



Cabinet
13 February 2017

Report of the Chief Finance Officer

Wards affected:
ALL

Budget and Council Tax 2017/18 to 2019/20

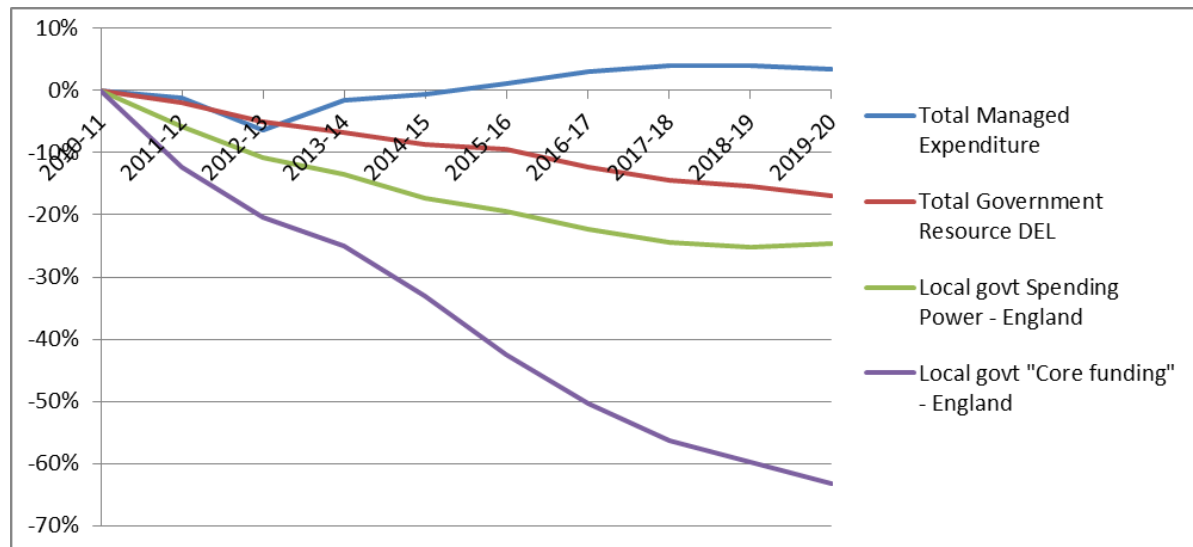
1 Introduction

Strategic overview

- 1.1 The council takes a long-term and strategic approach to its corporate and financial planning, linking the Borough Plan and Brent 2020 Vision to the budget decisions set out by way of this report. 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 In the past two years, central government's approach to local authority funding has changed. Prior to this, the strong policy emphasis had been to encourage councils to freeze council tax and make savings from expenditure budgets as funding from central government was cut. As part of the local government finance settlement for 2016/17, central government removed the financial incentive for councils to freeze council tax. Further, as serious pressures on local government finance caused by demand for adult social care had been identified, central government agreed to a proposal from local government leaders to allow an additional 2% increase in council tax to fund adult social care, making the overall increase allowable without a referendum 3.99%. The local government funding formulae were constructed on the basis that local authorities would increase council tax.

- 1.3 In setting the 2016/17 budget, the council decided to raise council tax by this maximum of 3.99%, raising £3.8m, and so avoiding £3.8m in cuts to council services. However, increases in council tax alone are not enough to finance the growing pressures on the council to deliver more services. Councils must agree a balanced budget, so to close the gap left after the council tax increase a savings of £24.7m were agreed in February 2016 for the 2017/18 and 2018/19 financial years. The cornerstone of the approach adopted in 2016/17 was to focus on civic enterprise and procurement, seeking to achieve greater value from existing assets and contracts before reducing service specifications and standards. These were planned to achieve savings, in 2017/18 and 2018/19 as follows:
- civic enterprise – a work stream to make the council more entrepreneurial, and generate income of £5.6m; and
 - procurement – a work stream to deliver savings of £8m by improving commissioning and procurement of services.
- The budget set in February 2016 closed but did not eliminate the gap for 2017/18 and 2018/19.
- 1.4 In October 2016, Cabinet agreed to consult on a 3.99% increase in Council Tax (2% Adult Social Care precept plus 1.99% for general purpose). Some additional savings of £4.4m were also consulted upon. Following that, in December 2016, as part of the provisional local government finance settlement, central government recognised the immediate pressures in the care market. It has therefore allowed local authorities to bring forward up to 2% of the precept for 2019/20, by increasing 2017/18 and 2018/19 council tax by an additional 1%, in return for a corresponding reduction in the precept for 2019/20. Brent could therefore increase Council Tax by up to 4.99% in each of 2017/18 and 2018/19, but if it exercised this flexibility then the maximum allowable increase in 2019/20 would be 1.99%.
- 1.5 After due consideration the recommendation of this report is that the budget should be constructed on the basis of a council tax increase of 3.99% in each of the next three years. This is what was consulted upon and so is clearer for residents. The additional flexibility announced in December 2016 is also of relatively minor financial benefit to the council, and has negligible long term impact from 2019/20 onwards. By increasing the council tax in this way the impact of stark and ongoing reductions to local government funding since 2010 will be partly mitigated.

Chart 1 – Cumulative like-for-like reduction in public spending measures 2010-11 to 2019-20



Source: HMT, Budgets and Autumn Statements since 2011; DCLG, LGF Settlements 2011-12 to 2017-18
NB DEL is "Departmental Expenditure Limits", and excludes key demand led spend such as welfare, tax credits and public sector pensions.

