 <p>Brent</p>	<p>Cabinet 15 December 2014</p>
	<p>Report of the Chief Finance Officer</p>
<p>Wards affected: ALL</p>	
<p>Budget 2015/16 and 2016/17</p>	

1.0 Summary

- 1.1. This report provides an update on the financial position for the next two financial years and sets out the draft officer savings proposals for initial consideration.

2.0 Recommendations

- 2.1 That Cabinet notes the financial position and its implications.
- 2.2 That Cabinet considers the draft officer savings proposals summarised in Appendix One and detailed in Appendix Two.
- 2.3 That Cabinet agrees consultation with residents, the voluntary and community sector, local businesses and other groups as necessary on the draft savings proposals and their consequences.

3.0 Background to the budget and medium term financial plan

- 3.1 Local government has suffered a disproportionately high share of funding reductions since 2010 when compared to other areas of the public sector. On 2 March 2015 the council will be required to set its budget for 2015/16 and its financial plans for future years. Savings of at least £53.9m will need to be agreed, most of which will fall due in 2015/16. Over the medium-term, to 2018/19, officers anticipate that total savings of £100m will be required, forcing the council to reduce its net revenue budget by between one third and a half of the current level, on top of savings of £89m that have already been delivered since 2010.

- 3.2 Meeting this unprecedented financial challenge will require radical re-thinking of services and the council structures that currently deliver them. The council will need to confront extremely difficult decisions about which services continue to be provided and at what level.
- 3.3 This report introduces officer budget proposals for the years 2015/16 and 2016/17, some of which would, if ultimately agreed, have further financial implications in later years. Approvals of these proposals are not sought at this stage: Cabinet is being recommended to agree the necessary consultation and other public engagement on the proposals in order that subsequent decisions can be taken with the benefit of as wide a range of views as possible.
- 3.4 In preparing these draft proposals officers have sought to identify as many options as possible in order to enable choices to be made between difficult policies once consultation has been concluded. It therefore follows that not all of these proposals must be adopted to achieve a balanced budget in 2015/16, albeit that the future funding pressures are such that it will be impossible to avoid very challenging decisions about services throughout the next few years.

Introduction

- 3.5 In 2010 a new coalition government was formed and embarked on what it regarded as an essential programme of deficit reduction, welfare and public sector reform. This has resulted in very substantial reductions to the funding available to local authorities and radical changes to the way in which this is allocated across the country. The impact of policy reform across a range of areas and unprecedented macro economic circumstances have had a fundamental impact on Brent's residents and therefore on their expectations of what the council should do to help meet their needs.
- 3.6 At the same time wider changes in society have forced local authorities across the country to rethink the way in which they commission and provide services to meet local needs and aspirations. People are, on the whole, living longer lives, with increasing consequences for the way in which they need to access care services, and the length of time they continue to need such services. In Brent, there are now more than 48,500 people aged over 80 years, up by 24% in the last five years. The number of over 65s years has increased by more than 10% in the same period.
- 3.7 This has obvious implications for the council's cost base, driving up the number of vulnerable adults that the council may need to support, the level of their needs and the length of time for which those needs may need to be met. Local authorities have responded to these pressures by redefining models of care provision, increasing the emphasis on programmes designed to enable vulnerable residents to live their own

lives without support and where this is not possible to exercise greater choice about how their needs are met.

- 3.8 In London, the combined impact of a growing and younger population is placing enormous pressure on the demand for school places, especially at the primary phase. In Brent, there are now more than 45,000 aged less than 10, up by 12% in five years. This too has implications on the number of vulnerable children for whom the council must provide services.
- 3.9 These demographic pressures are also driving housing prices to such a level that home ownership is becoming increasingly out of reach for many residents. In Brent an average two bedroom property costs £410,000, nearly 15 times greater than the average annual salary of £28,000. Private rented tenancies as a form of tenure have therefore grown to levels not seen for many years, and for some residents the housing available in the borough is increasingly unaffordable in any form of tenure.
- 3.10 These demographic changes also place particular challenges on those services that all residents access and will continue to need to access, such as street cleaning and refuse collection, the quality of the local built environment and open spaces and all the many other services that local authorities provide. As populations rise so the cost of providing services tends to increase, and the competing demands on the use of the local environment become increasingly difficult to reconcile.
- 3.11 Despite these changes and pressures, or perhaps because of them, residents' expectations of the council continue to change. This relates not just to the range and level of services that the council provides, but also to the way in which it provides them. More and more of our residents expect to be able to deal with the council through digital means, with the ability to obtain information and perform at least routine transactions 24/7. However, whilst services are reconfigured to meet this demand the council needs to ensure that it remains open to those whose needs can only be assessed and met through more traditional service delivery routes.
- 3.12 These demographic and societal changes alone would be a challenge for any organisation to respond to. However, they have been coupled with deep and ongoing reductions to local government funding of a scale and pace not previously seen in the UK public sector.
- 3.13 This report presents initial budget proposals from council officers to respond to the financial challenges that must be met, rooted in the context in which service delivery models are changing. There are many difficult and challenging proposals amongst these that will have real impacts on the range, level and quality of services provided in the future: in some cases services may be transferred to other organisations or even cease altogether.

