget

The new coalition government elected on 6th May has taken immediate action to reduce public sector spending and borrowing. This has manifested itself in a number of announcements impacting on spending programmes in 2010/11. These are set out in more detail in the other finance report on tonight's agenda. This report will concentrate on those items which primarily impact on future years. The Chancellor's Emergency Budget on 22nd June contained a number of significant features for the medium term financial prospects of the council. The main headlines:

- *"A very tough Budget"* – Local Government Association;
- Reducing Public Sector spend by a further £30bn by 2014/15, on top of the £44bn pledge by the previous Government;
- Average reduction of 25% over 4 years from 2011/12 for *"unprotected departments".* This would include local government;
- Further details of the control totals (Departmental Expenditure Limits) for each government department will be announced in the of Comprehensive Spending Review (CSR) on 20th October. This will cover a 4 year period. It is likely higher levels of reductions will be required in earlier years;
- No further reductions in capital spending control totals to those previously announced. However all programmes will be reviewed and funding redirected;
- Support in 2011/12 to help freeze Council Tax. No further details have yet been provided of how any scheme might work or be funded;
- 2 year freeze on public sector pay for staff earning over £21k from 2011/12. This is in addition to the freeze in 2010/11;
- Changes to the level of housing benefit that could be claimed by tenants from April 2011. The maximum level of housing benefit (the *"Cap level"*) has been reduced with at least 2,000 households in Brent likely to be adversely affected. It is not clear what the additional impact on the Temporary Accommodation budget will be.

3.5 Brent's Formula Grant

The Comprehensive Spending Review on 20th October will provide overall control totals for local government expenditure. Brent will not know its actual share of the reduced funding until the Local Government Finance Settlement which is likely to be in early December. There is a significant risk that Brent's proportion of the loss will be higher than the national average.

- Virtually all the reviews of methodology which are being considered reduce London's proportion of the overall resources and benefit other parts of the country.
- Brent with 24 other London Boroughs is a floor authority. This gives the lowest percentage increase in resources for this class of authority.

Without the protection of the floor Brent would have received £7.5m less formula grant in 2010/11. The maintenance of the floor is a crucial factor in the eventual shape of the budget which the council will be lobbying for with London councils.

- The Office for National Statistics (ONS) latest population projection for Brent for 2011 (the first year of the new settlement) is 252,300. This is nearly 20,000 less than the previous estimate used for the last settlement.

3.6 Service Demands

There are a large number of additional pressures linked to demographics, government legislation and expectations of service improvement. These will be addressed in more detail as part of the service planning process interlinked with the budget construction.

3.7 Council Tax

The council's ability to raise levels of council tax are limited by political and residents' expectations and the capping regime. The new government has given no firm indication of its stance on council tax increases aside from the announcement in the budget that *"large"* increases would not be expected and the scheme to freeze Council Tax in 2011/12. There has also been a proposal to give residents the power to veto excessive council tax increases but no further details have been released. Each 1% increase in the tax levels equates to around £1m of additional income.

3.8 Forecast General Fund Position 2011/12 to 2014/15

Appendix A sets out a revised financial forecast based on the government's announcements. The following changed assumptions from the March forecast are included:

- the projection now covers 2011/12 to 2014/15;
- 2010/11 reductions in Area Based Grants and other grants have been built into the base;
- a 25% reduction in Formula and Area Based Grants (7.5% in 2011/12 and 2012/13 and 5% in 2013/14 and 2014/15);
- pay freeze for staff over £21k for 2011/12 and 2012/13;
- full year effects of savings already delivered from One Council programme included in 2011/12;
- options of a zero and 3% increase in Council Tax.

3.9 On the above basis the overall reductions in net expenditure required to produce a balanced budget are set out in the table below.