- 1.6 The fact that the Treasury expects local government spending power to fall much more slowly between 2016/17 and 2019/20 than between 2010/11 and 2015/16 demonstrates that government assumes, as part of its economic and financial forecasting, that most councils will tend to increase council tax. Officers understand that most councils in London are considering council tax rises.
- 1.7 A 3.99% increase in council tax would require a resident in a band D property to pay £43.92 per year more or about £0.84 per week. For those in receipt of council tax support, these figures would typically be reduced by about 80%, i.e. to £8.78 per year, or £0.17 per week.
- 1.8 Demographic change in Brent continues to drive costs. The Office for National Statistics projects that from 2017 to 2020 the number of over 65s in Brent will grow by over 8%; and the number of under 15s by 3.5%. This is much faster than the population as a whole, which is nonetheless forecast to grow by 3.2%. The proposed increase in Council Tax will help to offset these pressures, but nonetheless officers estimate that by 2020 over half of the council's budget will be spent on social care.
- 1.9 Although demography, in this context, is typically discussed as a cost pressure it also results in additional income. As a consequence of this, and of the planning and regeneration policies adopted by the council, the council tax base (i.e. the number of properties on which council tax is paid) is growing significantly year on year. This increases the council tax payable to the council, and helps the council finance the various pressures caused by population growth.
- 1.10 The council is required to balance its budget in this year as in all years. In order to balance its budget the council has developed an approach that will help it meet the goals of the Borough Plan and Brent 2020 Vision, comprising:

- Increases in council tax to minimise the requirement to reduce services;
- Innovative capital investment to reduce costs in key services, such as temporary accommodation;
- Planning for growth in services facing major demographic pressure for example adult social care; and
- Investing in key services for the Brent community, e.g. community safety.

1.11 This report is structured as follows:

- Recommendations for cabinet and full council to approve
- Summary of the process to develop the budget
- The forecasts against the current year's (2016/17) revenue budgets are summarised, in order to ground the later issues in practical concerns;
- Changes to the future revenue position, based on the provisional local government finance settlement, which was released after the last Cabinet report on the subject;
- The results of consultation, equalities and staffing analyses and other relevant factors are set out; and
- Finally, the report then turns to the capital programme, the emerging investment strategy and to the associated prudential borrowing indicators and treasury management measures.

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

- Brent's council tax charges are increased by 3.99% from their 2016/17 level.
- Further savings of £4.4m are proposed, split between £2.3m in 2017/18, and £2.1m in 2018/19.

2 Recommendations

Cabinet

- 2.1 Agree to recommend to full council 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 Note 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 £2.1m in 2017/18 from the levels proposed in this paper.
- 2.3 Agree to recommend to full council the General Fund revenue budget for 2017/18, as summarised in Appendix A.
- 2.4 Note the cost pressures, technical adjustments and savings detailed in Appendix B.
- 2.5 Note the dedicated schools' grant as set out in section 7.
- 2.6 Agree the pension fund contribution rates of 32.5%, 33.8% and 35.0% for 2017/18, 2018/19 and 2019/20 respectively.

- 2.7 Note the report from the Budget Scrutiny Panel in Appendix C.
- 2.8 Agree to recommend to full council the capital programme as set out in Appendix D.
- 2.9 Agree to recommend to full council the Treasury Management Strategy and the Annual Investment Strategy for 2017/18 set out in Appendix E.
- 2.10 Note the Prudential Indicators measuring affordability, capital spending, external debt and treasury management set out in Appendix F.
- 2.11 Note the advice of the Chief Legal Officer as set out in Appendix G.
- 2.12 Note the categorisation of Earmarked Reserves and Provisions set out in Appendix H.
- 2.13 Agree, and where relevant agree to recommend to full council, the schedules of fees and charges set out at Appendix I, and the proposed new fees and charges policy in Appendix J, including the officer delegated powers to which it refers.
- 2.14 Note the results of consultation as set out in section 9 and detailed in Appendix K.

Full Council

- 2.15 Agree an overall 3.99% increase in the Council's element of council tax for 2017/18 with 2% as a precept for Adult Social Care and a 1.99% general increase.
- 2.16 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 £2.1m in 2017/18 from the levels proposed in this paper.
- 2.17 Agree the General Fund revenue budget for 2017/18, as summarised in Appendix A.
- 2.18 Agree the cost pressures, technical adjustments and savings detailed in Appendix B
- 2.19 Agree the dedicated schools' grant as set out in section 7.
- 2.20 Agree the pension fund contribution rates of 32.5%, 33.8% and 35.0% for 2017/18, 2018/19 and 2019/20 respectively.
- 2.21 Note the report from the Budget Scrutiny Panel in Appendix C
- 2.22 Agree the capital programme as set out in Appendix D.

- 2.23 Agree the Treasury Management Strategy and the Annual Investment Strategy for 2017/18 set out in Appendix E.
- 2.24 Agree the Prudential Indicators measuring affordability, capital spending, external debt and treasury management set out in Appendix F.
- 2.25 Note the advice of the Chief Legal Officer as set out in Appendix G.
- 2.26 Agree the categorisation of Earmarked Reserves and Provisions set out in Appendix H.
- 2.27 Agree the schedules of fees and charges to be set by council set out at Appendix I and the proposed new fees and charges policy at Appendix J, including the officer delegated powers to which it refers.
- 2.28 Note the results of consultation as set out in section 9 and detailed in Appendix K.