- 3.14 These proposals need to be understood in the context summarised above. Local government faces an unprecedented financial challenge and a radical response is required to ensure continued delivery of high quality essential services and preserve the council's future financial sustainability. This report sets out officer proposals on how this might be achieved and summarises the future processes and timetables for these to be developed between now and the formal Council budget making meeting of 2 March 2015.
- 3.15 To facilitate a wider understanding of the issues faced and the proposed response this report is structured as follows:
- Section three sets out in greater detail the financial context in which these initial draft revenue budget proposals have been prepared.
 - Section four explains the further financial pressures that the council is required to take into account in setting its future budgets.
 - Sections five to seven provide updates on the Schools' Budget, the Housing Revenue Account and the Capital Programme.
 - Section eight explains the future processes that will be followed before a final budget is proposed, including most importantly for consultation with residents, service users and all other relevant stakeholders.
 - Sections nine to 12 provide the formal financial, legal, staffing and equalities implications at this stage.
- 3.16 It is important to stress that no binding decisions about individual proposals are sought at this stage. By way of this report, Cabinet are being recommended to agree consultation as necessary on the various proposals contained within the report in order that subsequent decisions can be taken as part of the formal budget setting meeting with the benefit of informed views from residents and other stakeholders being presented and taken into account.
- 3.17 The budget process will clearly force the council to confront many difficult choices. Cabinet is not at this stage being presented with a package all of which would have to be agreed in order to balance the budget. There will therefore be an opportunity for legitimate political choices to be made to reflect local priorities.

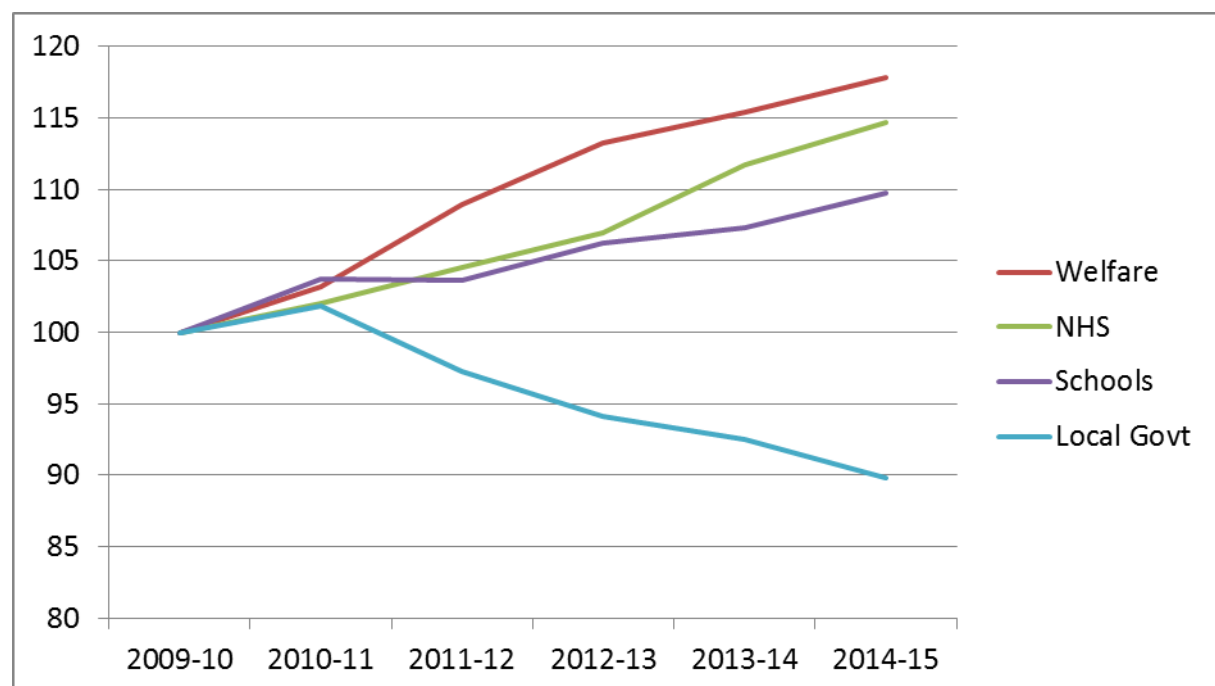
Financial context

- 3.18 In real terms, funding for local government has fallen by 43 per cent from 2010/11 to 2015/16 (Source: House of Commons research paper 14/43, September 2014). This is in marked contrast to other parts of the public sector. This reflects the combined impact of the national financial policies of deficit reduction (achieved mostly through reductions in public

expenditure rather than increases in taxation) combined with protection for significant elements of the public sector, especially in respect of pensions (“the triple lock”), the NHS and schools.

- 3.19 By operation of simple mathematics as total public sector expenditure is reduced – and over 75% of the deficit reduction programme was planned to be achieved through spending cuts rather than tax increases – with large elements of this total protected or even growing then the impact on unprotected areas, such as local government finance, will inevitably be very substantial.
- 3.20 Chart one shows the relative funding changes for welfare spending (including pensions), the NHS, schools and local government since 2010. The figures are shown in absolute terms, excluding the effects of inflation.

