Budget Scrutiny

Scrutiny of the Budget Proposals for 2021-2022

A Report of the Resources & Public Realm Scrutiny Committee

27 January 2021

Members of the Budget Scrutiny Task Group

Councillor Roxanne Mashari – Chair
Councillor Ketan Sheth – Vice-Chair
Councillor Claudia Hector
Councillor Robert Johnson
Councillor Suresh Kansagra
Councillor Tom Miller
Councillor Anita Thakkar

The Budget Scrutiny Task Group Terms of Reference

i). To consider the Cabinet's budget proposals
ii). Receive evidence from Cabinet Members, senior departmental officers and any other relevant stakeholders
iii). Agree a draft report to comment on the budget proposals for submission to the Resources and Public Realm Scrutiny Committee for ratification and submission to Cabinet.

The Budget Scrutiny Task Group was established by Brent Council's Resources and Public Realm Scrutiny Committee on 1 December 2020.

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1. Introduction

1.1. The Brent Council Constitution requires that the Cabinet's budget proposals be considered by the Council's Resources and Public Realm Scrutiny Committee. After it has scrutinised the proposals, the Committee is then to submit a note of its deliberations and comments on the proposals to the Cabinet. This report provides the note of the Committee's consideration of the budget proposals, highlighting key points from the Committee.

1.2. The scrutiny Committee has reviewed the draft budget through a budget task group, which included scrutiny of the budget development process, the budget assumptions in the Medium Term Financial Strategy (MTFS) as well as the new proposals.

1.3. The Cabinet report set out the Council's budget proposals for 2021/22 and beyond, which included a series of new proposals which would be implemented between 2021/22 and 2022/23.

1.4. The main features of the 2021/22 budget are:

- A Council Tax increase of 4.99%, making a Band D Council Tax of £1,378.26 (for the Brent element).
- New budget savings proposals of £5.1m to be delivered between 2021/22 and 2022/23.