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.

- 2.29 In relation to the council tax for 2017/18 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) £981,517,657 being the aggregate of the amount that the Council estimates for the items set out in Section 31A(2) of the Act.
- (b) £874,652,471 being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(3) of the Act.
- (c) £106,865,186 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) £1,145.16 being the amount at (c) above, divided by the amount for the taxbase of 93,319, agreed by the General Purposes Committee on the 8th Dec 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
£	£	£	£	£	£	£	£
763.44	890.68	1,017.92	1,145.16	1,399.64	1,654.12	1,908.60	2,290.32

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.

- 2.30 That it be noted that for the year 2017/18 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
£	£	£	£	£	£	£	£
186.68	217.79	248.91	280.02	342.25	404.47	466.70	560.04

- 2.31 That, having calculated the aggregate in each case of the amounts at paragraph 2.29(e) and 2.30, 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 2017/18 for each of the categories of dwellings shown below:

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
950.12	1,108.47	1,266.83	1,425.18	1,741.89	2,058.59	2,375.30	2,850.36

That it be noted that the Chief Finance Officer has determined that the Council's basic amount of Council Tax for 2017/18 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.

2.32 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 2.30, but only insofar as to reflect the GLA decision, and to make consequential, but no other, amendments to the amounts at 2.31.

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 September 2016;
 - 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 publication of a detailed list of savings proposals at Cabinet in October 2016 for consultation purposes;
 - Debates through the Budget Scrutiny Panel of the Scrutiny Committee;
 - Review of the schools budgets by schools forum;
 - Presentations and question and answer sessions at each Brent Connects meeting, and three pop up consultations;

- 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 The table below show the council's current revenue budget and forecasts. Overall, the council is expected to underspend slightly on the General Fund.

Department	Expenditure	Income	Net budget	Forecast spend	Variance
	£m	£m	£m	£m	£m
Children & Young People	67.4	26.6	40.8	43.6	2.8
Community Wellbeing	196.6	75.1	121.5	124.6	3.1
Regeneration & Environment	72.0	38.4	33.6	29.9	(3.7)
Resources	50.2	16.6	33.6	35.4	1.8
PPP	11.4	0.8	10.6	10.6	0.0
Corporate financing	45.8	40.0	5.8	1.3	(4.5)
Total (General fund)	443.4	197.5	245.9	245.4	(0.5)
DSG funded activity	206.3	206.3	0.0	(0.9)	(0.9)
HRA funded activity	53.0	53.0	0.0	(3.1)	(3.1)
Overall position	702.7	456.8	245.9	241.4	(4.5)

Children and Young People

- 4.2 The department is forecasting an overspend of £2.8m for 2017/18 made up of overspends on Social Care placements of children (£2.2m) including unaccompanied asylum seeking children (UASC), the additional cost of filling vacant social work posts with agency staff (£0.8m) and the number of intentionally homeless referrals (£0.3m) offset by underspends in other areas of the department (£0.5m). Addressing these in 2017/18 will involve continuing to manage the mix of Social Care placements, developing the recruitment strategy to recruit and retain more permanent social work staff and the integrated housing and children's services team delivering cost reductions relating to intentionally homeless families. Once the UASC dispersal programme begins to operate nationally as expected, some mitigation of UASC costs will be realized.

Community Well Being

- 4.3 The main issue in setting the 2017/18 budget is that a combination of higher levels of need and a sharp increase in the number of clients receiving community based packages has led to an unmitigated pressure of £1m. This is planned to be addressed in 2017/18 by continuing to manage down demand for social care so that the planned growth funding for 2017/18 is sufficient to accommodate the increase in client numbers in 2016/17. The remainder of the variance is that some of the savings planned for 16/17 were delayed resulting in an overspend of £2.6m, offsetting these the implementation of the temporary accommodation reform plan resulted in a one off underspend of £0.5m.

Resources

- 4.4 Of the items causing the £1.8m overspend in Resources in 2016/17, all items are currently on track to be delivered by 2017/18, except the Legal overspend of £1m. This reflects demand for legal services so if demand cannot be managed down then greater risks would need to be accepted due to less legal advice on key issues or more funding would need to be allocated. The latter option would need to be balanced by additional savings. A staffing restructure has taken place and reduces pressure into 2017/18 to £0.7m.

Regeneration and Environment

- 4.5 During the period July to September 2016 the department carried out a forensic review of all significant budget headings. The consequence is that the department is able to forecast a significant in-year underspend of approx. £3.7m. This exercise was extremely effective as a budget management tool. However, in a number of cases the savings identified were ones planned to be delivered in 2017/18, with for example posts being held vacant in anticipation of budgeted staffing restructures. As a result of these and similar actions a substantial in year underspend was generated, without which the council would be facing an overall overspend in 2016/17. The strategic consequence is that the department is not, subject to all the usual forecasting uncertainties, at risk of overspending in 2017/18, and will be able to ensure that strategic priorities such as bolstering the planning service and developing a town centre management service can be met.