Chart 1 – Funding Changes since 2010



Source: London School of Economics / Institute of Fiscal Studies

- 3.21 For every £100 spent on welfare in 2009/10 the amount in 2014/15 was about £118. On the same measure the NHS now receives around £115 and schools about £110. Each of these represents real terms increases, i.e. the increase in funding in cash terms is above the rate of inflation over the period. By contrast, local government spending had reduced to less than £90 in 2014/15 for every £100 that was spent in 2009/10, before the effect of inflation is even factored in.
- 3.22 These broad headlines conceal a more difficult, and complex, message for authorities such as Brent.
- 3.23 Within the local government finance settlements since 2010 the DCLG has adopted an explicit policy goal of reducing the proportion of the

funding it makes available to local authorities based on an assessment of relative need. Up until 2010, and as far back as the 1930s, the local government funding system has sought, in various ways, to take account of the needs of different local authorities and the cost of providing services in them, and to reflect this in funding allocations.

- 3.24 Typically, this has included adjustments for relative levels of deprivation, measured in various different ways over the years, so that authorities with greater levels of deprivation receive more funding to reflect the cost of the extra services they will need to deliver to meet these. There have also been adjustments for the factors that drive the cost of delivering the same level of services in different parts of the country. Examples of these include that pay levels in London and the south east tend to be higher than elsewhere in the country, that there are costs associated with collecting refuse in urban areas (from high rise flats for example) that will be different from the costs in rural areas where geographic distance is more of a factor and so on.
- 3.25 These elements of the funding system have not been removed, but their relative weighting has been reduced. Local government funding is now driven in greater degree by response to government policy goals, with greater elements of financial risk to be managed locally instead of centrally.
- 3.26 A significant example of this 'policy based funding' is the New Homes Bonus (NHB). The original funding to create this (£700m across England) was top sliced from the main Revenue Support Grant (RSG) allocation. It is not, therefore, new money but rather a shift in the balance of local government funding from a needs based system to a policy based system.
- 3.27 However, it is not happening in isolation. By creating the funding for this from the existing needs based RSG system the reduction in funding for boroughs such as Brent, with relatively high levels of need, was much more substantial than for those boroughs with smaller needs based funding allocations. Put more simply, Brent received more money than many other local authorities to meet assessed need, and when the national funding for this was reduced the impact was therefore inevitably more severe.
- 3.28 The partial localisation of business rates has had a similar effect. Again, the funding for the local element of this was created by top slicing it from the national allocation for RSG, heightening the disproportionate impact on high needs boroughs. Furthermore, as this was done without uprating future funding settlements for changes in needs, Brent's changing demography is increasingly not represented in funding settlements.
- 3.29 At the same time, the requirement to introduce a local council tax support scheme has transferred financial risk. Under the previous council tax benefit regime the cost of the benefit was managed nationally, so that the cost of changes in unemployment levels, which were the principal

determinant of eligibility, did not fall to individual local authorities. Under the council tax support scheme an element of this financial risk is transferred to local authorities.

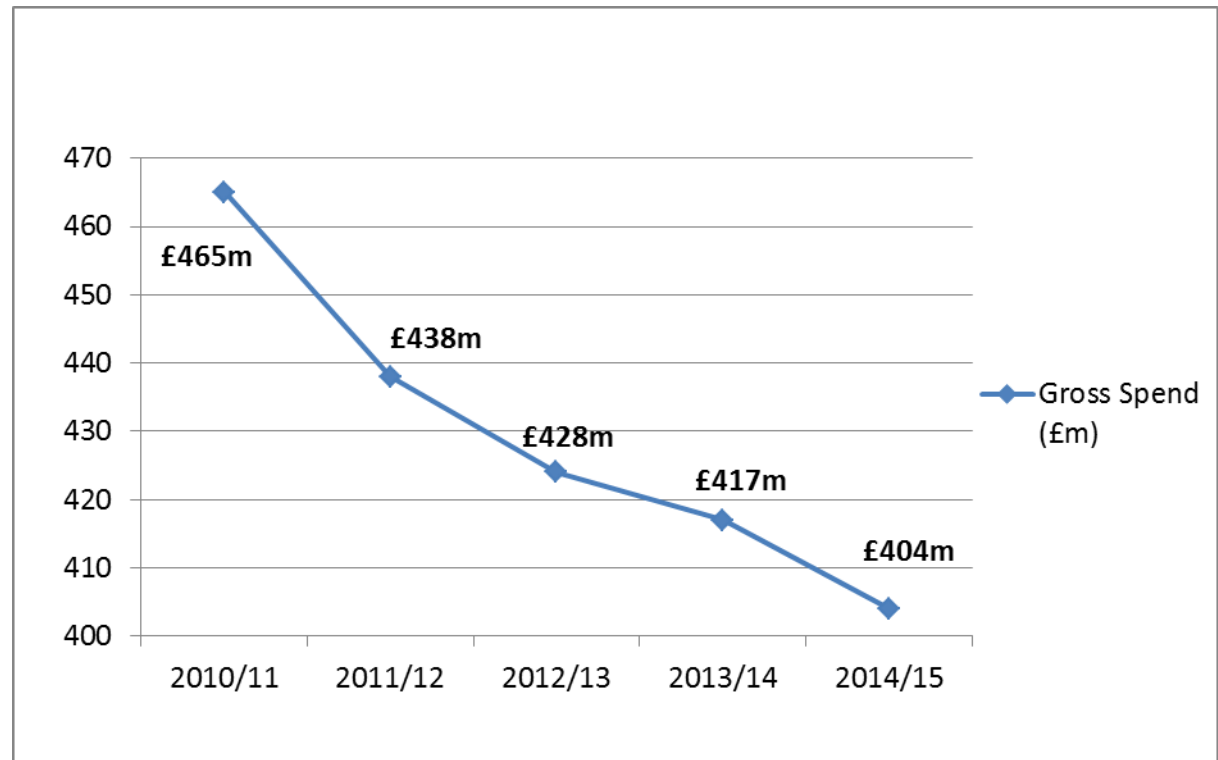
- 3.30 In a borough like Brent, where unemployment and low wage employment are far more prevalent than in other parts of the country, this means that the financial risk transferred is much greater. It is this combination of reduced total local government funding, changes to the way it is distributed and changes to the balance of risks shared between central and local government that has had such a significant effect on Brent.
- 3.31 Table one shows the effect of this shift in the balance of funding projected forward to 2018/19. Core revenue support grant funding will have fallen to just 13.5% of total council funding, around a third of its current level.