Table 2: Updated MTFS Budget Gap				
	2011/12 £m	**2012/13 £m**	**2013/14 £m**	**2014/15 £m**
0% Council Tax Rise				
Annual Saving	24.6	26.7	20.5	22.6
Cumulative Saving	24.6	51.3	71.8	94.4
3% Council Tax Rise				
Annual Saving	21.5	23.5	17.3	19.2
Cumulative Saving	21.5	45.0	62.3	81.5

3.10 Capital Programme

The size of the capital programme drives the revenue costs required to fund it. The projections assume the programme agreed on 1st March 2010. This is already being constrained by an inability to meet capital receipts targets due to the continuing downturn in land and property prices. There is also likely to be further government reductions in resources. These are coupled with a number of significant spending pressures. These include:

(i) The *schools capital programme* - where rises in pupil numbers are outstripping the resources available to build additional places. Similarly the condition of a number of school buildings will require investment. This situation has been heightened by the cancellation of the BSF programme and the review of other programmes.

(ii) The longer term revenue and capital funding needs of *the housing revenue account*.

(iii) *Sports facilities* - the top priority identified is for a third pool in the north of the borough.

(iv) *Infrastructure Assets* such as roads, pavements and lighting where the need for significant upgrades has been identified.

(v) *Regeneration Schemes* - the current recession is restricting investment putting pressure on the council to kick start schemes with its own resources.

3.11 Housing Revenue Account

The HRA has significant issues around its medium and long term viability. The updated HRA Business Plan shows that there are insufficient capital resources to maintain the dwelling stock at decent homes levels, and also that the operational HRA is likely to be in deficit within 5 years. This comes at a time when the Government are considering responses to a consultation on funding of the HRA.

4.0 Proposed Budget Strategy and the One Council Programme

4.1 Current Process

The council's budgeting process was significantly changed for the financial year 2010/11. The previous process was becoming increasingly less effective as finances became more constrained.

4.2 It was recognised that incremental change was not sufficient. Demand for many of our services are increasing due to demographic pressures and the impact of the recession. It was clear whatever the result of the general election that resources would be significantly reduced. To achieve a balanced and sound budget required a greater focus on securing efficiency, reducing waste and duplication and generating income. This led to the introduction of the One Council Programme which has been described in some detail in previous Executive reports.

4.3 The Programme has interconnected objectives including:

- Helping to address the budget deficit:
- Responding to increased service demand through new service models.
- Delivering greater choice to the public.
- Integrated and seamless customer access to all our citizens.
- Delivering the maximum value for money to our tax payers from all suppliers and council services.
- Being able to deploy the right skills and levels of resources in the right places based upon political priorities.
- Maximising the use of our physical assets.

4.4 Appendix B sets out the main projects currently included in the programme and the benefits and minimum savings sought to be achieved. Further projects will be added to the programme. To date it is estimated that net savings of £4.5m have been achieved in the current financial year with full year savings in 2011/12 of £12.9m.

4.5 Ensuring Delivery

In order to be confident that the One Council Programme will be delivered strong governance arrangements and programme and project management have been put in place. An overview is set out in Appendix C.

4.6 Other Measures

Apart from the main projects within the One Council Programme there are a number of other actions that will need to be undertaken to help deliver a balanced and robust budget over the medium term.

(i) Ensuring each Service Area does not overspend its current year's budget.

(ii) All central items to be robustly reviewed.

(iii) *"Inescapable Growth"* to be minimised and funded from within existing budgets if at all possible.

(iv) Borrowing within the capital programme limited as a maximum to currently assumed levels and with priority given to funding from other sources.

(v) Examine the implications of the removal of all Area Based and specific grants by central government.

(vi) Extensive lobbying to seek to maximise resources for the Council.

(vii) Consider various options around levels of Council Tax.

5.0 Involvement of Key Stakeholders

5.1 There are a number of key stakeholders that the council needs to involve in the budget process. Appendix B set out the main stakeholders and how we would hope to involve them. The recommendations of the Budget Panel following their review of the 2010/11 budget process and proposals for addressing these are also being reviewed.