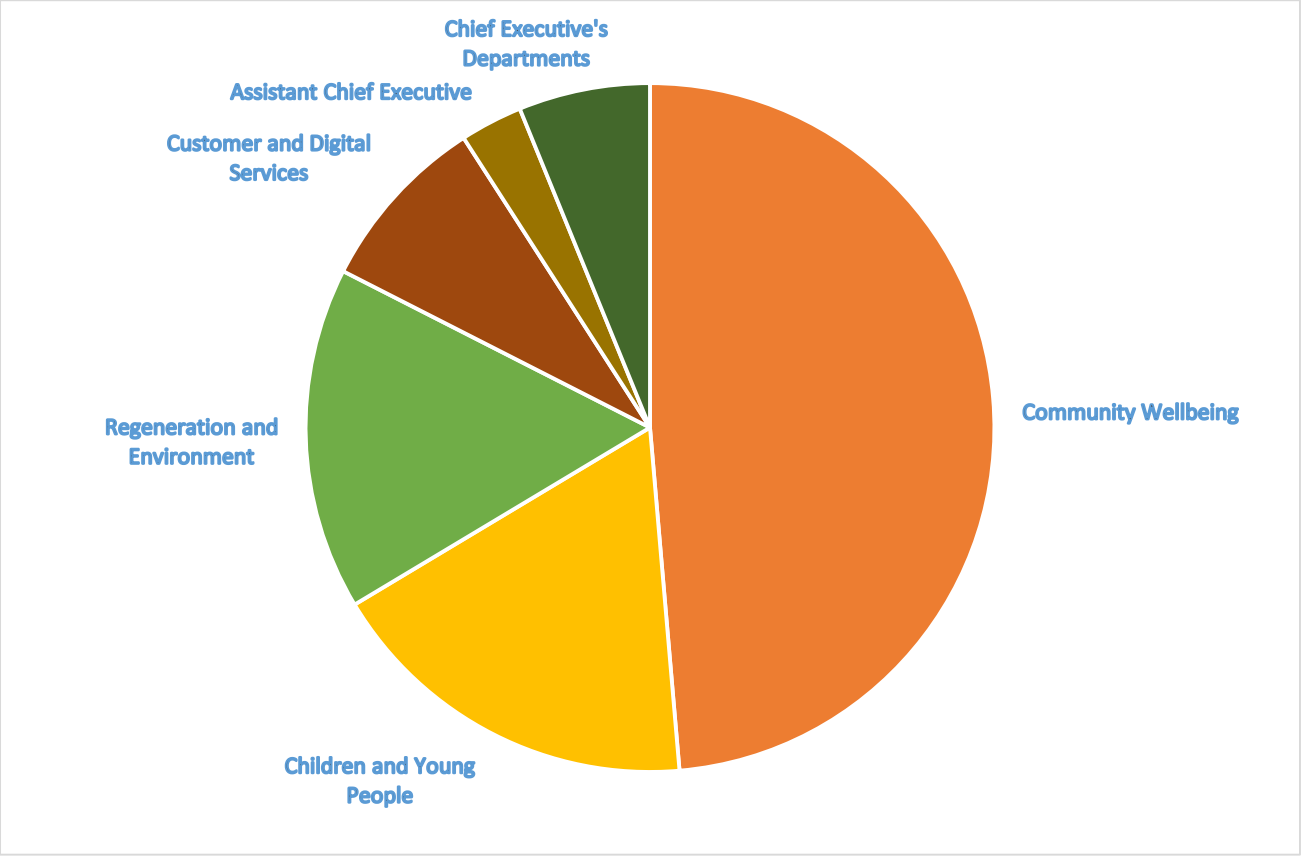

Table: the revenue budget for each directorate in 2020/21[1]

[1] Revenue Budget 2020/21 www.brent.gov.uk/your-council/transparency-in-brent/performance-and-spending/budgets-and-finance/how-we-spend-your-money?tab=budgetbook

1.5. The new budget proposals aim to close a £5.1m budget gap that has arisen from the previous budgetary plan. The emphasis is on delivering efficiency measures, service transformations, cost reductions and income generation with a view to protecting front line services and Council priorities as much as possible.

1.6. The process for developing proposals for the budget and capital programme each year is outlined in the Brent Council Constitution, Part 2, Paragraph 19. This requires the Resources and Public Realm Scrutiny Committee to meet (on more than one occasion if necessary) to consider a report from the Director of Finance setting out the financial position of the council, financial forecasts for the following year and the possible expenditure priorities of the executive and also a report on the draft budget proposals.

1.7. At its meeting on 1 October 2020, the Resources and Public Realm Scrutiny Committee received a report from the Director of Finance, which included Medium Term Financial Outlook and set out the overall financial position facing the Council and highlighted the significant risks, issues and uncertainties. It also set out the proposed budget setting strategy for 2021/22 and beyond, in order to maximise the period of consultation with residents, businesses and other key stakeholders. The committee also reviewed the Brent Council budget outturn performance.

1.8. On 1 December 2020, the Resources and Public Realm Scrutiny Committee established a Budget Scrutiny Task Group to consider the Cabinet's budget proposals for 2021-2022. The Budget Scrutiny Task Group was made up of non-executive councillors from both of the council's main scrutiny committees with the following terms of reference:

i). To consider the Cabinet's budget proposals,
ii). Receive evidence from Cabinet Members, senior departmental officers and any other relevant stakeholders,
iii). Agree a draft report to comment on the budget proposals for submission to the Resources and Public Realm Scrutiny Committee for ratification and submission to Cabinet.

1.9. Two budget scrutiny evidence sessions were held on 10 and 16 December 2020. The task group received oral evidence in questions to Cabinet Members, council officers and other witnesses. Key witnesses included the Cabinet Member for Resources, the Director of Finance, as well as each of the Cabinet Members for their relevant portfolios and service budgets. The full list of participants is provided at the end of this report.

1.10. The main focus of the Budget Scrutiny Task Group was to scrutinise the Draft Budget 2021/22 – 2022/23 and Medium Term Financial Outlook published on 2 December 2020 as the agenda for the Cabinet meeting of 7 December 2020. The Cabinet report included the Savings Delivery Tracker, the summary of new 2021/22 - 2022/23 budget proposals, the detailed budget templates for new 2021/22 - 2022/23 budget proposals, and the HRA Business Plan. The background papers considered by the Budget Scrutiny Task Group are listed at the end of this report.

1.11. Having considered the council's budget proposals and having questioned the Cabinet Members and senior officers outlined, the Constitutional process is for the scrutiny committee submit a note of its deliberations and comments on the proposals to the

Cabinet. For this purpose, it was envisaged that this report of the Scrutiny Committee will be presented to Cabinet for consideration on 8 February 2021, alongside the report from the Director of Finance on final budget proposals.

2 Key Findings

2.1. The below sections record the focus and findings from the Budget Scrutiny Task Group. For ease of reading, the recommendations are collated here:

I. It is important that the budget being proposed closely reflect the priorities in the upcoming and revised Borough Plan. There is an opportunity to better communicate the relationship between the council's strategic priorities and budget allocations and savings much more clearly, both to Councillors and to the wider public. **The task group recommends council needs to more clearly demonstrate that public money is following democratically agreed strategic priorities for the borough.**

II. The climate change budget was reported as part of the £1M allocation, which also included the implementation of the Black Community Action Plan, the Brent Poverty Commission and Equality Strategy. There is concern as to whether this allocation will be sufficient in delivering the Climate Emergency agenda in addition to the other areas described. While there was an assurance that these three strategic documents would also be delivered out of existing budgets and integrated into the work of teams across the council, the budget panel felt that this needed to be more clearly demonstrated, for example in the number of allocated hours of officer time. **The task group recommends the council should clearly outline how the £1M allocation for the implementation of these three strategies will be spent and the outcomes measured and monitored. The task group also recommends the council consider the use of capital budgets should additional financial resource be required.**

III. The task group understands this year's budget setting has been challenging. **The task group recommends that the council budget should be set on a medium term basis and present a range of options.** This could be achieved in line with the local elections 2022, where a budget could be usefully set for the lifetime of the new administration. The council should present analysis and options to the R&PR committee ahead of this.