Table 1 – Core Government Funding

	2014/15	2015/16	2016/17	2017/18	2018/19
	£'m	£'m	£'m	£'m	£'m
Revenue Support Grant	95.4	68.8	54.4	41.8	29.8
Assumed Retained Business Rate	32.5	33.2	33.8	34.5	35.2
Business Rate Top up	47.4	48.8	50.5	52.5	54.5
Core Government Funding	175.3	150.8	138.7	128.8	119.5
Total Funding	271.1	245.8	236.5	228.5	220.3

- 3.32 For Brent, the effect of these radical changes to the total amount of funding for local government and in the way it is distributed across the country have been significant. Since 2010, savings of £89 million have been delivered through a combination of efficiencies and service redesign where possible and through reductions to the level of service provided. Staff numbers have reduced from 3,023 (2,734 FTE) to 2,339 (2,168 FTE) over the same period.
- 3.33 Chart two shows that the council's gross spend (excluding ring-fenced amounts for the DSG and housing benefits) has reduced by over £60 million in absolute terms over the period from 2010 to the present day. In other words, even once the effect of inflation and the transfer of new services and budgets to local authorities (such as for public health) are taken into account, the savings delivered to date have radically reduced gross expenditure on services.

Chart 2: Council Spending



- 3.34 There is no indication that the next four years will be any different. The coalition government's initial policy goal was to eliminate the deficit in the lifetime of one Parliament. In other words, by 2015 annual public expenditure should have been matched to tax receipts. In practice the deficit is still substantial – in the 2014/15 year, for example, net new borrowing of around £90bn will have been entered into by the government.
- 3.35 In consequence, the austerity programme will continue much longer than originally envisaged and as long as significant public sector budgets, such as for the NHS and schools, are protected then the burden of finding further savings will fall heavily on local authorities. And, as has been shown above, continuation of current policy on funding allocations will mean that funding reductions within local authorities will fall most heavily on those with high needs, such as Brent, because those local authorities serving the least needy populations have little central funding left to be cut.
- 3.36 The 2014/15 budget was agreed at Full Council on 3 March 2014. Key features of the budget agreed for 2014/15 were:
- A General Fund budget requirement of £269.4m;

- No Council tax increase for Brent services leading to a Band D level of £1,058.94;
 - An overall Council tax reduction of 0.3%, including the GLA precept, leading to a Council tax for Band D properties of £1,357.94;
 - Reserves of £12m, which was at the lower end of the planned range of £12m to £15m agreed by Council, based on the Chief Finance Officer's assessment of budget risks
- 3.37 At that stage projections for future years produced a gap to be bridged for the period 2015/16 to 2016/17 as £52.8m.
- 3.38 This budget gap was subsequently updated in a report to Cabinet in October 2014 to incorporate:
- Legislative changes introduced by central government, including parking enforcement and the Care Act, which will cost the council more than the equivalent of a 4% increase in council tax
 - Demographic changes, reflecting the anticipated increase in the borough's population to 322,000 in the next four years
 - Updated funding assumptions, including an increase in the council tax base, reflecting new housing developments in the borough.
- 3.39 The overall impact of these changes was a deterioration in the outlook for 2015/16 and an improvement for 2016/17, as set out in table two.

Table 2: Revised Budget Gap

	2015/16 £m	2016/17 £m
Original Gap	33.0	19.8
Additional Pressures	4.0	0.5
Funding Changes	(1.2)	(2.2)
October 2014	35.8	18.1

4.0 General Fund revenue budget issues

2015/16 and 2016/17 Budget

- 4.1 A summary of the savings proposals identified by officers is set out in Appendix 1. An itemised list of proposals is set out in Appendix 2. A summary explanation of the key issues identified for each department is set out in the sections below.
- 4.2 In arriving at these draft proposals, officers, in consultation with Cabinet members, have adopted key principles. These follow a clear hierarchy,

so that decisions to cease services are only proposed once all other options have been exhausted:

