Brent	**Cabinet** 8 February 2016 **Council** 22 February 2016 **Report of the Chief Finance Officer**
	Wards affected: All

Budget and Council Tax 2016/17

1. INTRODUCTION

Strategic overview

1.1. The council takes a long-term and strategic approach to its corporate and financial planning. This has been adapted, and will continue to be adapted, in order to meet residents' most important needs whilst remaining within the financial constraints imposed by the ongoing austerity regime.

1.2. At the beginning of the austerity regime, in 2010, the council adopted a highly successful "One Council" programme. This was principally, but by no means exclusively, designed to reorganise the way that the council operated and to deliver substantial savings through business process re-engineering and other management efficiencies. It also brought a more corporate focus to a council that had previously been characterised by a highly devolved and departmental structure. From 2010 to 2014/15 the One Council programme made a substantial contribution to the £89m savings delivered in that time, although of course difficult choices about the levels of service provision also had to be confronted over this period to meet the financial targets.

1.3. Although the One Council programme continued after 2014/15 the scale of the financial challenges in 2015/16 and 2016/17 demanded that the council adapt its approach. Further savings of £53.9m were required in these two years alone, and the council shifted its focus to a more target driven approach which required Directors to assume more personal accountability for delivering efficiency savings within their own areas of responsibility.

1.4. These savings targets were deliberately set to reflect organisational priorities, with the standard benchmark being that front-line savings should identify options for reducing costs by up to 20% whilst the target for back-office services was set at twice this level, at 40%. Around two-thirds of these savings were identified by driving organisational efficiency even harder, although inevitably progressively more difficult choices had to be confronted about levels of service provision.

1.5. The budget set in March 2015 had, in particular, two unusual features, which reflected the strength of this strategic approach. Firstly, the council explicitly consulted on a package of savings proposals that was, in aggregate, £6m greater than the total amount required to be achieved. This ensured that genuine choices could be made, informed by the results of that consultation. Few councils have adopted such an approach. Secondly, the budget proposals consulted upon covered the period 2015/16 and 2016/17. After draft proposals that would have saved approximately £6m were withdrawn the council was still able to agree a balanced budget for 2015/16 and business plans for 2016/17 with a funding gap of less than £1m. Although many councils aspire to set budgets over a longer term than just a single year, few, in practice, actually achieve this.

1.6. Since March 2015 there has been a change in government following the general election. Subsequent to that the provisional financial settlement for local government has been announced, and is in some ways worse than anticipated, forcing the council again to adapt its approach. This merely underlines the strength and importance of a two-year (or ideally longer) approach to budgeting. The consequence of this evolving approach is that the council is able to enter the 2016/17 financial year without needing to consider new savings proposals to take effect in that year. Instead, the focus of this budget can turn more to 2017/18 and 2018/19, to the emerging investment strategy and how this might help reduce long-term costs, to the council's new, wholistic approach to outcome based budgeting and to questions about council tax levels in light of changing government policy.

1.7. As a result this budget is grounded in the Borough plan, and in the council's corporate plan. It is geared towards delivering the emerging vision for Brent 2020, with a greater focus on organisational efficiency, on procurement efficiencies to make council taxpayers' money go further and on developing civic enterprise to mitigate the extent of service cuts required.

1.8. This report is structured as follows:

- Recommendations for cabinet and full council to approve
- The overall process for constructing the revenue budget is set out;
- The forecasts against the current year's (2015/16) revenue budgets are summarised, in order to ground the later issues in practical concerns;

- The future revenue funding position is updated in the light of the local government finance settlement, which was released after the last Cabinet report on the subject;
- Specific issues for the 2016/17 revenue budget, such as the funding for unavoidable growth pressures which are a part of any budget process, are set out for consideration;
- The new revenue saving proposals for 2017/18 and 2018/19 are summarised;
- The results of consultation, equalities and staffing analyses and other relevant factors are set out; and
- The formal revenue budget and council tax for 2016/17, informed by all of the above, is set out for agreement.

1.9. The report then turns to the capital programme, the emerging investment strategy and to the associated prudential borrowing indicators and treasury management measures.

1.10. The key features of the revenue budget now proposed are that:

- Brent's share of the council tax is increased by 3.99% from its 2015/16 level. Of this 1.99% would be for general usage, and 2% to meet demographic pressures in Adult Social Care. This would be the first rise after six consecutive years of council tax freezes; and
- Further savings of £18.8m are proposed, split between £9.6m in 2017/18, and £9.2m in 2018/19.

Whilst this report does not bring forward sufficient proposals to balance, if agreed, the revenue budget for 2017/18 and 2018/19, it does set out proposals that, if agreed, would very significantly reduce the budget gap for those years. These proposals provide a strong foundation from which the council can continue to plan for the future.

1.11. Where savings have been proposed these have been linked explicitly to the council's key strategic goals and in many cases flow naturally from the continued implementation of agreed policies. Taking the 2016/17 budget proposals, in adult social care the service's overarching policy is to enhance independence. This is underpinned by the Market Position Statement through which there is an ongoing drive to secure fair prices with providers, improving value for money, whilst the NAIL programme continues to enhance the quality of independent life for vulnerable residents, simultaneously reducing the costs for the council taxpayer. Integration of services with health partners also simplifies services for residents whilst reducing costs.

1.12. Children's social care has been prioritised in the budget, with individual social workers' case-loads kept at safe levels and no cuts have been made to the numbers of social workers. The 'signs of safety' programme provides the policy framework for the development of the service. However, efficiency savings are still being found and value for money improved by seeking to move vulnerable children from the highest cost and most secure placements to less costly arrangements, but only where this is safe and in the child's best interests. Housing remains a significant financial pressure, but by continuing to bear down on the costs of the most expensive forms of overnight bed and breakfast accommodation efficiencies have been achieved, reducing total expenditure. A fuller temporary accommodation reform plan will shortly be brought to a subsequent Cabinet meeting. At the same time the continued focus on reducing back office costs will see, for example, savings of over £3m in finance and IT costs alone, including the income achieved through selling the IT service to other local government bodies.

1.13. The longer-term proposals for 2017/18 and 2018/19 are also aligned to existing policy and key strategic themes. Value for money and efficiency are very much at the heart of the proposals, with savings in excess of £8m from contract re-procurement efficiencies alone, linked to a procurement strategy with an emphasis on social value. These are linked to the proposals under the emerging 'civic enterprise' theme, a fuller strategy for which is being developed and is due to be signed off by Cabinet in the near future. There will be challenges in delivering these proposals, but the principle of leveraging greater value from the council's assets in order to reduce the impact on other services is an important one. Back office services too, some of which have been reduced by 40% in the last two years alone, are planned to contribute a further £1m to the future years' saving target.

1.14. Fair and responsible enforcement is another important theme. Better collection of debts, fair to those in need and robust against those who choose to try not to pay will generate additional revenues, and the council has existing policies, such as private sector licensing which operate on a self-financing. Further opportunities to develop the potential here will be a priority in the coming months.

1.15. It is also perhaps important to stress the outcome of this budget process, and indeed of the strategic approach over the last few years. The focus of this report, for clarity and ease of decision making, is rightly on proposed changes to the budget, which in the current financial climate inevitably draws attention to reductions in expenditure. However, despite the pressure since 2010, the council has not closed any of its 17 children’s centres. It has invested in new accommodation for independent living, enhancing the opportunities for vulnerable elderly residents. The scale of development in the borough, including building the first new council houses for 30 years, major school expansions, and brand new schools, is amongst the most impressive in London. More needs to be done, and as set out further in the report the council’s investment approach will be adapted to meet the future challenges. Nevertheless, the strategic approach adopted to date has shown itself to be sufficiently flexible to meet the austerity agenda whilst preserving and even enhancing key services, and there are good reasons to presume that this record can be maintained, despite the challenges.

2. RECOMMENDATIONS

2.1. Agree an overall 3.99% increase in the Council’s element of council tax for 2016/17 with 2% as a precept for Adult Social Care and a 1.99% general increase.