6.0 Timetable

6.1 Appendix E sets out a draft outline timetable for the 2011/12 budget.

7.0 Financial Implications

7.1 These are contained in the body of the report. There are no direct costs or other direct financial implications arising from this report.

8.0 Legal Implications

8.1 A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular, local authorities are required by section 32 of the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves.

8.2 Under the Brent Member Code of Conduct members are required when reaching decisions to have regard to relevant advice from the Chief Finance Officer (the Director of Finance and Corporate Resources) and the Monitoring Officer (the Borough Solicitor). If the Council should fail to set a budget at all or fail to set a lawful budget, contrary to the advice of these two officers there may be a breach of the Code by individual members if it can be demonstrated that they have not had proper regard to the advice given.

8.3 In accordance with section 106 of the Local Government Finance Act 1992, where a payment of Council Tax that a member is liable to make has been outstanding for two months or more at the time of a meeting, the member must disclose the fact of their arrears (though they are not required to declare the amount) and cannot vote on any of the following matters if they are the subject of consideration at a meeting: (a) any decision relating to the administration or enforcement of Council Tax (b) any budget calculation required by the Local Government Finance Act 1992 underlying the setting of the Council Tax or (c) any recommendation, resolution or other decision which might affect the making of the Annual Budget calculation. These rules are extremely wide in scope so virtually any Council decision which has financial implications is one which might affect the making of the budget underlying the Council Tax for next year and thus is caught. The former DoE (now DCLG) shared this interpretation as it made clear in its letter to the AMA dated 28th May 1992. Members who make a declaration are not entitled to vote on the matter in question but are not prevented by the section from taking part in the discussion. Breach of the rules is a criminal offence under section 106 which attracts a maximum fine of £1,000.

9.0 Diversity Implications

9.1 An Impact, Needs and Requirements Assessment (INRA) will be carried out on the budget process as in previous years.

10.0 Staffing Implications

10.1 None directly as a result of this report.

11.0 Background Information

11.1 Report to Full Council, 1st March 2010 – 2010/11 Budget and Council Tax.

12.0 Contact Officers

12.1 Duncan McLeod, Director of Finance and Corporate Resources, Town Hall, Forty Lane, Wembley Middlesex HA9 9HD, Tel. 020 8937 1424.

DUNCAN McLEOD
Director of Finance and Corporate Resources

Appendix A

FINANCIAL FORECAST 2011/12 - 2014/15
July 2010 Estimate

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Service Area Budgets (SABs)					
Children & Families	60,145	58,263	58,263	58,263	58,263
Environment and Culture	48,859	48,859	48,859	48,859	48,859
Housing and Community Care					
- Housing	27,665	27,494	27,494	27,494	27,494
- Adults Social Care	88,288	88,288	88,288	88,288	88,288
Business Transformation	10,441	10,306	10,306	10,306	10,306
Central Units	8,738	8,065	8,065	8,065	8,065
Finance & Corporate Resources	6,613	6,613	6,613	6,613	6,613
Total SABs	**250,749**	**247,888**	**247,888**	**247,888**	**247,888**
One Council Programme	**(6,729)**	**(12,922)**	**(12,922)**	**(12,922)**	**(12,922)**
Growth for Service Areas					
'Inescapable' growth	0	7,086	13,382	19,407	25,407
Inflation Provision	300	1,411	3,814	8,771	13,841
Performance Reward Grant	2,100	0	0	0	0
Total provision for growth	**2,400**	**8,497**	**17,196**	**28,178**	**39,248**
Other Budgets					
Central Items	51,035	58,384	62,384	62,384	64,384
Area Based Grant	(28,578)	(23,897)	(21,959)	(20,667)	(19,375)
Estimated Performance Reward Grant	(2,000)	0	0	0	0
Contribution to/(from) Balances	(1,408)	0	0	0	0
	19,049	**34,487**	**40,425**	**41,717**	**45,009**
Total Budget Requirement	**265,469**	**277,950**	**292,587**	**304,861**	**319,223**
Plus Deficit on the Collection Fund	1,162	1,162	1,162	1,162	1,162
Grand Total	**266,631**	**279,112**	**293,749**	**306,023**	**320,385**
Formula Grant Reduction by 25% over 4 years					
Budget Gap at 0%, 1.5% and 3% Council Tax Increase					
Reductions required to achieve council tax increase of 0% in each year		**(24,562)**	**(51,279)**	**(71,778)**	**(94,364)**
Reductions required to achieve council tax increase of 1.5% in each year		**(23,022)**	**(48,174)**	**(67,085)**	**(88,065)**
Reductions required to achieve council tax increase of 3.0% in each year		**(21,490)**	**(45,024)**	**(62,260)**	**(81,478)**