- Driving organisational efficiency
 - Building independence and community resilience
 - Leveraging in resources and income
 - Stopping services completely.
- 4.3 Officers have sought to protect front-line services by focusing spending reductions on support services. Target reductions of 40% in the cost of support services are underway, and will amount to total savings of £12.1m alone.
- 4.4 A new corporate management structure has already been proposed to drive organisational efficiency. This will better enable the council to respond to the future challenges by reconfiguring service groupings to promote more joined up policy design and more rapid and successful implementation of change. It will also help to future proof the council and its services by enabling better future commissioning and procurement of services, and better contract management of those services that are provided externally, creating opportunities to drive down future costs without stopping services. These proposals alone will also remove £1.4m from the cost of the council's senior management.
- 4.5 Recognising the need to redesign services around the customer and promote better access to services, including radically enhancing the digital offer, the Cabinet has already agreed a new community access strategy. These will target a reduction in the cost of back office services whilst improving the customer experience, and deliver savings of at least £1.5m.
- 4.6 Work to develop a new procurement strategy in the early part of 2015 is expected to have the potential to generate significant efficiencies and will be a key focus of future work.
- 4.7 Officers' primary focus has been on ***driving organisational efficiency*** in these and other ways. The proposals reflect this: £34.9m of the total officer proposals are classed under this heading. In any other funding climate this alone would have been sufficient to balance the budget. However, the scale of the financial challenge means that other proposals have had to be prepared.
- 4.8 Officers have looked first to identify ways of building community capacity. Where possible, options to transfer services to the voluntary sector have been developed as in many instances the voluntary and community sectors can provide them more cheaply. Other savings can be achieved by asking residents to make modest changes to their own lives to help the council to keep its costs down.

- 4.9 Brent's communities have already shown that they understand this and want to help. For example, on the introduction of the public realm contract residents were asked to leave their bins at the kerbside (where they were physically able to do so). This reduced the time taken to complete refuse collection rounds and ultimately drove down the cost of the service. This small example demonstrated the potential, and where possible officers have sought further ways in which this can be achieved.
- 4.10 Proposals of £14.3m relate to this theme of **building independence and community resilience**. This entails redesign of services, often with co-design with residents or community groups embedded as a core principle. It does not mean that proposals in this theme do not involve difficult choices. Officers have had to think radically about what could be achieved. Sometimes delivering services in another way involves difficult choices, and officers have always been very mindful of the need to assess the impact of these changes, including on equalities.
- 4.11 Opportunities of £3.4m have been identified through **leveraging in resources and income**. These choices too are not always straightforward. Increasing charges for certain services has had to be considered. Where these have been proposed, officers have always sought to benchmark proposals against local and wider comparisons to help ensure that Brent's residents are not being asked to contribute disproportionately.
- 4.12 And the scale of the challenge is such that proposals have had to put forward to **stop services completely** with a total value of £9.1m. Where possible these proposals have been focused on those services that, whilst valued by small groups of residents, have smaller benefits to the wider community. However, some of these inevitably involve large scale decisions about important services. Setting a budget in today's financial context forces officers to make these difficult proposals, and local authorities across the country are confronting similar uncomfortable choices about the prioritisation and allocation of increasingly scarce resources.
- 4.13 In preparing all of these proposals officers have been mindful of all of the above, seeking to preserve future services by addressing financial sustainability now; re-designing services and functions now to enable better, faster and cheaper future change; focusing on protecting front-line services where possible; driving out organisational efficiencies wherever possible; co-designing change rather than imposing it; focusing remaining resources on the most needy and, running through all of the proposals, mindful of the need to consult to reduce economic inequities where possible and to avoid or mitigate equalities implications. Despite all of this, today's financial environment forces officers and Members to confront tough choices and make difficult choices between competing demands for important services.
- 4.14 The package put forward by officers is sufficient to enable Members to set a balanced budget for the next two years. However, in considering

this Members should recall that further savings of a similar order of magnitude are likely to be required in 2017/18 and 2018/19. Officers will focus on identifying efficiencies from activities such as procurement to reduce this pressure, but may again have to identify difficult options for the budgets for those years.

- 4.15 No proposals on **council tax** are included in this report. Officers have assumed that, as in the last two years, a one-off 'freeze grant' equivalent to the value of a 1% council tax increase will be payable. Council would have the option to increase council tax by up to the limit to be imposed by the Secretary of State (assumed to be at least 2% as last year). An increase above this level would require a referendum. For information, a 1% increase in council tax would leverage in additional resources of around £0.8m.
- 4.16 The proposals included at appendix one are grouped by the budget strategy themes set out above. A brief summary of the approach taken to achieving departmental efficiencies is set out below. However, these must be understood in the context of the council's financial position.
- 4.17 To meet the demanding financial challenges the proposals put forward go beyond transformation, innovation and integration to maintain the current level of support and outcomes. If all the proposals put forward were accepted, then services would in places be reduced to a statutory minimum with a clear focus on those in the most need and in some cases stopped altogether in order to balance the budget. The impact of individual proposals is set out in the appendices.

Adults

- 4.18 The service is looking to promote independence for clients through the development of more supported living accommodation and reduction in residential care placements. In addition, an increase in the use of direct payments is being targeted. Some services are proposed to be reduced to minimum levels, and staff teams reduced, with implications for service users.
- 4.19 A further area identified for savings is commissioning, both through internal team structures (including Children's services and Public Health) and negotiation with suppliers.
- 4.20 Savings are also being sought through:
- Better co-ordination of service provision through social care and health
 - Continuing to manage the impact of demographic growth
 - Improving the recovery of client contributions due to the Council.