2.2. Agree that if the 2% adult social care precept in the Council’s element of council tax is rejected, Adult Social Care expenditure will be cut by £1.9m in 2016/17 from the levels proposed in this paper.

2.3. Agree the General Fund revenue budget for 2016/17, as summarised in Appendix B.

2.4. Agree the cost pressures and savings detailed in Appendix D and dedicated schools’ grant as set out in section six.

2.5. Agree the revisions set out in paragraphs 6.3, 6.4 and 6.5 to the savings originally proposed in the budget set in the 2015/16 budget.

2.6. Agree the revision set out in paragraphs 6.6 to remove saving MGF02 from the 2017/18 and 2018/19 budget proposals.

2.7. Note the Chief Finance Officer's assessment of risks as set out in Appendix E.

2.8. Note the report from the Budget Scrutiny Panel in Appendix F

2.9. Note the results of consultation as set out in section 9

2.10. Agree the budgets for central items as detailed in Appendix G.

2.11. Agree the capital programme as set out in Appendix J.

2.12. Agree the Treasury Management Strategy and the Annual Investment Strategy for 2016/17 set out in Appendix K.

2.13. Agree the Prudential Indicators measuring affordability, capital spending, external debt and treasury management set out in Appendix L

2.14. Note the advice of the Chief Legal Officer as set out in Appendix M

2.15. Agree the categorisation of Earmarked Reserves and Provisions set out in Appendix N

2.16. Agree the schedules of fees and charges set out at Appendix Q

For Council

These recommendations only include a provisional Council Tax level for the GLA as its final budget was not agreed when this report was dispatched. This means that the statutory calculation of the total amount of Council Tax under Section 30(2) of the Local Government Finance Act 1992 may be amended by the final Greater London Authority precept.

2.17. In relation to the council tax for 2016/17 we resolve:

That the following amounts be now calculated by the Council for the year 2016/17 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended:

(a) £1,025,870,075 being the aggregate of the amount that the Council estimates for the items set out in Section 31A(2) of the Act.

(b) £927,580,000 being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(3) of the Act.

(c) £98,290,075 being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year.

(d) £1,101.24 being the amount at (c) above, divided by the amount for the taxbase of 89,254, agreed by the General Purposes Committee on the 25th Jan 2016, calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

(e) Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
734.16	856.52	978.88	1,101.24	1,345.96	1,590.68	1,835.40	2,202.48

being the amounts given by multiplying the amount at (d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

2.18. That it be noted that for the year 2016/17 the proposed Greater London Authority precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, in respect of the Greater London Authority, for each of the categories of dwellings are as shown below:

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
184.00	214.67	245.33	276.00	337.33	398.67	460.00	552.00

2.19. That, having calculated the aggregate in each case of the amounts at paragraph 2.15(e) and 2.16, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2016/17 for each of the categories of dwellings shown below:

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
918.16	1,071.19	1,224.21	1,377.24	1,683.29	1,989.35	2,295.40	2,754.48

That it be noted that the Chief Finance Officer has determined that the Council's basic amount of Council Tax for 2016/17 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Act 1992.

(a) That the Chief Finance Officer be and is hereby authorised to give due notice of the said council tax in the manner provided by Section 38(2) of the 1992 Act.

(b) That the Chief Finance Officer be and is hereby authorised when necessary to apply for a summons against any council tax payer or non-domestic ratepayer on whom an account for the said tax or rate and any arrears has been duly served and who has failed to pay the amounts due to take all subsequent necessary action to recover them promptly.

(c) That the Chief Finance Officer be and is hereby authorised to collect revenues and distribute monies from the Collection Fund and is authorised to borrow or to lend money in accordance with the regulations to the maximum benefit of each fund.

2.20. That in the event that the GLA sets a different council tax precept to that set out in this report (which was the published provisional amount at the date of despatch) that authority be delegated to the Chief Finance Officer to vary the amounts at 2.18, but only insofar as to reflect the GLA decision, and to make consequential, but no other, amendments to the amounts at 2.19.

3. Budget Development Process

3.1 Proposals in this budget have been developed by the members of the Cabinet, taking account of the advice of officers. The key processes for doing this were, in summary, as follows:

- Development of the budget approach, based on the updated medium term financial outlook which was considered by the Cabinet in October 2015;
- Meetings involving Cabinet and Corporate Management Team members to consider the key service and budget issues likely to affect the council in future years;
- Development by officers, in consultation with relevant Lead Members, of budget proposals for individual services within the context of the Borough Plan and the overall resources available;
- The First Reading Debate at Full Council;
- The publication of a detailed list of savings proposals at Cabinet in December 2015;
- Debates through the Budget Scrutiny Panel of the Scrutiny Committee;
- Public consultation events on 14 and 25 January 2016 and presentations and question and answer sessions at each Brent Connects meeting;
- Considering feedback from the public, whether received by the general 'consultation@brent.gov.uk' email address or other direct representations;
- Receipt of petitions from the public and representations from other interested parties, such as recognised trades unions and local businesses; and
- Conducting Equality Impact Assessments of proposals, where appropriate, in order to ensure that their consequences were properly understood.

4. The Council's current year revenue budget and forecasts

4.1. Current forecasts for 2015/16 budget at the end of December show a service overspend of £2.1m. Of this, £1.1 million relates to the Children & Young

People department, and £1.0m relates to Community Well Being. However, the delay in delivering the capital programme means that the forecast capital financing costs for the year will be significantly lower, with the result that the overall budget can be balanced for the year. Whilst the outcome is satisfactory this highlights the issues with delivery of the capital programme, and work is underway through an officer led Capital Delivery Board, chaired by the Strategic Director of Regeneration and Environment, to address this in 2016/17.

Children & Young People

4.2. The Children's Social Care placements budget is forecasting an overspend of £0.2m, which represents the continuing risk associated with managing the mix of placements for Brent's Looked After Children.

4.3. The budget for social workers within the Locality and Care Planning teams is forecast to overspend by £0.1m as a project to deliver savings is behind schedule and is forecast to go live from April 2016.

4.4. The Intentionally Homeless service is forecast to overspend by £0.2m due to the increasing number of intentionally homeless referrals being received by Children's Social Care under Section 17 of the Children's Act 1989.

4.5. The No Recourse to Public Funds budget is forecasting an overspend of £0.4m and is due to the large increase in families being supported by Children's Social Care since 2014/15. The reason of the increase in the number of families presenting themselves as NRPF is also due to recent Government reforms in terms of welfare and immigration.

4.6. The remaining forecast overspends of £0.2m represents the risk associated with other savings targets.

Community Well Being

4.7. Within Community Well Being, the Temporary Accommodation budget is reporting a projected overspend for 2015/16 of £0.9m.

4.8. Across London there are significant pressures on Local Authority Temporary Accommodation budgets. Relatively speaking Brent is managing to contain the pressures – we are one of only four boroughs where the number of people in emergency accommodation (typically bed and breakfast) has declined since the beginning of the year.

4.9. However, it is unlikely, given the demand pressures that the remaining overspend will be significantly reduced before the year end despite the expenditure controls in place. New measures recently announced in the Welfare Bill and measures being trialed in advance of the new Housing Bill may further exacerbate the situation. In light of this, work is well underway on a Temporary Accommodation Reform Plan as part of the Outcome Based Reviews which will propose more radical solutions to addressing the apparently inexorable increase in demand.

4.10. The Brent START budget is forecast to be overspent by £0.1m. Performance against the Skills Funding Agency contract during the 2014/15 academic year was not been as strong as anticipated, leading to a potential claw back against the grant previously allocated.

4.11. Other department' expenditure are forecast to be managed within budget. There are, of course, over and under spends against individual budget lines, and any significant strategic risks that flow from this are set out in Appendix E.