IV. The task group noted that the council has undertaken individual equality impact assessments (EqIA) on each proposal. **The task group recommends that the council undertake a cumulative equality impact assessment of the budget decisions during the government period of austerity to understand fully the medium and long-term impacts of decisions. The task group recommends a cumulative EqIA done as soon as possible, in order to inform early officer and Councillor discussions on budget implementation options.**

V. **The task group would like to highlight the risk associated with those capital projects that do not generate a financial return to support the**

financing of the capital programme and recommends analysis. The budget panel wishes to highlight this as a potential risk.

VI. **The task group recommends the implementation and impact of proposals relating to the Gordon Brown Outdoor Education Centre should be regularly monitored by officers and that the R&PR Scrutiny Committee receive a report on this.**

VII. **The task group recommends as proposals to deliver savings in joint commissioning arrangements in Children's and Young People develop, there is a need to monitor the delivery of the savings and the outcomes for people using those services**.

VIII. It was unclear whether the council had fully taken into account risk around fines and pressures with regard to an increase in residential waste during the pandemic. **The task group recommends tighter monitoring and planning around this area, with a report to the R&PR scrutiny committee.**

IX. The budget scrutiny task group recognises the positive work the council is undertaking in bringing forward its digital strategy and **would recommend that the measures contained within this strategy are accelerated in order to meet need during the pandemic and that resource allocation is increased in this area**.

X. Now that the UK has left the European Union, **we recommend the council conducts in depth analysis and modelling of how this will impact residents in the borough, council funding streams and the local economy more broadly.** The Resources and Public Realm Scrutiny will be undertaking its own analysis on this through a dedicated task group in the near future.

XI. In this context **we also recommend that the council commissions a full and independent economic analysis of the borough ahead of every budget setting process** in order to better inform decisions and identify areas, services and communities across the borough that require the most focus.

2.2 The budget scrutiny task group also made a number of observations:

i. It is positive that the council has worked with the WLA to gain an understanding of the economic impact of Covid19 on the borough but this analysis needs to be more widely shared and promoted and the link between the economic pressures in the borough and budget decisions more clearly demonstrated. The budget panel wishes to highlight the impact of Covid19 on future delivery of services and the impact on the budget this as a key risk.

ii. The budget panel was pleased that a tailored approach to tenants is being taken to the collection of rents in relation to the council's Housing Revenue Account. We would encourage this approach to continue beyond the pandemic providing residents with maximum opportunities to seek help and advice in financial hardship and to set up affordable repayment plans where appropriate.

iii. The task group suggests the council publish a list of all key strategic documents and published strategies, of which we understand there are a great many, and seek to streamline these into fewer and clearer messages, which we feel would help to focus minds around budget setting priorities.

3. Brent Council's Priorities

3.1. The council's Borough Plan and priorities are currently being reviewed. The task group heard that it is proposed that the priorities contained within the future plan (2021-2024) retain continuity with the previous plan but with an increased emphasis on five new cross-cutting priority areas:

- Tackling Homelessness
- Health Inequalities
- Youth Opportunity
- Climate Change
- Employment and Training Support.

3.2. The Council's Medium Term Financial Strategy (MTFS) should ensure that it provides a framework to enable and support the delivery of these initiatives once they have been agreed by full Council.

3.3. We heard in evidence that it is proposed to allocate an initial budget of £1m while specific proposals are developed as part of the budget setting process for 2021/22.

It is important that the budget being proposed closely reflects the priorities in the upcoming and revised Borough Plan. There is an opportunity to better communicate the relationship between the council's strategic priorities and budget allocations and savings much more clearly, both to Councillors and to the wider public. **The task group recommends council needs to more clearly demonstrate that public money is following democratically agreed strategic priorities for the borough.**

The climate change budget was reported as part of the £1M allocation, which also included the implementation of the Black Community Action Plan, the Brent Poverty Commission and Equality Strategy. There is concern as to whether this allocation will be sufficient in delivering the Climate Emergency agenda in addition to the other areas described. While there was an assurance that these three strategic documents would also be delivered out of existing budgets and integrated into the work of teams across the council, the budget panel felt that this needed to be more clearly demonstrated, for example in the number of allocated hours of officer time. **The task group recommends the council should clearly outline how the £1M allocation for the implementation of these three strategies will be spent and the outcomes measured and monitored. The task group also recommends the council consider the use of capital budgets should additional financial resource be required.**

The task group understands this year's budget setting has been challenging. **The task group recommends that the council budget should be set on a medium term basis and present a range of options.** This could be achieved in line with the local elections 2022, where a budget could be usefully set for the lifetime of the new

administration. The council should present analysis and options to the R&PR committee ahead of this.