Children & Young People

- 4.21 The main areas being considered for savings relate to the provision of Children's Centres and Youth Services. The options range from reviewing the operating model (including management and infrastructure costs) to a reduction in the level of services provided.
- 4.22 Savings are also being sought through:
- Reducing budgets for secure remand services as recent activity levels have been below the originally projected costs
 - Reducing support costs across the department
 - Integration of the Children's Information Service with other customer facing services.

Environment & Neighbourhoods

- 4.23 In 2015/16 the budget will be reduced to reflect the full-year effect of previously taken budget decisions, including the re-procurement of the parking contract and charging for green waste. Savings are also being sought through further exploration of shared-service arrangements with other local authorities, reviewing how services are delivered and in some cases stopping services altogether.
- 4.24 Savings are also being sought through:
- Re-procuring the street tree contract in partnership with another borough
 - Focusing sports services around public health benefits
 - A comprehensive review of regulatory services across the council.

Regeneration & Growth

- 4.25 The proposals include the renegotiation of the revenues and benefits contract to deliver improved collection rates and reduced cost, savings from re-tendered supporting people contracts and the latest assessment of the impact of welfare reform on the temporary accommodation budget.
- 4.26 Other areas under consideration include:
- Reduction in the revenue budget support to regeneration initiatives across the borough
 - Reconfiguration of customer services
 - Use of reserves rather than ongoing revenue budgets to fund benefits processing work in advance of the implementation of universal credit.

Central Departments

- 4.27 For central departments proposals for savings of 40% are being developed. These will largely relate to reductions in staffing and include:
- Pursuing opportunities to share services with other councils
 - A more targeted approach to the provision of support services, based on an assessment of risk
 - Greater reliance on self-service.

- 4.28 Other areas of council-wide spending managed centrally will also be under review including advertising, learning and development and printing.

Council-wide Proposals

- 4.29 As indicated in paragraphs 4.4 and 4.5, above, two key council wide initiatives are currently underway to change the way the council is configured and how it delivers services to the public:
- A restructure of the Council's senior management arrangements
 - The implementation of a new Community Access Strategy to enable residents to access information and services more easily and efficiently.
- 4.30 A third, a review of the approach to procurement, will begin in 2015 and is likely to yield substantial savings. However, these are, as yet, not quantified.

5.0 Schools Budget

- 5.1 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.
- 5.2 The past two years have seen major reform to the schools' funding system as a result of the government's commitment to simplifying this system and working towards a national school fair funding formula with local discretion. No further changes to the national formula are anticipated for 2015/16.
- 5.3 In July 2014, the Department for Education announced additional national funding of £390m for 2015-16 to provide further resources for the least fairly funded local authorities. It is estimated that Brent schools will benefit from this by approximately £11m. Subject to this additional funding, there are no other changes to the DSG allocations per pupil.
- 5.4 Education funding has been protected since 2010, growing above the rate of inflation, so the sector has had real-terms funding increases whereas the council has had to contend with actual cash cuts. As at 31 March 2014, Brent's maintained schools held £17.6m in balances, more, in aggregate, than the council's entire general reserve and the 11th highest figure in London.
- 5.5 The council works closely with the school sector, as it does with other partners in the NHS, Police and across the public and voluntary sectors. Formal mechanisms exist, summarised, below, for this consultation to take place. Increasingly, the council will look to identify ways of working jointly

with the schools and other sectors to improve service efficiency and address funding inequities.

- 5.4 The council is required to consult the Schools' Forum, which consists of representatives of the different schools sectors and includes head-teachers and governors, on the setting of the Schools' Budget. The Schools' Forum and its sub groups have been considering the funding formula, the funding ratio between primary and secondary sectors, and the options for distributing the additional funding allocated for 2015-16. These deliberations have been concluded and a report on this is elsewhere on the agenda.
- 5.5 Final decisions on the allocation of the Schools Budget will be taken as part of the overall budget process, following the completion of which all maintained schools will have their final budgets confirmed.

6.0 Housing Revenue Account

- 6.1 The Housing Revenue Account (HRA) covers the activities of the Council as landlord for approximately 8,400 dwellings. The HRA is separate from the General Fund and is ring-fenced – i.e. HRA expenditure is met from HRA resources which primarily consist of rent income and not from Council tax or other General Fund resources.
- 6.2 The annual rent increase for Council dwellings takes account of the government's guidelines on social rent policy, which for 2015 is to increase rents by CPI plus 1%. Although the Government has indicated that it expects councils to follow these guidelines, there is not currently an absolute obligation to do so. In November 2013, the Council's then Executive agreed a rent policy for 2014-2019 in which for 2015, rents should increase by CPI plus 1% plus £2 (towards convergence) subject to annual approval.
- 6.3 In February 2015, the Cabinet will decide on the rent increase to be applied in 2015/16. The HRA budget will be agreed by Full Council on 2 March 2015 as part of its consideration of the overall Council budget report.