5. Future Revenue Funding Position

Changes to financing assumptions since December

5.1. The provisional local government finance settlement was announced on 17 December 2015, with the final settlement is expected to be published by 11 February 2016 (although this is not guaranteed). Although officers and Members made representations to DCLG and to Ministers respectively it is, realistically, unlikely that the settlement will be amended to take account of these. The report to Cabinet for 14 December 2015 was therefore based on estimates of what would be contained within the settlement, and it is therefore necessary to update these assumptions in setting the final budget. The following section summarises these changes.

5.2. The local government settlement followed the announcement of the Autumn Statement and Spending Review 2015 on 25 November. Brent's core RSG figure was £56.0m which was £3.4m lower than the figure previously assumed. As part of the settlement the Government offered councils the option to take up a four-year funding settlement to 2019/20. Councils would be required to produce an efficiency plan but the details of this are not clear at this stage. For the purposes of this report officers have assumed that funding from 2017/18 to 2019/20 will be as set out in the draft four-year settlement, but the council is not bound to accept this. Once the detail on the process is published by DCLG Members will need to consider whether or not to accept the option.

5.3. A major element of the council's spend is on social care, and the council faces considerable demographic challenges: the Office for National Statistics projects that from 2015 to 2019 the number of over 75s in Brent will grow by nearly 8%; and the number of under 15s by 4.5%. This is much faster than the population as a whole, which is nonetheless forecast to grow by 3.5%. This growth, combining with other cost pressures, such as inflation and the desire to accommodate social value within council contracts, including the London living wage where possible mean that social care spending is increasing at a time when the council's funding is being reduced. Officers estimate that by 2020 over half of the council's budget will be spent on social care. As a significant but partial measure to help address this, the Government is giving authorities with social care responsibilities the flexibility to raise council tax in their area by up to 2% above the referendum threshold for each year between 2016/17 and 2019/20, to fund adult social care services. It is also providing £1.5 billion additional funding for local authorities to spend on adult social care by 2019/20, to be included in what DCLG describe as an improved Better Care Fund. The details of this change, however, are not yet clear.

5.4. The DCLG has announced a consultation on reforms to the New Homes Bonus, seeking views on the options for change to three aspects of the Bonus. These include reducing the overall costs of the scheme by reducing incentive payments from six years' Band D council tax to four, reform of the Bonus in order *"to better reflect local authorities' performance on housing growth"*, and options for staying within the funding envelope in the event of a sudden surge in housing growth. The Greater London Authority top slice of New Homes 2015/16 was intended as one year only, and is not included in the 2016/17 budget.

5.5. With NHB reducing, potentially as a first step to its gradual abolition, this budget proposes re-directing those resources received. NHB was always intended to finance capital investment to offset the impact of development. Continuing to use it to finance revenue expenditure is likely to store up cost pressures for future years and create a significant risk of cliff edge funding reductions in later years. This budget therefore proposes reallocating NHB to finance capital investment.

5.6. As part of the settlement a number of grants have been rolled into the revenue support grant including the care act, council tax freeze and a number of smaller grants. The position on a number of grants still remains unclear including the the DCLG element of the Housing Benefit and Council Tax Support Grant, which have provisionally been included in the budget at £0.5 million of income, the same as the 2015/16 budget and grant allocations..

5.7. The government restated its intention as outlined in the Spending Review to reform the business rates retention system and move to 100 per cent retention by 2020 with a consultation planned for Summer 2016. The specific consequences of this for Brent are as yet unclear. Officers will continue to engage with sector representative bodies, like the LGA and London Councils, and with the DCLG to re-emphasise the point that as Brent's government grants exceed its total NDR tax take the re-distribution of funding will be key in order to ensure that this reform operates fairly.

5.8. Aside from these wider and long-term strategic considerations the council will also need to deal with the specifics of budget setting. Decisions of external bodies affect the budget process. Notifications from levying bodies, including the West London Waste Authority, are still awaited and will be included in the report to Council. The precept for the GLA is due to be confirmed by the Greater London Assembly on 22 February 2016.

5.9. The council's financial position has been set out in this report and Members are under a legal obligation to set a balanced budget. In doing so they are obliged, under normal administrative principles, to take into account the various relevant factors, particularly in respect of consultation and equalities. In doing so Members are, of course, entitled to exercise their political judgement, paying regard to the relevant factors rather than being absolutely determined by them.

Council Tax

5.10. On council tax the technical position is materially different to that last year. Then, and ever since 2010, DCLG has paid a "freeze grant" to incentivise councils to avoid increases to their council tax. Brent has taken advantage of this since 2010, and indeed has frozen its council tax since before then. Within this year's settlement is an explicit assumption in the funding formulae that councils will increase council tax. DCLG predicates future funding allocations based on an assessment of need, from which it deducts the assumed value of local taxation to arrive at the levels of RSG. As part of this it assumes that the general level of council tax will rise by 1.75% each year. In other words, councils' future grant levels will be reduced as though they had increased council tax, regardless of whether or not they do so.

5.11. It is clear that DCLG assumes that councils will increase their council tax and has specifically allowed for this in its funding calculations. As last year, the maximum amount that any council can raise its general rate of council tax by (but see below) is 2%, unless it undertakes a referendum. The DCLG's assumption of 1.75% appears to be either an average, presumably based on an assumption that most councils will increase council tax by 2% and a few will freeze it, or else linked to average CPI forecasts.

5.12. In addition, "upper tier" councils can increase council tax by a further 2%. An "upper tier" council is one that has social care responsibilities, and Brent therefore falls into this category. In order to exercise this flexibility councils must demonstrate that an amount equivalent to the additional council tax (£1.9m) has been allocated to adult social care. The current budget proposal meets this requirement by proposing adding an additional £3.2m to the budget for the Community Well-Being department in recognition of demographic changes which are leading to growing demand for Adult Social Care. If the 2% additional council tax for this is not agreed then the budget for the department will need to be reduced by £1.9m.

5.13. The council therefore has the option of increasing its council tax by up to 4% (strictly speaking, by 3.99%). Exercising this option would generate additional income in 2016/17 of approximately £3.8m. This additional income would thereafter form part of the council's ongoing base budget, and would therefore be a direct reduction in the savings target.

5.14. Council tax comprises the Brent share and the "GLA precept", which is paid over to the Mayor of London. This latter element also includes the precept for the Olympics. The table below shows the respective shares in 2015/16 of a Band D council tax, and the expected total council tax in 2016/17, based on an increase of 3.99% in the Brent share and on the advertised (but not yet formally agreed) reduction of 6.4% in the GLA share and the removal of some of the Olympic precept. The overall impact will therefore be that council tax at Band D increases by £23.30 annually, or by £1.94 per month or by £0.45 per week.

	2015/16	2016/17	Change
	£	£	£
Brent share	1,058.94	1,101.24	42.30
GLA Precept	295.00	276.00	(19.00)
Total Band D council tax	**1,353.94**	**1,377.24**	**23.30**

5.15. Pensioners who receive council tax support will continue to receive a 100% reduction in council tax, and will be unaffected by the proposed increase. For the most financially vulnerable families the council tax support scheme will act as a significant mitigation to the impact of increased council tax, as they will only be required to pay 20% of the full bill, and so the cost of the increase will be £4.66, or £0.09p per week at Band D. Some families on low incomes will not receive support from the CTS scheme, although the scheme design ensures that many will receive partial support. The impact of the proposed increase on those who receive no support will be £0.45p per week at Band D.

5.16. Brent's council tax in 2015/16 is at the median level across London taken as a whole. However, looking only at other outer London boroughs it is currently the 4th lowest. Officers do not know what other councils will decide on council tax, except unless this is already a matter of public record. However, given the significant change in policy from DCLG it seems reasonable to assume that many authorities will now choose to increase their council tax.

5.17. Leading Members have balanced these factors, and ultimately exercised their political judgment in requesting that officers prepare the draft budget on the basis of a 3.99% increase in council tax.

6. Specific Issues for the 2016/17 revenue budget

Amendments to Savings from 2015/16 revenue budget

6.1. As part of the 2015/16 budget process Members agreed savings not only for 2015/16 but also for 2016/17 and some for future years. All these savings were consulted on widely last year through online consultation, Brent Connects and other public meetings and were discussed and considered in detail by Members. From this there are agreed savings of £23.4m for 2016/17 and these along with future year savings are outlined in Appendix D(ii).