The task group also suggest the council publish a list of all key strategic documents and published strategies, of which we understand there are a great many, and seek to streamline these into fewer and clearer messages, which we feel would help to focus minds around budget setting priorities.

4. Equalities

4.1. The council has a legal duty to pay due regard to the need to advance equality of opportunity, eliminate unlawful discrimination and foster good relations between populations with protected characteristics under the Equality Act 2010.

4.2. According to the Public Sector Equality Duty in the Equality Act 2010, the protected characteristics are age, disability, gender, race, religion or belief, pregnancy and maternity, marriage and civil partnership, sexual orientation and gender reassignment. In addition, Brent Council is committed to considering the impact on socio-economic groups (people on low income, young and adult carers, people living in deprived areas, groups suffering multiple disadvantage, etc.).

4.3. It was noted that each of the budget proposals considered have been subject to equality impact assessments (EIA) to assess their potential or likely impact on service users and employees with protected characteristics and where the EIA identifies a disproportionate negative impact with no reasonable mitigation, the proposal would be subject to a full EIA and could be changed or even rejected altogether.

4.4. The Equality Act 2010 requires the council to make robust decisions in a fair, transparent and accountable way that considers the diverse needs of all our local communities and workforce. Consideration of the duty should be integral to council decision making, including budget decisions. If there are significant negative equality impacts arising from a specific proposal, then decision makers may decide to amend, defer for further consideration or reject a proposal after balancing all of the information available to them.

The task group noted that the council has undertaken individual equality impact assessments (EqIA) on each proposal. **The task group recommends that the council undertake a cumulative equality impact assessment of the budget decisions during the government period of austerity to understand fully the medium and long-term impacts of decisions . The task group recommends a cumulative EqIA done as soon as possible, in order to inform early officer and Councillor discussions on budget implementation options.**

5. Scrutiny of the Departmental Budget Proposals

5.1. During the Budget Scrutiny Task Group evidence sessions, the Budget Scrutiny Task Group considered the overall budget proposals, heard oral evidence, and questioned the Cabinet Members and Strategic Directors and other departmental officers for each of the main Council service areas. We considered the departmental budget pressures,

the new budget proposals and the strategies for managing ongoing demand-led pressures and how this is delivered through the council's MTFS.

5.2. We considered the existing annual growth assumptions, that are included in the MTFS, including contract inflation, pay inflation and meeting the cost of providing existing services for a growing population.

5.3. Questions to witnesses on the main council service areas were considered in turn:

- The overall budget proposals
- Community and Wellbeing, including adult social care, public health, culture & leisure, and community safety and engagement,
- Regeneration and Environment, including environment services, regeneration, and property and planning
- Housing
- Children and Young People, including children's safeguarding, early help and social care, and schools,
- Customer and Digital Services; including digital services, customer services, procurement, ICT and applications support and transformation,
- Audit and Standards; including the audit and standard governance and assurance, spending controls, feasibility, sustainability, risks and balances.

5.4. The Budget Scrutiny Task Group considered the new budget proposals 2021/22 - 2022/23; a total of £1,622k over two years; £1,172k in 2021/22 and £450k in 2022/23.

5.5. A total of £260k savings are proposed for the Chief Executive's department (£210k in 2021/22 and £50k in 2022/23). This is for a saving in 2022/23 from the reduction of an assistant account post in the Finance department, achievable through efficiencies expected through more efficient working practices. £100k of savings in 2021/22 from reduced energy usage from Council owned buildings. A £60k saving in 2021/22 from the restructure of the legal team and a £50k saving in 2021/22 from the restructure of the human resources team.

5.6. A total of £92k in 2021/22 in the Assistant Chief Executive's department from the restructure of executive and member services and the reduction of various small budget lines.

<u>Children and Young People</u>

5.7. The budget proposals were considered for Children and Young People, including safeguarding, early help and social care budget proposals. Witnesses for this item were Cllr Mili Patel - Cabinet Member for Children's Services, Cllr Tom Stephens – Cabinet Member for Schools, Employment and Skills, the Strategic Director Children and Young People, the Strategic Director Regeneration and Environment (for Employment and Skills), the Operational Director Safeguarding Performance and Strategy and the Operational Director Integration and Improved Outcomes.