Appendix A

FINANCIAL FORECAST 2011/12 - 2014/15
July 2010 Estimate

	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
Grant Calculation for Future Years					
Formula Grant					
-7.5% 2011/12 and 2012/13 and -5% 2013/14 and 2014/15	**164,489**	**152,152**	**139,816**	**131,591**	**123,367**
Balances					
Balances Brought Forward	**8,908**	**7,500**	**7,500**	**7,500**	**7,500**
Underspends/(Overspends)	**0**	**0**	**0**	**0**	**0**
Contribution to/(Use of Balances)	(1,408)	0	0	0	0
Balances Carried Forward	**7,500**	**7,500**	**7,500**	**7,500**	**7,500**

The One Council Programme

The current One Council Programme is made up of the following well-defined projects

Projects	Key Aims/Objectives	Key Benefits to the Council	Minimum Net Savings
1) Structure and Staffing Review	Review the organisation structure and staffing levels across the organisation.	• Increase opportunities to offer staff to progress in their career • Reducing any unnecessary overheads • Streamline roles and responsibilities.	**£8.5m**
2) Strategic Procurement Review	Review expenditure upon all council suppliers to identify areas where greater value for money can be realised.	• To maximise value for money from all our suppliers • Reduction in supplier expenditure • Improved control and scrutiny of supplier performance and cost.	**£7.5m**
3) Adult Transformation	Root and branch review of Adult Social Care services including Direct Services, Self-Directed Support and Commissioning.	• Delivering greater choice and control to citizens • Delivering improved services at a lower cost of operation. • Supporting independence	**£7m**
4) Strategic Property Review	Review the Council's property portfolio to identify opportunities to make best use of our existing estate.	• Reduction in cost of maintaining our property portfolio • Improved utilisation of council properties.	**£4m**
5) Finance Modernisation	Redesign of processes underpinned by the implementation of a new Financial System.	• Improved the effectiveness of finance services to the council • Streamlined finance operation and effective financial controls.	**£1.5m**

Projects	Key Aims/Objectives	Key Benefits to the Council	Minimum Net Savings
6) Reshaping Customer Contact	Review of how the Public contacts the Council to improve customer experience and accessibility to services.	• Greater access to all Council services • Increased level of resolution at the first point of contact. • Improved customer experience.	**£3.2m**
7) Children's Social Care Transformation	Review of residential placements, foster carers, Brent shared house, Crisis Intervention and Support, Resources to children post LAC, Over-Stayers and Intentionally homeless families and Transitions for young people.	• Delivering improved outcomes to children and young people. • Effective support provided to the most vulnerable children and young people in the borough.	**£1.4m**
8) Brent Business Support	Review of all support activity across the council to assess how this activity can be re-designed and organised to support frontline services cost effectively.	• Delivery of a cost effective, streamlined and well organised support services tailored to the needs of frontline services. • Support to frontline services will be efficient and deliver value for money.	**£1.6m**
9) Waste & Recycling	Review of the waste and recycling contracts.	• Realise value for money from the Council waste and recycling contracts • Effectively performance manage our waste and recycling suppliers.	**£1.2m**
10) Civic Centre Project	A capital project to develop the new Civic Centre for the Council	• New face of the Council • Flexible working and easier access to services.	**£2.5m**
11) Rewarding Performance	Review of the individual performance management framework and procedures	• Reward talent within the organisation • Provide the right support staff need to progress	**£5m**