7.0 Capital Programme

- 7.1 The capital programme is a four year rolling programme which is up-dated each year to reflect the priorities set out in the Borough Plan and the asset management priorities. The current capital programme was agreed as part of the overall 2014/15 budget process in March 2014 and has been up-dated to reflect subsequent changes, including accounting for slippage of previous years' spending into 2014/15.
- 7.2 The key challenges for the development of the capital programme are:
- a. To revisit the estimated sources of funding, taking into account the continuing impact of the wider economic activity on other contributions

such as levels of developer contributions arising from major development projects.

- b. To optimise the way that the Council levers in additional funding and maximises the opportunities to enhance the wider value obtained from use of its own assets.
 - c. The ongoing need in particular to provide additional school places across the borough and also to address other demands for capital finance.
 - d. To consider how best to facilitate the delivery of housing policy priorities through the flexibilities available through the new HRA financing regime, and to ensure that opportunities to link these to wider regeneration and other priorities are pursued.
 - e. In the light of the above, to ensure that the up-dated capital programme delivers the Council's key priorities within the resources available.
- 7.4 The capital programme has historically been based on the assumption that a level of new unsupported borrowing will be entered into each year. This is not proposed to be extended beyond the current date of 2016/17.
- 7.5 At a time when revenue resources are falling significantly this would lead to interest costs taking up an increasing share of total revenue resources. This is unlikely to be affordable or financially sustainable in the medium term. As a rule of thumb every £1m borrowed leads to interest and principal costs of £100,000 per year (6% interest and 4% repayment of capital). Actual interest rates are lower at present, and the period over which borrowing is entered into will also have an effect on the exact costs. The important point is that all new borrowing adds to the ongoing bill for interest payments. There is a further ratchet effect; as other council budgets are reduced interest as a proportion of total costs will rise, and the rate of this increase will be sharper if more new borrowing is entered into.
- 7.6 Members could decide to reduce that unsupported borrowing as a way of helping bridge the budget gap in future years. Achieving this would mean either reductions in the capital programme or the identification of additional funding sources other than borrowing that are not already accounted for in the capital programme. To this end officers are examining the ways in which s106 resources could be deployed more closely linked to the council's capital priorities.
- 7.7 Borrowing levels currently included in the capital programme are set out in table three..

Table 3: Summary of planned future borrowing

	2015/16 £000	2016/17 £000

Unsupported Borrowing	6,801	6,801
Unsupported Borrowing – Self Funded	200	200
Total new borrowing (per annum)	7,001	7,001

7.8 The elements of borrowing for which the costs are borne centrally and for which measures could be taken to reduce the revenue budget gap are unsupported borrowing. The borrowing costs from the self funded elements of unsupported borrowing are met from service revenue budgets respectively and reflect committed schemes for which there is budgetary provision.

8.0 Timetable

8.1 The key events and dates in the timetable for finalising the 2015/16 budget are:

- the release of the Mayor's consultation on the GLA budget mid-December 2014;
- the provisional local government finance settlement, which is expected in week commencing 15 December 2014;
- Scrutiny Committee to review budget proposals on 6 January 2015;
- Public consultation throughout January and February 2015, including two large-scale externally facilitated events to discuss the budget proposals and the financial position and Brent connects meetings;
- the administration's revised draft proposals issued mid-February 2015;
- Cabinet decides budget recommendations to Full Council at its meeting of 23 February 2015;
- GLA budget agreed by 23 February 2015;
- Full Council decides budget on 2 March 2015.

9.0 Financial Implications

9.1 This report is concerned with the council's overall financial position. Agreeing the recommendations in this report will not have direct and specific financial implications at this stage since proposals for future years' budgets are not recommended for agreement at this stage. However, the council will be required to balance its budget for 2015/16, and, as has been made clear throughout this report, this will require difficult choices to be made given the scale of the financial pressures faced.

10.0 Legal Implications

- 10.1 A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular, local authorities are required by the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves.
- 10.2 Under Section 31A of the Local Government Finance Act 1992, budget calculations have to be made before 11th March in advance of the forthcoming financial year, but they are not invalid merely because they are made on or after 11th March. However, delay in setting the Council Tax will have very serious financial and legal consequences. In any event, it is important that the tax is set well in advance of 1st April as no sum is payable for Council Tax until 14 days after the date of posting bills. Serious financial losses will accrue very soon from a late setting of Council Tax as income is delayed and interest is foregone.
- 10.3 Under the Brent Member Code of Conduct members are required when reaching decisions to have regard to relevant advice from the Chief Finance Officer and the Monitoring Officer. If the Council should fail to set a budget at all or fail to set a lawful budget, contrary to the advice of these two officers there may be a breach of the Code by individual members if it can be demonstrated that they have not had proper regard to the advice given.
- 10.4 Full Council will be asked to set the Budget for 2015/16 at the Full Council meeting on 2 March 2015. The obligation to make a lawful budget each year is shared equally by each individual Member. In discharging that obligation, Members owe a fiduciary duty to the Council Taxpayer.
- 10.5 In accordance with the Local Government Finance Act 1992, where a payment of Council Tax that a member is liable to make has been outstanding for two months or more at the time of a meeting, the member must disclose the fact of their arrears (though they are not required to declare the amount) and cannot vote on any of the following matters if they are the subject of consideration at a meeting: (a) any decision relating to the administration or enforcement of Council Tax (b) any budget calculation required by the Local Government Finance Act 1992 underlying the setting of the Council Tax or (c) any recommendation, resolution or other decision which might affect the making of the Annual Budget calculation. These rules are extremely wide in scope so virtually any Council decision which has financial implications is one which might affect the making of the budget underlying the Council Tax for next year and thus is caught. The former DoE (now DCLG) shared this interpretation as it made clear in its letter to the AMA dated 28th May 1992. Members who make a declaration are not entitled to vote on the matter in question but are not prevented by the section from taking part in

the discussion. Breach of the rules is a criminal offence under section 106 which attracts a maximum fine of £1,000.