5.8. The underlying national core settlement includes £300m of new grant funding for adult and children's social care. Of this, it was estimated that Brent Council could receive around £2m. The Spending Review also confirmed that the existing Social Care Grant,

Improved Better Care Fund, and Revenue Support Grant will continue at 2020/21 levels.

5.9. A total of £480k savings are proposed in the Children and Young People Directorate, £180k in 2021/22 and £300k in 2022/23. This includes the expanded use of the Gordon Brown Centre, either supporting families with children at risk of being taken into care or as a residential provision for Looked after Children, which would realise either cost avoidance in our placements budget or additional income generation, providing for a total of £300k savings in 2022/23.

5.10. Placements would be for Brent children and offered to other local authorities to commission provision from Brent Council. There are some investment costs, including capital works to make the accommodation suitable and additional staffing costs.

The task group recommends the implementation and impact of proposals relating to the Gordon Brown Outdoor Education Centre should be regularly monitored by officers and that the R&PR Scrutiny Committee receive a report on this.

5.11. More efficient commissioning and service delivery, building on established joint commissioning with health partners are proposed to deliver an additional £180k savings in 2021/22. through Brent Council commissioning and directly providing provision on behalf of Brent CCG to deliver more efficient services.

The task group recommends as proposals to deliver savings in joint commissioning arrangements in Children's and Young People develop, there is a need to monitor the delivery of the savings and the outcomes for people using those services.

The Dedicated Schools Grant

5.12. The provisional Dedicated Schools Grant (DSG) Block allocations indicate that the Council will receive a small increase in mainstream pupil funding of 1.73%. The Government announced that funding for the High Needs block (HNB) of the DSG for 2021/22 will increase and the Council's share of this being an additional £5.8 million, which represents a 10% increase. However, we also heard that the pressures against this block have increased demand, which is expected to continue to grow beyond this increased central government contribution. School balances are also falling as a result of ongoing financial pressures.

5.13. The financial impact of the Covid-19 pandemic has seen schools incur additional costs including loss of income from lettings, additional cleaning costs and staffing cost pressures due to supply staff required to cover staff self-isolating and sickness absence.

Community Wellbeing

5.14. Cllr Harbi Farah - Cabinet Member for Adult Social Care, Cllr Promise Knight – Cabinet Member for Community Safety and Engagement, Cllr Neil Nerva - Cabinet Member for Public Health, Culture and Leisure and the Strategic Director Community Wellbeing

were questioned on the budget proposals for community and wellbeing, including adult social care, public health, culture & leisure, and community safety and engagement. This included £100k savings in 2021/22 in housing through capitalising more salary spend within the Housing Partnerships Service.

Customer and Digital Services

5.15. Customer and digital services budgets were considered. Key witnesses for this item were Cllr Margaret McLennan - Deputy Leader of the Council and Cabinet Member for Resources, Cllr Eleanor Southwood - Cabinet Member for Housing and Welfare Reform (for the Welfare Reform element), the Strategic Director Customer and Digital Services, the Director of Customer Access, and the Head of Transformation.

5.16. This included a review of the customer front face offer in the Civic Centre, which would retain a four hours a day for five days a week service through customer services and an additional Hub in the Brent Civic Centre to compliment the current five community hubs. The intention of this reorientation of customer services is to focus enhanced support to the most vulnerable residents at the Brent Civic Centre Hub.

5.17. The proposal also entails a review of the council's approach to revenue and debt management and customer service to provide a more ethical service approach to support the resident support fund, LWA, DHP, and hubs. Overall this is proposed to provide a saving of £250k in 2021/22, which includes a £75k saving is proposed in 2021/22 from the reduction of vacant enforcement service manager post and £100k in 2021/22 from the review of Benefits and the review of Assessment Officer posts and reduction in use of the resilience contract.

The budget scrutiny task group recognises the positive work the council is undertaking in bringing forward its digital strategy and **would recommend that the measures contained within this strategy are accelerated in order to meet need during the pandemic and that resource allocation is increased in this area**.

Regeneration and Environment

5.18. Cllr Krupa Sheth - Cabinet Member for Environment**,** Cllr Shama Tatler - Cabinet Member for Regeneration, Property and Planning and Strategic Director Regeneration and Environment were questioned on the budget proposals for regeneration and environment, including Environment Services, Regeneration, and Property and Planning. This was for a total of £440k, £340k in 2021/22 and £100k in 2022/23.

5.19. £340k savings are proposed for 2021/22 through allocating activity to capital projects enabling costs to be transferred from GF to capital. £100k savings proposed in 2022/23 to the Brent Transport Service, through a review of the commercial aspects of the service to identify operational efficiencies, particularly with respect to route rationalisation, parking arrangements and on-bus support requirements. This will include a joint review with the Children and Young People Service of what opportunities there might be to promote and facilitate better take-up of independent travel by pupils.