Projects	Key Aims/Objectives	Key Benefits to the Council	Minimum Net Savings
		within their career. • Delivering operational targets	

The One Council Programme

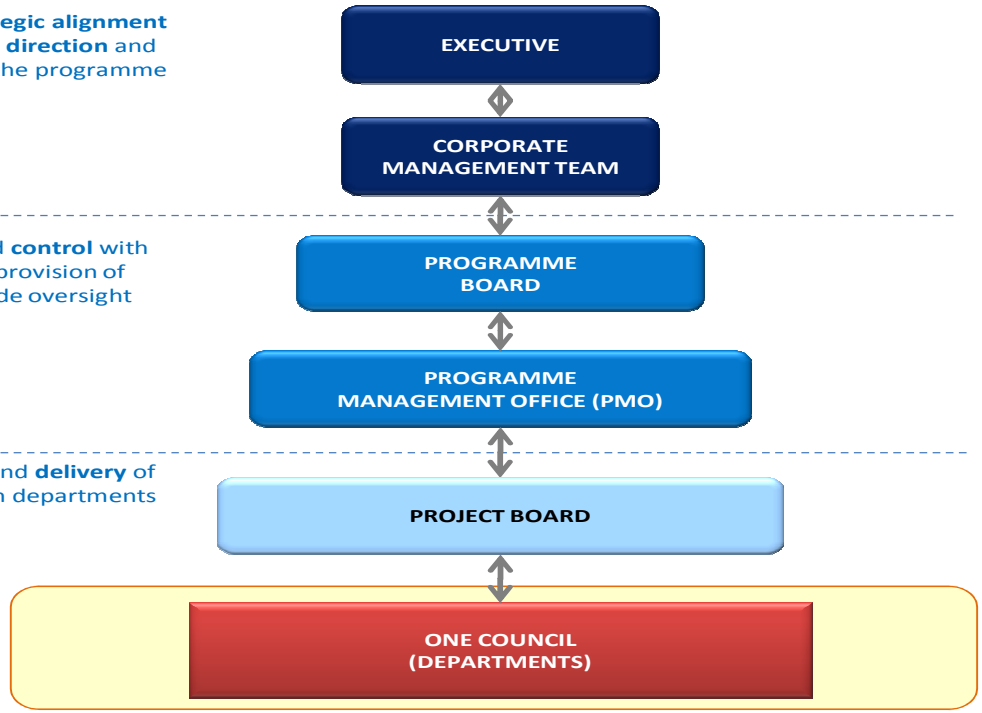
The Governance

This governance structure keeps projects on track ,drives accountability and delivery of outcomes.

Corporate **strategic alignment** with outcomes, **direction** and **leadership** for the programme

Monitoring and **control** with **standards** and provision of programme-wide oversight

Management and **delivery** of the project with departments



Executive will be informed of overall programme progress and will be required to take key strategic decisions to shape the direction of the Programme.

CMT will be informed of overall programme progress, and take action on escalated threats or opportunities provided by the Programme Board and PMO

Programme Board will scrutinise the status of the project
Make key project delivery decisions to support the successful delivery of outcomes.

PMO will review, challenge and collate project status updates
Monitor progress and action at Programme Board

Projects will report performance information against their plan using the PMO defined standards. Delivery progress will be managed at Project Board level

Departmental Council officers represent the business at the Project Board. They will have a key role providing input to project outputs, assessing progress and impact of changes on the delivery of Council services.