6.2. Following on from last year's consultation the following savings relevant to 2016/17 have been revised subsequently:

- ENS018 – To transfer the management of libraries to a trust
- ENS004 Proposal – To close the Welsh Harp Education Centre
- ENS020 Proposal – To reduce the Tricycle Theatre budget

ENS018 Proposal

6.3. Proposal ENS018 was to transfer the management of the library service to an established trust (or conceivably a new model that would share similar features) with an associated saving of £0.16m. During 2015/16 this proposal was taken to Leading Members who indicated that, after further research and a feasibility study, service remodeling should not be taken forward. The saving expectation still stood and it is proposed the service will achieve a similar saving of £0.16m through management efficiencies in the Library, Arts and Heritage service.

ENS004 Proposal

6.4. The proposal ENS004 to close the Welsh Harp Education Centre has now been updated to reflect the proposed community asset transfer to Thames 21, a charity that delivers practical and engaging environmental activities that teach young people about the need to care for the natural environment. This successful outcome demonstrates the council's willingness to seek creative solutions to preserve services at lower direct cost to council taxpayers, whilst enhancing opportunities for residents.

ENS020 Proposal

6.5. Having reviewed the position in respect of the Tricycle Theatre, and listened to further representations made at Brent Connects and elsewhere Leading Members have also indicated that it would be undesirable to implement the full further £0.075m saving planned for the Tricycle Theatre, which would have reduced council funding for this to nil. A remaining budget of £0.05m is proposed to be retained.

6.6. New proposals for 2017/18 and 2018/19 were published at the Cabinet meeting of 14 December 2015. The results of consultation on these are set out elsewhere in this report. Only one proposal, reference MGF02, received significant adverse feedback. This proposal would have reduced the commissioning budgets for highways maintenance, in anticipation of contractual efficiencies. Given the feedback, this proposal is now proposed to be withdrawn; any contractual efficiencies achieved will be reinvested in additional highways maintenance services.

Growth Pressures

6.7. Total growth proposals of £9.0m have been funded within the 2016/17 budget. These are detailed in Appendix D(i) and are for items where costs are unavoidably increasing, or cabinet has approved changes to services, for example:

- £3.2m additional demand for home care and direct payments in respect of Adult Social Care due to increases in the population needing care, and increases in dementia, requiring additional care and other associated pressures;
- £0.5m to ensure social workers are responsible for caseloads no greater than the levels set out in the OFSTED report, previously funded through reserves;
- £0.8m for the Employment, Skills and Enterprise Strategy 2015-20 agreed by Cabinet in April 2015;
- £2.6m for pay and national insurance increases.

6.8. In addition a further £1.5m has been included for inflation of which £0.8m is for prices inflation in contracts, and £0.7m for pensions.

6.9. There is a risk that savings may be delayed, creating overspends, and the council may wish to consider social value when awarding some contracts. A provision of £2.5m has included within the budget to meet these pressures and any new pressures that may arise during the year. The need for this was highlighted in the October Cabinet report.

Central Items

6.10. Central items are items not included in individual service cash limits. They represent items of expenditure that cannot naturally be managed within departmental budgets. Major items are Capital Financing Charges (to pay for previous years' capital programmes), levies from other public sector bodies (such as the West London Waste Authority), premature retirement compensation, and the Insurance Fund. The total budget for central items is £42.5m in 2016/17, an increase of £0.5m from 2015/16, principally due to additional residual pension contributions and increases in levies. Further details of the items are included in Appendix G.

HRA Budget

6.11. The detailed HRA budget is set out in a separate report to the Cabinet. The proposals reflect an overall rent reduction of 1% as required by the Welfare and Reform Bill 2015. The Bill sets out the government's policy for social housing rents, which in its current form requires Registered Providers of social housing to reduce rents by 1% per year, for four years with effect from April 2016. The effect of this on the HRA operating account and the Capital requirement sees a 1% decrease in rents, resulting in a £0.5m reduction from 2016/17 and a total loss in income to the HRA over four years of over £2m. The separate report on this agenda sets out how this significant pressure is being managed.

Schools Revenue Budget

6.12. The Schools Budget is funded directly from a Dedicated Schools' Grant (DSG) which is ring-fenced and does not appear as part of the Council's overall budget requirement. Schools are also allowed to build reasonable levels of reserves which are also ring-fenced.

6.13. As at 31 March 2015, Brent's maintained schools held £21.6m in balances, one of the highest figures in London.

6.14. DSG funding is currently estimated to increase for 2016/17. This follows the pattern of previous years, where schools have received funding increases significantly above the levels faced by local authorities. However, in 2016/17 the difference is less significant, with school funding increasing from £298.4m to £298.9m.

6.15. Cabinet approved the provisional budget in December 2015 following consultation with Schools forum.

7. New Revenue Saving Proposals

Summary

7.1. During 2015/16 further saving proposals have been developed and consulted on, (see section nine for details of consultation). These are summarised in three themes as per the table below:

Budget Theme	2017/2018 £m	2018/2019 £m	Total £m
Driving Organisational Efficiency	2.4	2.4	4.8
Civic Enterprise	3.5	2.2	5.7
Making Our Money Go Further	3.7	4.6	8.3
TOTAL	**9.6**	**9.2**	**18.8**

7.2. These proposals focus on making the council operate more efficiently. Key themes are:

- increasing income generated by the council;
- better debt collection;
- saving money on procurement by the council;
- streamlining the way key services operate; and
- back office and management savings.

This emphasis on efficient operation is proposed so that Brent Council can maintain its services at a time when it has significant challenges with funding being reduced, and with considerable growth in demand for key services, like social care.

7.3. These items are detailed fully in Appendix D(iii) and the major schemes involved are summarised below.

Driving Organisational Efficiency

7.4. The council is committed to reducing its back office operating and other overhead costs. Even after the impact of substantial austerity measures since 2010 the council remains a large organisation, employing over 2,000 FTE staff and delivering services, directly or via contracts and other partnership arrangements to thousands of the most vulnerable residents and universal services for all. There will always be a need for senior management positions to co-ordinate delivery of this complex range of services, and professional support staff to protect the council's interests.

7.5. Nonetheless, a significant focus since 2010 has been on reducing these costs and driving organisational efficiency. The council's former estate of over a dozen administrative offices has largely been consolidated into a single site, the Brent Civic Centre, significantly reducing costs. Management structures have been reconfigured more than once, with the number of second and third tier Directors and service heads greatly reduced, and in 2015/16 and 2016/17 alone back office costs were agreed to be reduced by a further 40%. It would not have been possible to complete all of these changes in one stroke: nor does the council intend to cease searching for further reductions in management and overhead costs. Where possible front-line interfaces with service users are also being re-engineered, for example to enhance the options for digital self-service, enabling those who can to experience a more convenient and faster service, at reduced cost for the council.

7.6. Savings under this heading of 'Driving Organisational Efficiency' are proposed to save £4.8m. Transformation of the design and delivery of early help will streamline services, focusing on a one family, one worker approach to help build resilience and independence, saving £0.9m. Reviewing staff structures and spans of control across Community Services will save £2.3m. Reviewing support service costs: HR, legal, IT, business support and finance for greater efficiency will save £1m. Other savings totalling £0.6m are shown in Appendix D(iii).

Civic Enterprise

7.7. The council needs imaginative responses to the ongoing austerity agenda. Overheads can always be squeezed further, but the scope for further significant savings is falling, and deleting the entire back office, which would patently be unfeasible, would still only make a partial contribution to the total savings requirements. Through leveraging better value from our assets, human, physical and social, and by adopting a more commercial approach, tempered by the council's sense of civic values, it is anticipated that significant additional revenue can be achieved, reducing the need for reductions in other services.

7.8. A fuller 'civic enterprise' strategy will be set out subsequently, but key emerging themes as they impact the budget now proposed are set out below.