Conclusion

- 4.6 There are some budget pressures within 2016/17 that are potentially structural as may continue into 2017/18 if the issues causing them are not addressed. There are steps planned to address the structural overspend within Children and Young People, but some of this depends on the implementation of the dispersal programme for unaccompanied asylum seeking children, and is therefore outside the council's control. Similarly, there are plans to address the structural overspend of £1m in Community Well Being, and plans are being developed to address the pressures of £0.7m on legal spend.

- 4.7 Assuming that the plans to address the overspends in Children and Young People and Community Well Being work, and structural overspends in these areas are eliminated in 2017/18, then the major risk outstanding is addressing the legal overspend. If in 2017/18 the legal overspend continues, then this cost could be absorbed for one year as part of the contingency budget whilst plans are developed and implemented. However, there is not enough contingency to absorb all three structural overspends discussed in the paragraph. Given the relative scale of the structural overspend in Children and Young People, addressing this structural overspend is critical to delivering services within budget in 2017/18.

5 Future Revenue Funding Position

Changes to financing assumptions since October

- 5.1 The provisional local government finance settlement was announced on 15 December 2016. The report to Cabinet for 24 October 2016 was based on estimates of what would be proposed within the settlement, and it is therefore necessary to update these assumptions in setting the final budget. The following table and section summarises these changes.

Cumulative change between October and January budget models	2017/18 £m	2018/19 £m	2019/20 £m
Additional Savings required in October 2016 (Negative number means more savings proposed than required)	(0.1)	(0.9)	11.8
Better			
Education Services	(0.8)	0.0	0.0
ASC Support Grant	(1.3)	0.0	0.0
NDR & NDR top up	(0.3)	(0.9)	(1.7)
Pension fund	(0.5)	(0.2)	(0.3)
Worse			
Business Rates growth for Brent owned properties	0.6	0.8	0.8
CF surplus	0.0	0.5	1.0
West London Waste	0.8	1.1	1.1
Demand assumptions	0.5	0.0	0.0
Reserve movements			
Transfer to earmarked reserves	1.0		
Transfer from earmarked reserves		(1.0)	
Total change in financial position for year	0.0	0.2	0.9
Additional Savings required in Budget Proposals (Negative number means more savings proposed than required)	(0.1)	(0.7)	12.7

Better

- 5.2 The following changes in isolation would improve the council's financial position:
- 5.3 The provisional settlement included a transitional provision for the phasing out of the Education Services Grant. In the October cabinet report it had been assumed that this would be phased out entirely in 2017/18. The effect is that there will be previously unforeseen grant income of £0.8m in 2017/18, and this will be the final year for this grant.
- 5.4 To help councils with the pressures on Adult Social Care, an additional grant is being provided in 2017/18 based on relative need. London Councils anticipate that Brent's share will be £1.3m, and understand that this grant will only be paid in 2017/18. This is being funded by a reduction in the New Homes Bonus paid to councils, the impact on Brent of this is £1.7m in 2017/18 and £3.4m in 2018/19, which reduces monies available for capital financing. In the round, Brent is therefore a net loser. Neither of these proposals could have reasonably been forecast in October.
- 5.5 The provisional local government settlement followed the announcement of the business rates revaluation on 28 September 2016. As a result of the revaluation, Brent's combined figures for expected business rates income plus top up are £0.3m higher in 2017/18, £0.9m higher in 2018/19 and £1.7m higher in 2019/20 than previously forecast. However this is partially offset by the additional business rates Brent will have to pay on those properties it owns itself, as set out in paragraph 0 below.
- 5.6 This year is the triennial pension fund revaluation at which the council must set, based on proper professional advice from the fund actuary, the pension fund contribution rates necessary to achieve a 100% funding level in an appropriate period of time. At the last valuation, three years ago, the strategy had been to reach a fully funded level in 22 years. To be consistent and to maintain its fiduciary responsibilities to the fund, this 'deficit recovery period' should now be reduced to the remaining 19 years, which is what is recommended.
- 5.7 Although the actuarial valuation process is not yet complete it is sufficiently so to confirm reasonable figures for the purposes of the budget. The budget had been constructed on an assumption of additional costs of £0.5m p.a. in each of the three years 2017/18 to 2019/20, taking into account that although investment performance would exceed the previous actuarial expectations this would be counter-balanced by very low interest rates depressing gilts and hence the discount factor. The valuation process has largely confirmed these assumptions, resulting in proposed pension fund contribution rates of 32.5%, 33.8% and 35.0% in each year respectively. The actuary has confirmed that these rates are consistent with the council's long term strategy to reach a fully funded level in 19 years.
- 5.8 The necessary growth in pension fund contributions will be funded through a combination of £0.4m growth per year in the budget (this releases £0.1m/year) plus some use of reserve established for this purpose. In the first

year, the £0.4m is not needed and will be released for use in 2018/19 (see paragraph 0). This use of reserves is forecast to halve the current pension fund reserve over the next seven years. (As this use of reserves for the pension fund has no net impact on the council's savings requirements, it is not shown in the table above.)