Appendix D

INVOLVEMENT OF STAKE-HOLDERS IN THE BUDGET PROCESS

Stakeholder	Level of involvement
Executive	- Regular briefings for Leader and Deputy Leader - Away-days in July and October - PCG up-dates - Briefing of individual portfolio holders by chief officers - Star chamber meetings - Formal Executive meetings
Budget Panel	- Timetable of meetings fixed starting in July - Carrying forward work from 2010/11 budget round - Focus on medium term financial strategy and delivery of One Council Programme
Backbench councillors	- Briefing through group meetings - Attendance of DF&CR at group meetings - Backbenchers encouraged to attend Budget Panel - First reading debate in November - Budget setting meeting in March
Managers and staff	- Budget guidance - Support for budget managers through the transformation programme - Up-dates at Senior Managers' Group - Chief Executive newsletter - Departmental staff briefings - Consultation with staff on proposals that will affect them
Unions	- Meetings on overall budget in July and in advance of First Reading debate in November and leading up to Council Tax setting meeting - Consultation on implementation of individual budget savings measures that have staffing implications
Local Strategic Partnership	- Regular briefings on council's budget prospects - Joint lobbying for resources where appropriate - Joint work on Local Area Agreement funds and specific service partnerships - Developing a joint medium term financial strategy with major partners
Voluntary sector	- Sharing of council's budget prospects through LSP membership
Business sector	- Sharing of council's budget prospects through LSP membership - Articles in Brent Business News, the quarterly newsletter of the Brent Employer Partnership - Meeting with business rate-payers on budget issues – jointly organised with Chamber of Commerce and the Brent Employer Partnership - All large rate-payers receive summary of budget issues in January with opportunity to comment
The Brent public	- Regular articles in The Brent Magazine - Newspaper briefings

Stakeholder	Level of involvement
	- Consultation with users on individual proposals - INRAs for all proposals with diversity implications - Consideration of issues at Area Forums

Appendix E

DRAFT SERVICE AND BUDGET PLANNING TIMETABLE FOR 2011/12

Date	Action
14-15 July	First service and budget planning away-day
Early August	Service planning and budget guidance issued
August/ September	Work on formulating draft budgets
September	First stage budget meetings between F&CR and service areas
14 September	Report to Executive on Performance and Finance Review 2010/11 – 1st Quarter
20 October	Comprehensive Spending Review announced
20-21 October	Second service and budget planning away-days - issues to be considered as part of First Reading debate
October/ November	Continue to develop proposals for achieving 4 year budget targets
Mid-November	Service areas and units begin process of developing service plans
10 November	Budget Panel receives and discusses 1st reading debate papers
22 November	Full Council. First reading of Policy Framework and Budget
December	Schools Forum meets to agree funding formula and budget issues
13 December	Report to Executive on Performance and Finance Review 2010/11 – 2nd Quarter
Early December	Second stage 'star chamber' meetings
December/ January	Budget Panel collects evidence
Up to January	Consultation with residents, businesses, voluntary sector, partner agencies and trade unions on budget proposals.
Mid December	Confirmation of the following year's funding from central government
Mid December	Release of the Mayor's consultation draft GLA budget
17 January	Executive reviews budget position and sets Collection Fund surplus/deficit
29 January	General Purposes Committee agrees Council Tax base
11 January	Budget Panel collects evidence and discusses 1st interim report
January	Greater London Assembly considers draft consolidated GLA budget
End of January	PCG agree budget proposals to be presented to February Executive.
Early February	Schools Forum meets to agree the recommended Schools Budget

Appendix E

DRAFT SERVICE AND BUDGET PLANNING TIMETABLE FOR 2011/12

Date	Action
9 February	Budget Panel receives budget proposals prior to the Executive. Discusses second interim report.
15 February	Executive considers and announces administration's final budget proposals, agrees fees and charges for the following year and agrees savings/budget reductions for the HRA budget report as well as the overall average rent increase.
Mid February	GLA budget agreed
Late February	Budget Panel receives the outcome of Executive's budget report and agrees a final report
28 February	Full Council agrees budget
March	Service areas return completed budget book papers
March	Service plans and corporate budget book published