7.9. Civic Enterprise proposals are anticipated to save £5.7m. Major elements of this are increasing income generation with a variety of schemes (£2.5m); better collection of debts and arrears (£1m), Additional Continuing Health Care (CHC) Funding from the CCG (£0.8m), IT sales (£0.7m), review of additional overhead charges on the SERCO contract (£0.3m), and additional Civic Centre rental income (£0.3m).

Making Our Money Go Further

7.10. Procurement efficiencies and improved value for money are anticipated to save £8.3m. Contract renewal savings account for £8m of this, it is proposed to target a 10% cost reduction in the contracts renewed over the next three years. The remainder is specific savings on the FM contract.

7.11. In addition, the council is developing an innovative approach to outcome based budgeting, focusing on three major reviews of key themes to draw together different strands of work with a revised focus on collective outcomes and cost efficiencies and transformation. These are set out below.

7.12. The council will undertake three wide ranging outcome based reviews (OBRs) which will develop radical solutions for delivering better, sustainable service models and outcomes for:

- Employment Support and Welfare Reform;
- Housing Vulnerable People; and
- Regeneration (Physical, Social and Environmental).

7.13. Each OBR will be overseen by a Member group consisting of the Leader, Deputy Leader, relevant Cabinet members, Scrutiny members and back bench members. The reviews will be led by a Strategic Director with cross council representation on each review board. The methodology used will exemplify leading edge principles of service design and innovation using the 'Discover, Define, Develop and Deliver' model and will be supported by external challenge from a design and innovation partner.

8. Equalities Implications

8.1. Brent council values diversity, and considers it as an important part of policy making. This is not just about addressing inequality, important though that is; it is also about ensuring that the strength in the diversity of the borough's communities and council's workforce is realised.

8.2. Under the Public Sector Equality Duty (PSED) in the Equality Act 2010, Brent Council is required to pay due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between different protected groups when making decisions. The groups protected by law, also known as protected characteristics, are age, disability, gender, race, religion or belief, pregnancy and maternity, marriage and civil partnership, sexual orientation and gender reassignment. Although socio-economic status (people on low income, young and adult carers, part-time workers, people living in deprived areas, groups suffering multiple disadvantage, etc) is not a characteristic protected by the Equality Act 2010, Brent Council is committed to considering the impact of vulnerable groups not covered within the other protected characteristics, ensuring that they are not disproportionately affected by its proposals. The Council also monitors any cumulative impact arising of its budget proposals to help inform decision-making.

8.3. The PSED does not prevent decision makers from making difficult decisions in the context of the requirement to achieve a significant level of savings across all operations. It supports 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 precede and inform decision making. It is important that decision makers have regard to the statutory grounds in the light of all available material, including relevant equality analysis and consultation findings. 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.

8.4. Members are reminded that the budget can be described as a financial plan of the Council's current operational intent. Where known, the equality impact of change must be disclosed. In March 2015 Full Council agreed its budget for 2015-16, and also approved a number of other proposals to be built into the budget from 2016/17. These proposals went through extensive consultation and were subject to full Equality Analyses (EA).

8.5. The new saving proposals for 2017/18 and 2018/19 are set out in Appendix D(iii). All saving proposals have been subject to the Council's EA screening process to assess their potential/likely impact, if any, on service users with protected characteristics. A full

8.6. However, Officers' preliminary assessments conclude that the impact of adopting these proposals on front-line services or vulnerable groups would be relatively minor, certainly in comparison to some of the more drastic proposals that other councils are being forced to consider. This is not to imply that there would not be any negative impact on service users, if the proposals are approved, but it is nonetheless the case that the new proposals set out in this report do not include the wholesale cuts to services that many councils are considering and indeed implementing. Having confronted difficult decisions early in the financial planning cycle the Council is now able to build into its financial plans the benefits of significant efficiency gains via the following three strands:

Driving Organisational Efficiency

8.7. Driving Organisational Efficiency is proposed to save £4.8m. Transformation of the design and delivery of Early Help will streamline Early Help, focusing on a one family, one worker approach to help build resilience and independence, saving £0.9m. Reviewing staff structures and spans of control across Community Services will save £2.3m. Reviewing support service costs: HR, legal, IT, business support and finance for greater efficiency will save £1m.

Other savings totaling £0.6m are shown in Appendix D(iii). Service user and staff consultation will of course be essential to shape the detailed plans of how to achieve these savings, but the current expectation is that they will not impact significantly on the delivery of front-line services.

8.8. Many of the proposals will have an impact on staff, especially where the majority of the saving proposals are made up of staffing costs. Given the scale of staffing reductions, there is potential for these proposals to have a significant impact on the workforce, particularly in Community Services and Resources. The majority of the workforce is from ethnic minority groups (broadly reflecting the ethnic profile of the Borough); there are also some services that due to their nature consist of predominantly female or male members of staff, and it is important that changes are not disproportionate in terms of their impact. Brent's Managing Change Policy and Procedure provides a framework to be followed during times of organisational change to minimise the risk of a negative impact on any equality groups. The Managing Change Policy requires that staffing changes undergo EA to ensure that the restructure process is conducted in a fair, transparent and non-discriminatory manner.

Civic Enterprise

8.9. Civic Enterprise is proposed to save £5.7m. Major elements of this are increasing income generation with a variety of schemes (£2.5m); better collection of debts and arrears (£1m), Additional Continuing Health Care (CHC) Funding from the CCG (£0.8m), IT sales (£0.7m), review of additional overhead charges on the SERCO contract (£0.3m), and additional Civic Centre rental income (£0.3m).

8.10. The Council is looking to improve its approach to managing debts owed to it building on the successful pilot in Adult Social Care, which has improved collection rates without presenting unreasonable demands to residents. This work will be carried out in the context of Brent's Financial Inclusion strategy to ensure that vulnerable residents are properly supported.

8.11. Where appropriate, the Council might also consider reviewing charging regimes for paid services that more realistically reflect the true economic/market cost of providing the service. At this stage, approval is being sought to consult on the principle of achieving this level of income across a range of paid for services, from 2017/18 onwards. Once detailed proposals for individual pricing regimes are developed, further specific consultations and EAs will be carried out, where necessary.

Making Our Money Go Further

8.12. Value for money is proposed to save £8.3m. The significant majority (£8m) is anticipated to be achieved through the re-procurement of a variety of contracts over the next three years by applying 10 per cent savings target against current contract prices. There will be some contracts where this will not be achievable for justifiable reasons, for example Adult Social Care related contracts. Work will be ongoing with departments in advance of contract renewals to ensure that the negative impact on services users with protected characteristics is minimised and the positive outcomes are optimised.

8.13. The Council might also need to review its approach to planned and reactive maintenance of its infrastructure (roads and pavements), and will need to look at its criteria and priorities to ensure that Brent's main thoroughfares and town centres are properly maintained. Detailed consideration of the current state of the highways and pavements will inform future plans to ensure that the impact on residents/pedestrians (particularly the most vulnerable groups such as young children and their parents, older adults and disabled residents), cyclists and motorists is kept to a minimum.

Council Tax

8.14. The Council could choose to increase Council Tax in order to generate additional revenue and thereby reduce the financial pressure and adverse impact on services such as Adult Social Care, which is what officers are proposing.

8.15. This year's proposal on Council Tax would be the first rise after six consecutive years of Council Tax freeze. The proposal is that Council Tax is increased by 3.99% from its 2015/16 level, of which 1.99% to be used for general usage, and 2% to be dedicated to meet demographic pressures in Adult Social Care. If the 2% additional Council Tax for Adult Social Care is not agreed, then the budget for Adult Social Care will only be increased by £1.3m (instead of by £3.2m), which could pose challenges to the service to meet growing demand of current and future service users.

8.16. If the above proposal is approved, the budget of Adult Social Care services will be increased by further £1.9m (from £1.3m to £3.2m) which will have a positive impact on some of the most vulnerable members of Brent's community, who need to access Adult Social Care services. Groups that require most Adult Social Care services include: older adults, particularly women who have longer life expectancy, but are also more likely to have caring responsibilities; and disabled people.