The Housing Revenue Account

5.20. The Housing Revenue Account (HRA) is a ring-fenced account, which contains the income and expenditure relating to the Council's landlord responsibilities.

5.21. The HRA budget is set within a 30-year business plan. The business plan is reviewed annually, allowing for horizon scanning and the identification and mitigation of risks in the short, medium and long-term.

The budget panel was pleased that a tailored approach to tenants is being taken to the collection of rents in relation to the council's Housing Revenue Account. We would encourage this approach to continue beyond the pandemic providing residents with maximum opportunities to seek help and advice in financial hardship and to set up affordable repayment plans where appropriate.

The Capital Programme

5.22. The council's Capital Programme consists of projects approved in the 2020/21 budget, new projects approved and a number of in year budget adjustments. We considered an overview of the planned spend and financing of the Capital Programme budgets for the five year period 2021/22 to 2025/26.

5.23. The council's strategy is to build up the capital financing budget in manageable increments, to ensure that sufficient capital financing budget is in place as the council's capital borrowing plans are undertaken over the medium to long term.

The task group would like to highlight the risk associated with those capital projects that do not generate a financial return to support the financing of the capital programme and recommends analysis. The budget panel wishes to highlight this as a potential risk.

6. Income

6.1. The Budget Scrutiny Task Group considered the council's main income streams proposals and the impact of the current pandemic will have on the underlying budget income assumptions.

6.2. Council Tax income makes up £128.1m (or 44%) of total core funding in 2020/21. The MTFS agreed by Full Council in February 2020 included an assumed Council Tax increase of 3.99% in 2021/22, the same as in 2020/21, where 2% is ring fenced for Adult Social Care and 1.99% represents general funding for council services.

6.3. The Government's Spending Review announced that local authorities are allowed to increase Council Tax by up to 5% without a local referendum this year. The Brent Council budget has been prepared on the basis of a 4.99% increase in the Brent element of Council Tax, adding an additional £6.4m of recurring income.

6.4. The GLA precept, which makes up around 20% of the overall Council Tax bill, was unknown at the date of the meetings held and it was noted that the precept is subject the GLA's own decision making process.

6.5. Council Tax income will be affected by a reduction in the collection rate. We heard in evidence that, based on current modelling, a reduction in the 2020/21 collection rate of 3% is expected, which could result in a £4.8m reduction of income in 2020/21.

6.6. The Government is compensating local authorities for 75% of in irrecoverable loss of Council Tax and business rates revenues and a hardship grant to support households that are least able to afford Council Tax payments. This is one off funding that will support the 2021/22 budget, but not the medium term budget position, should the Covid19 pandemic have a long standing impact and these compensation schemes still mean that local authorities will still be funding 25% of their income losses.

6.7. The Council Tax base was previously assumed to grow at 1.5% per year, but if the rate of new housebuilding in the borough slows down as a result of Covid19 the total amount of Council Tax income collected will be less than planned. The extent to which this impact is long term, will mean further savings and expenditure reductions will need to be found to balance future budgets.

6.8. Whilst it is acknowledged that increasing Council Tax will be difficult for some households, we have noted that a Council Tax Support scheme has been put in place to limit the impact on the most vulnerable households.

6.9. In the current context of the Covid19 pandemic and its economic consequences, it is inevitable that some businesses will be unable to pay their business rates, some businesses may be unable to trade effectively and many will be impacted by a reduction in customer demand. It was noted that this may lead to an increase in bad debt and a loss of income collected on behalf of the Council. The in-year collection rate for 2020/21 was forecast to be between 80-90% of amounts due by the end of the year, increasing the levels of debt outstanding over time.

6.10. If the current circumstances continue to impact business rates throughout 2021/22, a possible shortfall was noted of up to £5m compared to the business rates income currently reflected in the MTFS.

7. Financial Planning

7.1. The Budget Scrutiny Task Group heard in evidence that the current MTFS includes £13.5m of savings that are required between 2020/21 and 2022/23. The Cabinet's draft budget proposals renewed the MTFS, providing forecasts for the financial position of the Council's General Fund revenue budget, as well as providing a framework within which financial planning is undertaken for the Housing Revenue Account, the Dedicated Schools Grant and the Capital Programme.

7.2. The Budget Scrutiny Task Group noted that particularly due to the Covid19 pandemic and associated economic implications, forecasting over the medium term is extremely difficult. There is a much higher level of uncertainty over the medium term due to Covid19 and the impact of Brexit, but also due to the Government's short-term funding

settlements and the delays in funding reforms. The Government's Comprehensive Spending Review (CSR) was announced on 25 November 2020, which had previously been expected to set local government grants for a three year span, which would allow local Council's much more scope to plan ahead, but unfortunately the Government decided to provide only for 2021/22.