Worse

- 5.9 The following changes in isolation would worsen the council's financial position:
- 5.10 The downside of result of the business rates revaluation is that the rates payable by the authority for the properties it occupies will increase by £0.6m in 2017/18, with a further increase of £0.2m in 2018/19. However, as set out above in paragraph 5.5, the council also benefited from the other side of this change.
- 5.11 The latest figures for council tax income and growth in the council tax base indicate that the available surplus will be slightly lower than previously forecast, and the planned use of council tax surplus has been reduced by £0.5m in 2018/19 and £1m in 2019/20 as a result.
- 5.12 There are additional charges from the West London Waste Authority, expected to total £0.8m in 2017/18 and a further £0.3m in 2018/19 across the pay as you throw levy and the fixed cost levy. This increase is due to a combination of population and business growth, inflation, and 2017/18 being the first year of the operation of the Severnside Energy Recovery Centre. One off savings on the Fixed Cost Levy were taken in 2016/17, and it had been expected based on communications from the West London Waste Authority that the Fixed Cost Levy would return to 2015/16 previous levels, not that there would be an increase. The costs for the pay as you throw levy had been assumed to be growing no faster than the population (1.1%/annum) in the budget proposals, but costs for 2017/18 and 2018/19 are now forecast to grow faster than this.
- 5.13 Assumptions about how quickly changes in population growth would increase income by increasing demand for chargeable services, such as parking permits, have changed, moving £0.5m of additional income, from 2017/18 to 2018/19. This makes the position for 2017/18 £0.5m worse, but has no long term impact.

Reserve movements

- 5.14 The changes above alter the timing of when savings can be made. The combined effect of the changes is to release £1m in 2017/18. It is proposed to transfer this £1m to an earmarked reserve to release in 2018/19 to offset the impact of the changes in assumptions in later years. This achieves a broadly neutral position, comparing the budget assumptions as they were set out in the autumn to those figures now confirmed. It illustrates the importance of the council holding reasonable and prudent levels of reserves in order to avoid

having to make sudden and substantial changes to its budget plans whenever any budget assumptions have to change.

Other Changes to estimates

- 5.15 The final figures for Public Health grant show that this was £0.5m lower in 2017/18 than previously forecast. Under current policy, expenditure on Public Health is directly linked to the level of grant, so this will have no overall impact on the requirement for savings, but will clearly reduce the total amount available to be spent on public health services.
- 5.16 In November, Cabinet approved entering into a Partnership Agreement with the Police for the MetPatrol Plus scheme, provided that the cost of this could be accommodated within the overall budget. The autumn budget report had anticipated additional costs to fund community safety services, and the £0.4m cost of this scheme is consistent with that assumption, and it has therefore been built into the overall budget estimates for these purposes.
- 5.17 A policy is being developed to address the introduction of the apprenticeship levy by central government. Approval for this policy will follow the council's normal decision making process. It is expected that any additional costs due to the apprenticeship levy can be met from within the proposed budgets by use of contingencies.

Overall impact and conclusion

- 5.18 Aside from the 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 some levying bodies and of some grants are still awaited, but are expected to be managed within the proposed budget. The precept for the GLA is due to be confirmed by the Greater London Assembly on 20 February 2017.

6 HRA Budget

- 6.1 The detailed HRA budget is set out in a separate report to the Cabinet on 13 February 2017. 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 is a total loss in income to the HRA over the next three years of over £1.4m. The separate report on this agenda sets out how this significant pressure is being managed.

7 Schools Revenue Budget

- 7.1 The Schools Budget is funded directly from a Dedicated Schools' Grant (DSG) which is ring-fenced and so does not impact directly the Council's overall budget requirement. Schools are also allowed to build reasonable levels of reserves which are also ring-fenced.
- 7.2 As at 31 March 2016, Brent's maintained schools held £24.8m in balances, a relatively high figure, prudently held in view of upcoming school funding reforms.
- 7.3 Overall DSG funding has increased for 2017/18 due to growing pupil numbers, however on a per pupil level it remains a cash flat settlement, with the main schools block funded on 41,879 pupils at £5,522 per pupil totaling £231.3m. The other blocks support early years provision, funded at £23.4m, and high needs provision which includes all special schools, funded at £52.7m. Total DSG funding for 2017/18 is £307.4m.
- 7.4 The mainstream schools funding formula is set in consultation with the schools forum. In early December 2016 the schools forum approved some slight increases to the pupil funding factor rates as a reaction to changes in how deprivation data is recorded by the Department for Education. This ensured that all available funding was allocated out to schools, and reduced the number in receipt of the minimum funding guarantee (MFG) when compared to the 2016/17 funding formula. The MFG ensures that mainstream schools are guaranteed to not lose more than 1.5% per pupil for pupils in years' reception to 11.
- 7.5 The fundamentals of the funding formula remain unchanged from the previous year, with the primary to secondary funding ratio remaining at the national average of 1:1.29. Changes to individual school allocations are therefore in line with changes in pupil numbers. A number of schools are expanding and as a result overall pupil numbers have increased by over 500 in Brent. The two secondary schools experiencing rapid growth of 58 and 116 pupils have gained £238K and £675K, whilst 26 primary schools experienced growth in pupil numbers with an average gain of £125K. Reductions in funding are also in line with decreasing pupil numbers, for example two secondary schools have significant drops of 25 and 54, which results in funding reductions of £260K and £441K respectively. In the primary phase, 30 schools had a fall in pupil numbers resulting in an average reduction of £44K.
- 7.6 The final funding formula was calculated during December and the schools forum recommended the schools budget as set by the funding formula at a meeting on the 18 January 2017.