8.17. This will mean, however, that for those households who do not receive any Council Tax support (CTS) the Council Tax for a Band D property will increase by £23.30 annually, or by £1.94 per month, or by £0.45 per week. Pensioners and disabled residents in receipt of full CTS will continue to receive a 100% reduction in Council Tax, and will be unaffected by the proposed increase. The working age households in receipt of CTS will only be required to pay 20% of the full bill, and so the cost of the increase will be £4.66, or £0.09p per week at Band D.

8.18. This paper is produced ahead of the close of the budget consultation and Brent Connect meetings. At this stage of the budget planning process delivery services have conducted their preliminary EAs (subject to comments through consultation). The final proposals will be put to the February 2016 meeting/s, and will be informed by the budget consultation findings and, where relevant, full EAs so that Members can make informed decisions on whether to adopt, amend or reject these. Where it is not possible at this stage to fully assess the impact from individual proposals, these will be subject to separate decisions informed by a full EA prior to implementation.

9. Consultation

9.1. The council recognises consultation as a key part of policy formulation, and makes considerable effort to ensure that the views of residents and other groups are taken into account. The Council has consulted on the budget options in a variety of ways. Legally, the results of consultation are something that Members must have due regard to in making budget decisions. However, consultation need not legally be the single or even most significant determining factor in choosing between difficult options, although at Brent considerable emphasis is usually placed on the results of consultation.

9.2. The results of different forms of consultation cannot simply be evaluated against one another. It is not possible to state on an entirely objective basis, for example, whether the number of written representations made against a particular proposal should have greater or lesser weight in the decision making than the objections made verbally by groups of service users at a Brent Connects meeting. Members must use their judgement in assessing these various factors in order to help make choices about the budget.

9.3. The Scrutiny Committee has reviewed these proposals through its budget panel and also the process through which they were developed. Its report is attached in full at Appendix F.

9.4. The council has consulted on the budget Discussions with the Leader and deputy Leader at all the Brent Connects Forums, responses collected online and by post on the specific budget proposals. Two public debates on the budget with the Leader and Deputy Leader were held during January 2016.

Key messages from the public consultation.

9.5. A summary will be dispatched after all of the Brent Connects meetings have concluded.

Summary of Public Responses to Budget Consultation - February 2016

9.6. At as 25 January three written responses had been received to the public consultations. In summary, no one commented on the proposed savings options for 2017/18 and 2018/19. All three listed different council services that they thought should be protected from further cuts.

Summary of Issues Raised at Brent Connects Meetings

9.7. Five Brent Connects meetings are to be held between 12 January 2016 and 3 February 2016. The Leader of the Council delivered a presentation outlining the financial position and the difficult budget choices faced by the Council. Two public meetings were also held. A summary of the issues raised at these meetings will be given at the meeting, and a summary will be dispatched after all of the Brent Connects meetings have concluded.

9.8. There no comments as yet from other organisations and individuals that have also written to the council.

10. FINANCIAL IMPLICATIONS

Risks

10.1. Officers have carried out an assessment of potential risks as part of the budget process. This helps the council set an appropriate level of balances and also ensures that risks can be monitored and managed effectively. The detailed assessment is set out in Appendix E which also contains the Chief Finance Officer's commentary on the adequacy of the budget calculation and the level of balances as required by Section 25 of the 2003 Local Government Act.

Balances and Earmarked Reserves and Provisions

10.2. As set out in section four, it is expected that expenditure against the overall 2015/16 budgets will be managed within cash limits. It follows from this that the general reserve of £12m will be maintained at its current level, and as set out in appendix E there is no need to amend this figure.

10.3. Councils need balances to deal with unexpected events without disrupting service delivery. The level of risk that a council assesses it faces is therefore the minimum level at which balances should be maintained.

10.4. Balances also contribute to effective medium term financial planning. They allow councils to adjust to changes in spending requirements over a period of time, and to take a more flexible approach to the annual budget cycle, for example through *invest to save* schemes. This flexibility needs to be considered each year depending on the particular pressures facing the council and the outlook in the medium term.

10.5. Balances can be used only once. It is not financially sustainable to plan to keep using reserves to balance the budget, but using them to meet temporary funding shortfalls or to pump prime investments that will in time be self-financing can be an important part of a sound medium term strategy. The budget proposed for 2016/17 would leave general unallocated balances at the end of the year at or slightly above the minimum level recommended by the Chief Finance Officer. It should be noted that Brent's level of balances, as a proportion of budget requirement, is currently one of the lowest in London.

10.6. The list of current earmarked reserves and provisions, in accordance with Part A of the Council's Scheme of Transfers and Virements, is set out in Appendix N.

11. LEGAL IMPLICATIONS

11.1. These are set out in Appendix M.

12. STAFFING IMPLICATIONS

12.1. The impact of the budget proposals is outlined in Appendix D(ii) and D(iii). Of the proposals identified within this appendix there are a number where there will be a significant impact on staffing and potentially in excess of twenty staff subject to redundancy. In instances where individual restructurings are likely to bring about redundancies in excess of twenty it is necessary for Cabinet to approve them. The following are highlighted as having the most significant impact on staffing. In agreeing these proposals Cabinet is meeting its obligations to approve individual restructurings which may result in excess of twenty redundancies.

Three savings from the 2015/16 budget in Appendix D(ii) that risked twenty or more redundancies are now complete, or expected to be complete by the end of the current financial year:

- F&IT2&5 Finance Reorganisation
- HR1 Reconfiguration of Human Resources
- HR2 Reorganisation of BIBS

One saving from the 2015/16 budget in Appendix D(ii) that may result in twenty or more redundancies in 2016/17 is:

- CYP3 Youth Services

Three savings new to the 2016/17 budget proposal detailed in Appendix D(ii) may result in twenty or more redundancies.

- DOE002a Transformation of the design and delivery of early help
- DOE003 Review Community Services Division
- DOE004 Review all Support Services

12.2. The Council will apply its Managing Change Policy and Procedure in the application of all restructuring arrangements which have an impact on staff, consulting with staff and trade union representatives accordingly.

13. The Council's Revenue Budget and calculation of council tax

13.1. If the proposals outlined above and detailed in the appendices are adopted, then the council's revenue budget would be as set out below:

	2015/16	2016 /17	2017/18	2018/19
	£'m	£'m	£'m	£'m
Service Budgets	235.7	215.6	219.2	223.0
Central Items	42.0	42.5	43.5	44.8
Centrally held government grants	(28.3)	(29.1)	(28.6)	(27.9)
Growth and inflation	0.6	10.5	21.0	31.5
Community Access Strategy	0.0	(1.5)	(1.5)	(1.5)
Contingency and social value	0.0	2.5	2.5	2.5
Cumulative Savings agreed Budget 2015/16	Included in above numbers	Included in above numbers	(4.3)	(5.9)
Cumulative Savings proposed this budget	n/a	Included in above numbers	(9.5)	(18.8)
Cumulative Unidentified Savings	0.0	0.0	(8.7)	(16.4)
Net Expenditure Budget	**250.0**	**240.5**	**233.6**	**231.3**
Funded by:				

Revenue Support Grant	69.9	56.0	42.7	33.7
Business Rates - Retained Income	34.0	34.9	36.1	37.2
Business Rates - Top Up	48.3	48.8	49.7	50.7
Council Tax	87.7	98.3	102.9	107.7
Collection Fund Surplus	3.9	2.5	2.2	2.0
New Homes Bonus & Council Tax freeze grant	6.2	0.0	0.0	0.0
Net Income Budget	**250.0**	**240.5**	**233.6**	**231.3**
Total Budget	**0.0**	**0.0**	**0.0**	**0.0**

13.2. As can be clearly seen from the above table, these proposals result in a balanced budget with expenditure balanced by income. Between 2017/18 and 2018/19 there is another £16.4m to find.