7.3. The challenge of forecasting budget growth pressures has increased considerably as a result of the Covid19 pandemic. The council has undertaken re-modelling across all income and expenditure budgets and we have heard that the new expenditure assumptions are estimated to create a budget gap of between £5m and £20m, with £13m as the 'central case' assumption that is being used.

7.4. We heard in evidence that the impact of Covid19 will have a significant impact on the MTFS making it highly likely that many income or expenditure some budgets will not return to their previous levels.

Now that the UK has left the European Union, **we recommend the council conducts in depth analysis and modelling of how this will impact residents in the borough, council funding streams and the local economy more broadly.** The Resources and Public Realm Scrutiny will be undertaking its own analysis on this through a dedicated task group in the near future.

In this context **we also recommend that the council commissions a full and independent economic analysis of the borough ahead of every budget setting process** in order to better inform decisions and identify areas, services and communities across the borough that require the most focus.

It is positive that the council has worked with the WLA to gain an understanding of the economic impact of Covid19 on the borough but this analysis needs to be more widely shared and promoted and the link between the economic pressures in the borough and budget decisions more clearly demonstrated. The budget panel wishes to highlight the impact of Covid19 on future delivery of services and the impact on the budget this as a key risk.

8. The Impact of the Covid19 Pandemic

8.1. As part of the work of the task group, we have considered the key budget risks, including the corporate risk register and the impact of the Covid19 pandemic. The budget proposals set out the current estimated financial impact of the pandemic on the council and the estimated impact on the Medium Term Financial Strategy (MTFS).

8.2. The council was already operating in a challenging financial environment prior to the outbreak of Covid19. As the pandemic is currently continuing into 2021, it is extremely difficult to make a definitive assessment of the financial impact.

8.3. Prior to Covid19, the MTFS agreed by Full Council in February 2020 set out a plan to deliver £13.5m of savings (profiled £7.4m in 2020/21, £4.3m in 2021/22 and £1.8m in 2022/23) in order to deliver balanced budgets over the three year period.

8.4. We heard in evidence that the Covid19 pandemic has resulted in major spending pressures across the council. There are costs arising from a number of new service pressures, such as providing support to shielding residents as well as sourcing and supplying personal protective equipment (PPE) for other organisations.

8.5. There has also been a significant reduction in income received, particularly in relation to sales, fees, charges and local tax income. As at November 2020, the estimate of the financial impact of Covid19 was £44m.

8.6. Since the beginning of the pandemic, the Government allocated local government additional general non-ring fenced funding, with Brent Council receiving an additional £31m. In addition, further funding is being provided through a sales, fees and charges compensation scheme. The council estimates that approximately £4m to £6m of funding will be received through the scheme.

8.7. Immediate service priorities have changed as part of the emergency response to the Covid19, outbreak, as well as managing the additional income and expenditure pressures arising on existing budgets.

9. Conclusion

9.1. On 23 October, Croydon Council's external auditors published a Report in the Public Interest, which was considered as background evidence by the budget scrutiny task group. The report sets out serious concerns about the Croydon Council's financial situation, its financial decision-making and governance and makes twenty recommendations.

9.2. A Report in the Public Interest is a statutory requirement of the external auditor when 'a significant matter comes to their notice and to bring it to the attention of the audited body and the public.' These reports are rare and very serious and so would only be issued in exceptional circumstances[2].

9.3. Given the extremely challenging circumstances that local authorities are facing with regard to budget pressures and planning, we believe that this report underlines the importance of overview and scrutiny of the council's budget proposals and budget performance throughout the annual cycle.

9.4. Brent Council was already operating in a challenging financial environment prior to the outbreak of Covid19. The 2020-21 budget followed a period of 10 years of significant reductions in government funding where the council had been obliged to make an unprecedented £174m of savings, despite an increase in demand for council services. Since 2010, the council has delivered expenditure reductions delivered through a combination of effective financial management, cost control and innovative approaches to investment and demand management.

[2] *The Local Audit and Accountability Act 2014 provides a statutory requirement of the External Auditor to issue a Report in the Public Interest when 'a significant matter comes to their notice and to bring it to the attention of the audited body and the public.'*

9.5. Despite this, Brent Council's budget strategy has a strong emphasis on planning the budgets for future years in advance will enable sensible phasing of the implementation of proposals to minimise the impact on services to residents. We believe that the new proposals for 2021/22 and 2022/23 are designed to limit, as far as possible, service reductions and the impact on front line services and that this approach will place the council in a strong financial position.

9.6. Prior to the outbreak of Covid19, the agreed 2020/21 budget forecast was for a balanced budget between 2020/21 and 2022/23, which should have meant that no new savings proposals would have needed to be developed to achieve a balanced budget in 2021/22.The current estimate is that cost pressures of between £5m and £20m are now expected from 2021/22 across all service areas.