- 7.7 The fundamentals of the funding formula remain unchanged from the previous year, with the primary to secondary funding ratio remaining at the national average of 1:1.29. The final funding formula was calculated during December 2016 and allocations are broadly cash flat with any individual school funding change the result of changing pupil numbers. The schools forum recommended the schools budget as set by the funding formula at a meeting on the 18 January 2017.

8 Equalities Implications

- 8.1 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, 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 on socio-economic groups.
- 8.2 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 analyses 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.
- 8.3 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 February 2016 Full Council agreed its budget for 2016/17, and also approved a number of other proposals to be built into the budget from 2017/18. These proposals went through a consultation and were subject to equality analyses (EAs).
- 8.4 The new saving proposals for 2017/18 to 2018/19 are set out in Appendix B. All saving proposals have been subject to the Council's EA screening process to assess their potential/likely impact on service users and employees with protected characteristics. Where the EA screening has identified a disproportionate negative impact with no reasonable mitigation, the proposals have been or will be subject to a full EA.
- 8.5 It should be noted that some of the proposals are in the early stages of development, and therefore services were not able to conduct full equality analyses at this stage. Where it was not possible to fully assess the impact

from individual proposals, these will be subject to separate Cabinet decisions informed by full EAs 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 Committees have reviewed these proposals through their budget panel and also the process through which they were developed. The panel's report is attached in full at Appendix C.
- 9.4 The council has consulted on the budget discussions with the Leader and deputy Leader at all the Brent Connects meetings, responses collected online and by post on the specific budget proposals. Three pop up events on the budget with the Leader and Deputy Leader were held during January 2016.

Summary of Issues Raised at Brent Connects events

- 9.5 Five consultation events were held between 12 January 2016 and 3 February 2016 at locations throughout the borough. The meetings had the following levels of attendance:

Date	Location	Attendance
11 January	Brent Connects Wembley	47
18 January	Brent Connects Harlesden	32
24 January	Brent Connects Kilburn	22
7 February	Brent Connects Willesden	TBC
8 February	Brent Connects Kingsbury & Kenton	TBC

The Leader of the Council delivered a presentation outlining the financial position and the difficult budget choices faced by the Council. The Leader and deputy Leader then took questions from the audience and provided answers, supported by senior officers where appropriate for matters of technical detail.

- 9.6 As consultation was not planned to finish until after dispatch of this paper, a supplementary paper will be published before 13 February summarising the responses, and covering responses and meetings after the dispatch of this paper.
- 9.7 At the date of writing, 57 people have responded to the online consultation. Their responses have varied considerably from person to person. Taking the council tax increase as an example, several people have expressed support for it, others have opposed any rise, a handful have proposed that council tax rises should be limited to just inflation and some have made no comment either way. It is important to note that some of the proposals made could not be legally implemented by the council as they would breach the council's obligations or the council lacks the legal powers necessary to implement some of the suggestions, such as new taxes. Overall, no clear themes emerge from the responses to the consultation.
- 9.8 All of these consultation responses are important. Members need to have regard to them, but are not obliged to follow the suggestions made, and members could not legally implement some of the suggestions made. It is relevant to note that the consultees are, statistically speaking, "self selecting" and therefore not necessarily reflective of opinion in the borough as a whole, nor are they necessarily statistically significant. On the other hand, the people who have responded have chosen to take the time to review the council's proposals and to contribute their thoughts, and often their views will be representative of the views of a much larger number of people.

10 The calculation of council tax

- 10.1 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 2017/18

	£m
Proposed Brent budget	267.7
Less Revenue Support Grant	(42.7)
Less Retained Business Rates (net of appeals provision)	(36.6)
Less Business Rates Top up	(49.5)
Less Collection Fund Surplus	(2.3)
Less Other Specific Grants	(29.7)
Total to be met from Council Tax for Brent Budget	106.9
Tax Base (Adjusted Band D equivalents)	93,319
Band D Council Tax (£)	£1,145.16

Greater London Authority (GLA)

- 10.2 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.
- 10.3 The Mayor's initial budget is based on a precept at Band D is £280.02 for 2017/18. This represents an increase of £4.02 or 1.5%. These figures are subject to final confirmation.

Setting the Tax

- 10.4 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.

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- 10.5 In accordance with these requirements, Members are asked to agree the calculations set out in the recommendations.
- 10.6 Any amendments agreed to the budget will require a recalculation to be undertaken.

11 The Capital Programme and Investment Strategy

Introduction

- 11.1 The investment strategy adopted in April 2016 was prepared to address a gap in the council's planning and resource allocation framework, so as to enable the development of a wider capital programme tailored to meet the council's emerging Brent 2020 aspirations. It replaced the council's historical approach to rolling forward capital budget allocations without linking them to strategic objectives.
- 11.2 The immediate focus of the investment strategy was to identify ways to generate reductions in operating expenditure, and it is likely that this will always remain a significant focus. The initial focus was on financing the temporary accommodation reform plan and establishing an investment company. This latter company - Investing 4 Brent - was approved by Cabinet in November 2016 and held its inaugural board meeting on 20 December 2016.
- 11.3 The Temporary Accommodation (TA) reform plan was approved by Cabinet in March 2016. It contains a number of measures to reduce reliance on and the costs of temporary accommodation. The principal link with the investment strategy is the acquisition of a private rented sector (PRS) portfolio. By doing this the council is able, through its investment company, to act as a responsible landlord and deliver housing at lower cost than the private sector does. The financial model is predicated on long-term appreciation in property prices and so is not without risk. That said, as the council can afford to be a long-term investor these risks are reasonable.