- 10.6 Section 149 of the Equality Act 2010 sets out the public sector equality duty which requires the Council, when exercising its functions to have 'due regard' to the need to eliminate discrimination (both direct and indirect discrimination), harassment and victimization and other conduct prohibited under the Equality Act, and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' and those who do not share that protected characteristic.
- 10.7 Having due regard to the need to 'advance equality of opportunity' between those who share a protected characteristic and those who do not, includes having due regard to the need to remove or minimize disadvantages suffered by them. Due regard must also be had to the need to take steps to meet the needs of such persons where those needs are different from persons who do not have that characteristic, and encourage those who have a protected characteristic to participate in public life.
- 10.8 Due regard to the need to eliminate discrimination, advance equality, and foster good relations must form an integral part of the decision making process. The Council must consider the effect that implementing a particular policy will have in relation to equality before making a decision.
- 10.9 There is no prescribed manner in which the equality duty must be exercised. However, the council must have an adequate evidence base for its decision making. This can be achieved by gathering details and statistics on who use the facilities. A careful consideration of this assessment is one of the key ways in which the Council can show "due regard" to the relevant matters. Where it is apparent from the analysis of the information that the proposals would have an adverse effect on equality then adjustments should be made to seek to avoid that effect (mitigation).
- 10.10 The duty is not to achieve the objectives or take the steps set out in s.149. Rather, the duty on public authorities is to bring these important objectives relating to discrimination into consideration when carrying out its functions. "Due regard" means the regard that is appropriate in all the particular circumstances in which the authority is carrying out its functions.
- 10.11 There must be a proper regard for the goals set out in s.149. At the same time, the council must also pay regard to any countervailing factors, which it is proper and reasonable for them to consider. Budgetary pressures, economics and practical factors will often be important. The weight of these countervailing factors in the decision making process is a matter for the Council.

10.12 Further and more detailed legal implications will be provided in the Budget Report which will be submitted to the Cabinet in February 2015 and also in the Budget Report which will be submitted to the Full Council for consideration on 2 March 2015 when Full Council sets the Council's budget for the 2015/16 financial year.

11.0 Diversity Implications

- 11.1 All savings proposals have been screened to assess their potential impact on equality for service users and staff. The collective set of proposals has also been reviewed to identify any significant or disproportionate impacts on equality.
- 11.2 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 discrimination, advance equality of opportunity and foster good relations between different groups when making decisions. The PSED supports the council to make decisions in a fair, transparent and accountable way that takes into account the diverse needs of all our local communities. It does not prevent us from making difficult decisions.
- 11.3 There is a risk that the collective savings will have a significant impact on those vulnerable people who are the greatest users of council services. Overall, the groups most at risk of being impacted are older people, disabled people, children and people from black ethnic backgrounds. There would also be a low impact on women, people who do not speak English and lesbian, gay, bisexual and transgender people. There is a risk that disabled people could be severely affected by experiencing a raft of changes from different service areas, even if each proposal may appear to have a limited impact in isolation.
- 11.4 The following proposals would be most at risk of having a high negative impact on equality and would require strong justification if taken forward: ASC 16, ASC 17, CYP16, CYP17, CYP 12, CYP 13 and R&G 38.
- 11.5 The following proposals would be at risk of having some negative impact on equality. A robust equality analysis will need to be undertaken for each of the following: ASC 3, ASC 4, ASC 5, ASC 7, CYP 1, CYP 4, CYP 5, CYP 8, ENS 1, ENS 2, ENS 8, ENS 15, ENS 18, ENS 21, R&G 25g, R&G 6, R&G 24, R&G 27, R&G 39 and R&G 40.
- 11.6 Many proposals will have an impact on staff, especially in corporate services where the majority of the budgets are made up of staffing costs. Given the scale of staffing reductions, there is potential for these proposals to have a significant impact on all levels of the workforce. The majority of the workforce is BAME 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 equality analysis to ensure that the restructure process

is conducted in a fair, transparent and non-discriminatory manner. The Equality Team will review the cumulative impact of restructures on the workforce diversity profile.

12.0 Staffing Implications

- 12.1 Many of these proposals will involve reductions in staff. The precise impact cannot be quantified at the current time but is likely to result in a significant number of redundancies particularly where services are ceasing and in corporate services. All staff restructurings arising from these proposals will be conducted in accordance with the council's 'Managing Change' procedures to ensure fairness and equity. Staff and trade unions will be full consulted on all proposed changes. Where individual restructurings result in excess of twenty redundancies then these will need to be taken to GP Committee for approval. It is important to ensure staff are updated on proposed changes and timescales to minimise the inevitable anxiety there will be.

12.0 Background Papers

Budget Report – Full Council 3 March 2014
Budget Strategy – Cabinet 13 October 2014
House of Commons Research Paper 14/43 (September 2014)

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