Calculating the Council Tax Level

13.3. The calculation of the council tax for Brent services is set out in the table below. The calculation involves deducting core government grants and retained business rates from Brent's budget, deducting the surplus on the Collection Fund, and dividing by the tax base.

Calculation of Brent's Council Tax for 2016/17

	£m
Proposed Brent budget	240.483
Less Revenue Support Grant	(56.000)
Less Retained Business Rates (net of appeals provision)	(34.942)
Less Business Rates Top up	(48.748)
Less Net Surplus on Collection Fund	(2.503)
Total to be met from Council Tax for Brent Budget	**98.290**

Tax Base (Adjusted Band D equivalents)	**89,254**
Band D Council Tax (£)	**£1,101.24**

Greater London Authority (GLA)

13.4. Each financial year, the Mayor and London Assembly must prepare and approve a budget for each of the constituent bodies and a consolidated budget for the authority as a whole.

13.5. The Mayor's initial budget is based on a precept at Band D is £276.00 for 2016/17. This represents a reduction of £19.00 or 6.4%. These figures are subject to final confirmation, of this reduction£12 is a result of the reduction in the Olympic precept, £3 is due to an increase in Band D properties in London, and the remaining £4 is due to a variety of other factors.

Setting the Tax

13.6. The council is required to make certain calculations under sections 30, 33, 34 and 36 of the Local Government Finance Act 1992. These calculations are:

- The basic amount of council tax for both Brent Council and the GLA;
- The basic amount of council tax for each valuation band for both Brent and the GLA;
- The aggregate amount of council tax for each valuation band, which includes the basic amount for Brent and the GLA.

13.7. In accordance with these requirements, Members are asked to agree the calculations set out in the recommendations.

13.8. Any amendments agreed to the budget will require a recalculation to be undertaken.

14. The capital programme and investment strategy

Introduction

14.1. The council has historically managed its capital programme largely by rolling forward allocations from one year to the next. For some major corporate schemes, such as the building of the civic centre, the school building programme and the South Kilburn regeneration programme a longer-term and more wholistic approach has been adopted, but even in these cases the links to the wider budget strategy have not been drawn as closely as they might have been.

14.2. This is by no means an unusual situation for a local authority, and the approach has clearly been successful in delivering agreed key corporate outcomes. Since 2013 the council's focus has, rightly, been on addressing the pressures within the revenue budget arising from the significant reductions in government funding. This strategic approach has yielded results. The council is now in the position of being able to set its revenue budget for 2016/17 largely on the basis of proposals that were consulted on and agreed in March 2015. This report does not bring forward sufficient proposals to balance, if agreed, the revenue budget for 2017/18 and 2018/19. However, it does set out proposals that, if agreed, would very significantly reduce the budget gap for those years.

14.3. From this strong revenue position it is now appropriate that the council should consider how to leverage the value from its strong balance sheet and, where necessary, utilise borrowing powers, in order to effect further transformative change to the fabric of the borough, the nature of services provided and to the overall financial position.

The 2015/16 Capital Programme

14.4. The council is not alone in having challenges to meet in delivery of its capital programme. At the start of 2015/16, the capital programme budget was £199.0m, but the latest forecasts are that actual spend in the year for these items will only be £103.6m. In order to reduce problems with slippage in the future, £66.2m has been rephased into 2017/18, with only £29.2m rephased into next year, 2016/17. In some cases capital programmes can be delayed due to practical 'on the ground' issues, but experience at other organisations shows that overly optimistic programmes can also be a concern. Better planning and then delivery of capital spend will be essential to match borrowing and treasury management activity to expenditure, in order to optimise the use of any temporary cash balances.

14.5. Details of the main areas of slippage are:

- School Expansion Schemes have been re-profiled into future years to reflect revised completion dates for the Phase Three Primary schemes which have been delayed through the design stage. Future expansions as per the School Place Planning Strategy have also been included. Any further delays to these schemes risk children being accommodated in temporary places rather than permanent places in the borough's schools.

  The South Kilburn Regeneration programme has slipped behind schedule in 2015/16. There is a masterplan review of South Kilburn Regeneration; this means it is being fundamentally reviewed to determine how best to deliver the programme and realise benefits of regeneration for South Kilburn and for its businesses and residents. This review will reconsider the fundamental approach, including whether it is better for the council to retain the South Kilburn Housing Assets, or continue to dispose of them.

- The HRA Major Repairs & Improvements budget is expected to underspend significantly, this is due to delays in stock investment works on site.

- There has been some slippage in the first phase of HRA-funded new-build development, but the schemes within the programme, which is supported by GLA grant will substantially be starting on site in 2016/17. A second phase of development is also planned for completion by March 2018 and it is expected that this phase will also be supported by GLA grant. A programme of acquisitions part-funded by right to buy replacement receipts, supported by HRA borrowing has been agreed by Cabinet and the first acquisitions are expected to be made in 15/16 with further acquisitions in the first half of 16/17. If these do not proceed as planned there is a risk that some of the right to buy replacement receipts will be payable to Government.

14.6. The table below shows the 2015/16 forecast against budget.

Service Area	2015/16 Revised Budget £m	2015/16 Forecast Outturn £m	Forecast Variance £m
Adult Services	2.2	0.0	(2.2)
Children and Young People	0.2	0.2	0.0
Chief Operating Officer			
Communications	0.5	0.5	0.0
Culture & Heritage	2.4	2.1	(0.3)
Recycling & Waste/Public Realm	0.2	0.0	(0.2)
Parking & Street Lighting	0.0	1.6	1.6
Transportation - General Fund	4.5	4.6	0.1
Transportation - TfL	3.8	5.8	2.0
Regeneration & Growth			
Regulatory Services	0.1	0.3	0.2
School Expansion Schemes	71.9	21.6	(50.2)
South Kilburn Regeneration	24.4	6.6	(17.8)
Private Housing	5.9	4.9	(1.0)
New Accommodation for Independent Living	5.3	0.2	(5.1)
The Library at Willesden Green	9.7	9.7	0.0
Schools (Non Expansions)	6.1	3.5	(2.6)

Strategic Property	5.2	3.6	(1.6)
Affordable Housing	1.5	0.5	(1.0)
Facilities Management	1.7	0.9	(0.8)
Planning, Landscaping and Major Projects	1.6	1.8	0.2
Regeneration & Growth (HRA)			
Affordable Housing	7.1	3.8	(3.4)
Major Repairs & Improvements	44.7	30.2	(14.6)
Total	**199.0**	**102.2**	**(96.8)**

14.7. Given that the council is now using its capital programme in innovative ways to reduce revenue costs, and help maintain and improve council services, the financial risks to the council of slippage are increasing. This is because more programme are self-financing; this means that they deliver more savings to the council than the cost of financing them. These savings from self-financing schemes help balance the revenue budget without cutting services. This is in contrast to the past, where typically slippage on capital reduced revenue expenditure on capital financing costs as less money had to be borrowed, without any additional costs. To give a specific example, if the New Accommodation for Independent Living scheme slips, then savings on Adult Social Care will be delayed, and the savings exceed the capital financing cost of the project, so a significant delay would increase revenue expenditure.