The 2016/17 Capital Programme

- 11.4 The capital programme for 2016/17 budget was £223.1m. The latest forecasts estimate that only £111.4m will be spent and so the balance has been rephased into 2017/18 or later years. Better planning and delivery of capital spend are essential to match borrowing and treasury management activity to expenditure, in order to optimise the use of any temporary cash balances.

11.5 The table below shows the 2016/17 forecast against budget.

Board	Budget £m	Forecast Outturn £m	Variance £m
Corporate Landlord	2.5	1.0	(1.5)
Estates Regeneration Board	3.7	2.5	(1.2)
Housing Investment Board	129.5	69.0	(60.5)
Schools Programme Board	47.4	15.7	(31.7)
South Kilburn Programme Board	17.3	9.9	(7.4)
Transport & Highways Board	22.7	13.3	(9.4)
Grand Total	223.1	111.4	(111.7)

11.6 Overall delivery has not matched expectations. In particular, unrealistic programming, project management delays in the Infill programme, contractual delays street lighting project and challenges with the main contractor in schools have caused the biggest variances. This is dealt with in great detail in the January Resources & Public Realm Scrutiny report. Therefore, it is interesting to note that broadly the Capital spend in 2016/17 has matched the overall spend in 2015/16, bar an upswing in the delivery of the social housing improvement project in the HRA.

11.7 A key impact of this under-delivery is that delays in the NAIL schemes will in turn delay the realisation of savings in the Adult Social Care budget. Reasons include planning delays, additional re-design work and lower level of bidder interest. On the NAIL schemes, officers have reviewed a range of accommodation options and there are recommendations in an accompanying paper to mitigate the shortfall in savings.

The 2017/18 to 2019/20 Capital Programme

11.8 The table below summarises the capital programme as agreed in March 2016, 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 additional grants can result in additional expenditure within the programme, and the financing and expenditure figures have been amended accordingly. An example of this is the £0.9m for works funded by Transport for London
- c) Those cases where, since March 2016, Cabinet has authorised additional expenditure through specific decisions, which now needs to be formally reflected into the capital programme. These schemes are

intended as self-financing, and have no requirement for additional net revenue expenditure. The capital financing has been updated to reflect these schemes. The schemes are:

- £50m extra in the PRS Acquisition Programme. Income generated from the additional housing units over the life of the assets will pay for the purchase costs and interest.
- Knowles House (£23.9m), London Road (£32.7m), Church End (£21.8m) and Stonebridge (£0.3m to date) are all intended to be self-funding through the generation of additional revenue streams.
- Additional capital budgets for planned acquisitions as agreed by Cabinet

d) This brings the capital programme up to date. A series of further proposals are then set out for consideration. These are:

- In line with prudent financial management practices the council has moved away from borrowing to finance maintenance and repair works to its highways infrastructure network, but the total amount invested, or planned to be invested, is unchanged at £3.5m from previous policy decisions
- A separate report to Cabinet on 13 February 2017 details capital spending plans for the HRA of £52.8m covering 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. This report has been constructed on the assumption that those plans will be agreed.
- A separate report on this agenda sets out proposed additional borrowing for NAIL scheme of £20.6m to purchase and refurbish new and existing properties. This report has been constructed on the assumption that those plans will be agreed.

11.9 Council will in time need to update its future capital plans, once the spatial planning strategy has been developed and refined. As in previous years, an indicative amount has been estimated purely for the purposes of calculating the capital financing requirement, at £150m. This is an enabling figure only, and no specific expenditure or borrowing could be incurred against this without separate Cabinet authority.

11.10 A summary of the proposed capital programme is below.

Capital Programme

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Approved Budget - Feb 2016	162.8	100.0	20.0	5.4	288.2
Carry-forward from 2015/16	10.5	0.0	0.0	0.0	10.5
Amended Original Budget	173.3	100.0	20.0	5.4	298.7
Additional Schemes Approved by Cabinet					
Transport for London	0.2	0.0	0.0	0.0	0.2
Stonebridge Development	0.3	0.0	0.0	0.0	0.3
Willesden Green Library	0.2	0.0	0.0	0.0	0.2
Carleton & Granville	1.7	0.0	0.0	0.0	1.7
Knowles House	0.4	23.5	0.0	0.0	23.9
Highways Investment Plan	2.0	0.0	0.0	0.0	2.0
Clock Cottage - increased budget	0.0	0.0	0.7	0.0	0.7
London Road	0.2	32.5	0.0	0.0	32.7
PRS Acquisition Programme	20.0	30.0	0.0	0.0	50.0
Church End Adjoining site	8.5	7.0	5.8	0.5	21.8
Acquisition strategy	16.4	0.0	0.0	0.0	16.4
Highways 2017/18 Allocation - Brent spend	0.0	3.5	3.5	3.5	10.5
Highways 2017/18 Allocation - TfL	0.0	0.9	0.0	0.0	0.9
HRA Stock Investment Plan	0.0	32.8	20.0	0.0	52.8
NAIL Refurbishment	0.0	20.6	0.0	0.0	20.6
Budget prior to Re-profiling	223.2	250.8	50.0	9.4	533.4
Re-profiling					
Re-profiled - General Fund	(83.5)	(48.1)	88.2	43.4	0.0
Re-profiled - HRA	(29.5)	15.3	6.4	7.8	0.0
Re-profiled Total Budget	110.2	218.0	144.6	60.6	533.4
Items in the Pipeline					
Estimate of Projects Approved in 2017/18	0.0	15.0	80.0	55.0	150.0
Estimated Financing Requirements	110.2	233.0	224.6	115.6	683.4