9.7. The overall budget gap (the difference between the council's anticipated total expenditure and forecast total income) is estimated to be £5.1m between 2021/22 and 2022/23. The Covid19 pandemic has had a very significant economic impact and resulted in significant unplanned expenditure and income losses.

9.8. The impact of the Covid19 pandemic has had a very significant effect on the council's budget, but we are keen to stress that it is also having a massive social and economic impact on our local community and particularly on some of the most vulnerable populations in Brent that often depend on local authority support.

9.9. Nationally, there has been an unprecedented increase in the number of Universal Credit claims received by the Department for Work and Pensions. People who are eligible for Universal Credit are also eligible for some form of Council Tax Support with the Council, depending on their level of income. The long-term economic impact of Covid19 could result in high levels of unemployment, and likewise high levels of Universal Credit and Council Tax Support expenditure in the medium term. The pandemic has also had an impact on the homeless, who it is predicted which will be further impacted by the worsening economic situation into 2021/22. This will also require additional resources for managing homelessness.

9.10. An increase in Council Tax support expenditure reduces the amount of Council Tax that is able to be collected. As at the end of November 2020, 1,475 additional applications for Council Tax support were awarded, an increase of 9% compared to April 2020 at a cost of around £1m and current projections suggest this will continue to increase throughout 2020/21.

9.11. The Government has provided Brent with a hardship grant of £3.9m to help further support individuals in paying their Council Tax and the Government has also announced an extension of the hardship grant for 2021/22. Brent has been reducing bills by up to £150 for over 7,000 working age households that receive some help through the Council Tax Support scheme, but still currently pay something towards their Council Tax. We have heard in evidence that the Council has also introduced a Residents Support Fund, which provides grants and interest free loans to help residents suffering financial hardship due to Covid19.

9.12. Because of this, the council's budget proposals have built in an increase of £2m of recurring growth in the MTFS.

9.13. The effect of the pandemic therefore is squeezing the council's income whilst putting additional demands on expenditure and undermining budgetary planning and may put the Council in the invidious position of having to balance budgetary responsibility against the protection of front line services and the protection of some of the most vulnerable residents that may be disproportionately affected by the pandemic.

9.14. There is also a high level of uncertainty over the medium term due to the Government's short-term funding settlements, delays in funding reforms, the longer-term economic impact of Covid19 and the impact of Brexit.

9.15. The Budget Scrutiny Task Group believe that setting budgets for more than a single year allows the council to continue its longer-term approach to financial planning, identifying more opportunities to reduce costs without significant reductions to services, although forecasting over the medium term continues to be extremely difficult.

9.16. Having reviewed the budget proposals, we believe that they have correctly balanced these responsibilities and have maintained a strong financial position and a credible medium term financial plan for the future despite the extraordinarily high level of financial uncertainty of the current situation on demand and funding pressures.

In this context **we also recommend that the council commissions a full and independent economic analysis of the borough ahead of every budget setting process** in order to better inform decisions and identify areas, services and communities across the borough that require the most focus.

Participants

The task group would like to thank the following councillors and members of staff who contributed to the report, took part in the evidence sessions or advised it on policy:

Cllr Muhammed Butt – The Leader

Carolyn Downs – Chief Executive

Cllr Harbi Farah - Cabinet Member for Adult Social Care

Cllr Promise Knight – Cabinet Member for Community Safety and Engagement

Cllr Vincent Lo – Chair of the Audit and Standard Committee

Cllr Neil Nerva - Cabinet Member for Public Health, Culture and Leisure

Cllr Margaret McLennan – Cabinet Member for Resources and Deputy Leader

Cllr Mili Patel - Cabinet Member for Children's Services

Cllr Krupa Sheth - Cabinet Member for Environment

Cllr Tom Stephens – Cabinet Member for Schools, Employment and Skills

Cllr Eleanor Southwood - Cabinet Member for Housing and Welfare Reform

Cllr Shama Tatler - Cabinet Member for Regeneration, Property and Planning

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Daniel Omisore - Deputy Director of Finance

Michael Carr – Senior Policy and Scrutiny Officer

Background Papers

The following background papers were considered during this scrutiny inquiry:

The Draft Budget 2021/22 – 2022/23 and Medium Term Financial Outlook, including:

- Savings Delivery Tracker,
- Summary of new 2021/22 - 2022/23 budget proposals,
- Detailed budget templates for new 2021/22 - 2022/23 budget proposals
- HRA Business Plan
- Quarter 1 and Quarter 2 Financial Reports for 2020/21,

The Brent Council Revenue Budget 2020/21.

The summary of the Borough Plan 2021-2024.

The Brent Council 2020/21 Key Performance Indicators (KPIs).

The Brent Council Corporate Risk Register, November 2020.

The London Borough of Croydon Report concerning the Council's financial position and related governance arrangements.