The 2016/17 to 2019/20 Capital Programme

14.8. The table below summarises the capital programme as agreed in March 2015, including monies carried forward from the previous year. It then sets out:

a) Those cases where the timing of the practical delivery of schemes is now expected to be different to that anticipated when the budget was set, and hence also shows the re-profiling of the capital programme required to reflect this. By definition these changes do not alter the total amount of capital allocated, merely the timing of anticipated delivery.

b) Those cases where a longer-term approach to the planning of existing schemes can now be accommodated in the programme as a result of detailed work. These items will reflect additional total planned capital expenditure to that formally budgeted for in March 2015, but no net increase in planned expenditure funded by taxpayers. This is because the expenditure is matched by additional anticipated resources by HRA, savings in expenditure, or from external sources, such as grants or private developers (see below). These items are, in effect, a formal extension of existing assumptions about schemes into the capital programme rather than proposed changes to policy. These budgets align future years of the capital programme with the project proposals already reviewed by Cabinet. These are:

- £18.6m for Primary and Secondary school expansion, in the previous year's capital programme, not all the government allocated to school expansions had been included as the grant would be received/utilised after the end of the previous year's capital programme. This capital programme shows this funds, these funds have previously been reported to Cabinet on 16 November 2015.
- £1.2m for Contingencies on the Primary and Secondary school expansion, this is also funded by additional basic need grant not previously included in the capital programme
- £1.6m for New Accommodation for Independent Living, this will be financed from the future income stream generated by the new accommodation.
- £94.1m for the HRA covering both works to the current HRA housing stock, and additional affordable housing. This is funded by resources from within the HRA and will have no impact on council tax.
- £2m for works funded by Transport for London
- £3.8m for section 106 allocations in 2016-17

c) Those cases where budget has not been allocated to specific capital schemes have been removed from the capital programme, principally this is to enhance control by both officers and members of how capital programme monies are utilised. The vast majority of this line (£19.4m) relates to school expansion schemes, where options are being explored for how best to utilize the available grant funding. £5.4m is unallocated section 106 funding. The remainder is various reductions in smaller programmes. Other specific schemes will be financed as they are brought forward. To enhance control of the capital programme by both officers and members, in future specific schemes will be reviewed in detail by a Capital Investment Panel, consisting of senior officers, before review by Cabinet.

d) Those cases where, since March 2015, Cabinet has authorised additional expenditure through specific decisions, which now needs to be formally reflected into the capital programme.

e) This brings the capital programme up to date. A series of further proposals are then set out for consideration. These reflect the work done at officer level through the capital investment panel to identify urgent needs to be addressed or important capital projects to help deliver revenue savings built into the budget proposals. These are:

- Three new self-financing schemes are proposed, and either be financed from savings on revenue expenditure, or future capital receipts. By reducing the council's costs these are planned to help the council to maintain its services despite pressures on the revenue budget:

    - A new element of the NAIL scheme to help control Adult Social Care costs budgeted at £3.5m

    - £1.3m for advance acquisitions for South Kilburn Regeneration

    - Feasibility work of £0.4m on two schemes to control the council's revenue costs:

        - London Road Temporary Accommodation, and

        - Knowles House Combined Temporary Accommodation & NAIL Scheme

- To invest £0.2m of existing capital resources to address three sets of urgent problems:

    - works on the council's allotments, as a prelude to wider work to identify the best way to optimise the use of this important community asset in the future;

    - to deliver required condition works to footpaths in the Wembley area; and

    - to introduce traffic calming measures around the vicinity of the Ace Café to address dangerous driving and anti-social behaviour issues.

  Whilst costing £0.2m, these last three items have zero net impact on the council's capital programme as they are funded from existing budget that was not allocated to specific schemes.

14.9. Existing budget elements in the capital programme for contingencies and staffing costs have been moved to a separate line. This serves two purposes: first, to separate external costs, e.g. building construction from internal costs, and second to more clearly show when a programme line utilises contingency funding. As shown in Appendix J(i) this has zero net impact on the budget.

14.10. A summary of the changes to the capital programme is below. Appendix J(i) details these changes and the capital programme in full.

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Original budget - March 2015	**179.8**	**74.4**	**0.0**	**0.0**	**0.0**	**254.2**
Carry Forward from 2014/15	19.2	0.0	0.0	0.0	0.0	19.2
Amended Original Budget	**199.0**	**74.4**	**0.0**	**0.0**	**0.0**	**273.4**
a) Re-Phasing Adjustments:						
General Fund	(77.5)	11.3	66.2	0.0	0.0	0.0
HRA	(17.9)	17.9	0.0	0.0	0.0	0.0
Re-Phased Amended Original Budget	**103.6**	**103.6**	**66.2**	**0.0**	**0.0**	**273.4**
b) Ongoing Programmes of Work not included in previous budget forecast:	2.0	54.6	43.3	16.0	5.4	121.3
c) Reduced Requirement for Budgetary Provision	(6.4)	(5.8)	(14.9)	0.0	0.0	(27.1)
d) Additional Schemes Approved by Cabinet	2.5	7.0	4.1	4.1	0.0	9.5
e) Additional Schemes Not Previously Agreed by Cabinet	0.5	3.4	1.3	0.0	0.0	5.2
Revised Budget March 2016	**102.2**	**162.8**	**100.0**	**20.1**	**5.4**	**390.5**

Full details of these movements is shown in Appendix J(i).

Future investment strategy

14.11. Capital investment can be financed in a variety of ways. For the council the main sources are government grants, other external contributions, s106 and CIL receipts and council contributions, whether by way of borrowing or direct revenue contributions.

14.12. To date the council has relied extensively on debt financing – borrowing – to fund its capital programme. This has ensured that assets have, on the whole, been maintained in their existing condition, but it has not been a strategic approach and continuing it indefinitely would give rise to issues of affordability in the longer-term. This is because the borrowing has not been linked to specific service or financial targets, with the result that the council's debt financing costs have been gradually edging upwards, without compensating savings specifically linked to the investment.

14.13. It is for this reason that officers and Members have begun developing an investment strategy which will be designed to integrate the revenue and capital budget and to address major service and financial pressures. It is intended to bring this for approval in the early part of the 2016/17 financial year.

14.14. Given the extraordinary pressures faced by the council it may well be appropriate that this investment strategy proposes entering into very significant new borrowing sums. As one simple illustration of this, it is well known that the council, in common with most other London boroughs, faces extraordinary housing pressures and associated costs. Investing in new housing stock, whether in the borough or outside, might be one feasible way of addressing the need whilst cutting costs, in an extremely challenging scenario where the operation of market forces is simply pricing many families out of the borough. Self-evidently, given property prices in the borough and in surrounding areas, any investment to address housing need would need to be measured in at least the tens of millions, very possibly more, in order to have any material impact.

14.15. The emerging investment strategy will need to consider housing need and a range of other pressures arising from a lack of previous capital investment. Roads and highways will be one area requiring significant focus, as will many other areas of the council's budget. It would not be appropriate to set a budget at this point in time that did not recognise the pressing need to address these concerns, but equally it is not yet possible to specify the precise content of the investment strategy which is in development.

14.16. Any borrowing entered into must meet the tests set out in the CIPFA Prudential Code, specifically that they are prudent, affordable and sustainable. This will require detailed scrutiny of business cases to ensure that they cover all material risks and opportunities, to ensure that any borrowing that is ultimately entered into is only done when officers and Members are satisfied that appropriate provision has been made to ensure that the interest costs can be serviced and the principal ultimately repaid.

14.17. Appendix L sets out the council's prudential indicators. It is important to stress that the authorised limit – the maximum amount that the council may borrow – has for a number of years been set some £300m above the level of actual borrowing. This merely follows from the strength of the council's balance sheet, as it is a calculation largely prescribed by statute and regulation. There are options that the council could choose to exercise to extend this limit within regulation, although it is not proposed to exercise any of these by way of this report.

14.18. However, in order to facilitate delivery of the investment strategy, once approved, it is proposed to establish an enabling provision of £150m at this stage for delivery. No commitments will be entered into against this provision without explicit authority from subsequent Cabinet meetings. The purpose of establishing the enabling provision is merely to ensure that the budget and policy framework entered into reflects the developing policy agenda

15. BACKGROUND INFORMATION

Budget Strategy and Financing Update – Report to Cabinet on 19 October 2015

First Reading debate on the Budget – Report to Council on 23 November 2015.

Budget 2015/16 and 2016/17 – Report to Cabinet on 15 December 2014

Collection Fund Report – Report to Cabinet on 14 December 2015.

Calculation of Council Tax Base 2016/17 – Reports to General Purposes on 25 January 2016.

Schools Funding Formula 2016-17 – Provisional– Report to Schools Forum on 21 October 2015

2016-17 Schools Funding Update – Report to Schools Forum on 14 January 2016

Housing Revenue Account Budget Report 2016/17 – Report to Cabinet on 8 February 2016.

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