Financing of Capital

- 11.11 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.
- 11.12 Officers and Members developed an investment strategy, designed to integrate the revenue and capital budget and to address major service and financial pressures. Knowles House, London Road, Church End and the PRS Acquisition programme all represent examples of this holistic investment strategy.
- 11.13 The table below notes the planned financing of the proposed expenditure. Overall, the borrowing requirement is the difference between the expenditure and the amount of financing available, with the caveat that some sources of funding are subject to conditions. Based on the Council's approved Capital programme, it will need to borrow £162.3m, consisting of £111.4m to fund General Fund schemes and £50.9m to fund HRA schemes. It is estimated that a further £130.0m borrowing would be required to support the additional projects that are expected but to which the Council has not formally approved to date. The £130m will include the proposal for an improved CCTV system, which is expected to cost £2.3m, if this is approved by Cabinet. This analysis makes assumptions around CIL that a further £20m would be generated to fund future schemes.

Borrowing Requirements

	General Fund £m	HRA £m	Total £m
Approved Expenditure	400.5	132.9	533.4
Capital Receipts (incl. RtB)	(87.7)	(16.0)	(103.7)
External Contributions	(3.3)		(3.3)
Grants	(96.7)	(4.0)	(100.7)
Section 106	(10.9)		(10.9)
Internal Contribution	(15.1)	(53.0)	(68.1)
New Homes Bonus	(21.3)		(21.3)
Major Repairs Reserve		(9.0)	(9.0)
Earmarked Reserves	(54.1)		(54.1)
Approved Budget to Be Funded from Borrowing	111.4	50.9	162.3
Pipeline Items	150.0		150.0
Additional CIL Generated	(20.0)		(20.0)
Estimated Requirement to be Funded from Borrowing	241.4	50.9	292.3

- 11.14 Given the extraordinary pressures faced by the council, the investment strategy entails borrowing very large sums. At the last budget setting, the Council established an enabling provision of £150m but the new estimates as the strategy has developed are potentially significantly higher.
- 11.15 It is critically important that any borrowing entered into must meet the tests set out in the CIPFA Prudential Code, specifically that they are prudent, affordable and sustainable. This requires detailed scrutiny of business cases to ensure that they cover all material risks and opportunities. Furthermore, borrowing that is ultimately entered into should only be undertaken when officers and Members are satisfied that appropriate provision has been made to ensure that the interest costs can be serviced and the principal eventually repaid.
- 11.16 Appendix F 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 several hundred millions pounds above the level of actual borrowing – last year it was set at £400m above the level of actual borrowing. It is proposed to increase that by £100m to £500m, in light of the Council's investment strategy, while recognizing that the Council has been prudent with its estimate of the additional resources that may finance capital spend. Potentially, the additional growth would cost up to an additional £3m to service annually, should the borrowing become necessary, and if this was not offset by additional income or savings. The calculation noted above merely follows from the strength of the council's balance sheet, as it is largely prescribed by statute and regulation.

12 Financial Implications

- 12.1 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.
- 12.2 The budget report sets out a comprehensive picture of the council's finances over the short, medium and long term to assist in the decision making process in setting the 2017/18 budget and the forward looking business plans.
- 12.3 Overall, expenditure in 2016/17 is expected to be contained within the agreed budgets, although there are significant variances within that overall result. In consequence, the general reserve is expected to be retained at £12m with no need for amendment. This level is relatively low for London, but is not unreasonable.
- 12.4 In considering the budget report, the following key considerations should be highlighted in particular.

- The extent to which the overspends in 2016/17 are structural, that is, that they will or may recur in 2017/18, is a particular risk. Any element of these overspends that may be structural will, if not addressed during 2017/18, require further savings to be agreed next year to offset this. Whilst plans are in place to address this the scale of risk is significant.
- Delivering the saving programme agreed in February 2016 will present substantial management challenges, particularly around procurement and civic enterprise savings. Again, considerable management attention has been and is being devoted to ensure that these can be delivered, but it is important to stress again the inherent risks in delivering such a large and complex programme.

12.5 That said, the budget now proposed is realistic and affordable, albeit challenging. The increases in council tax set out, if agreed in this and subsequent years, will generate significant additional revenue over time, minimising the number of difficult new decisions about funding for specific services to be proposed. If agreed, this budget would provide for affordable services in 2017/18 and 2018/19, but a further gap of nearly £13m remains in 2019/20. Building on the outcome based reviews and other initiatives to start to close this gap quickly will be an important future consideration.

12.6 Formally, this section of the report is the report of the section 151 officer to which the council is required by section 25 of the Local Government Act 2003 to have regard confirming that if the budget as proposed were to be agreed the estimates made for the purposes of the calculations are robust and the proposed financial reserves are adequate.

13 Legal Implications

13.1 These are set out in Appendix G.

14 Staffing Implications

14.1 The impact of the budget proposals are outlined in Appendix B. Of the proposals identified within this appendix there are some where there is a potential impact on staffing but it is anticipated that fewer than twenty staff could be 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.

14.2 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.

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