

	<b>Cabinet</b> 11 February 2019
	<b>Report from the Chief Finance Officer</b>
<b>Budget and Council Tax 2019/20 and 2020/21</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	13 – see attached list
<b>Background Papers:</b>	None
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## 1.0 Purpose of the Report

- 1.1 The purpose of this report is to set out the Council's budget proposals for 2019/20 and business plans for 2020/21. It also sets out the results of the consultation, scrutiny and equalities processes. Subject to discussion at the Cabinet meeting these will form the basis of the budget to be agreed at the Full Council meeting of 25 February 2019. The report also sets out the overall financial position facing the Council for the next four years and highlights the significant risks, issues and uncertainties.
- 1.2 The council published its draft budget on 15 October 2018. At that time the realistic estimate was that savings of £40m would be required over the lifetime

of this Administration. The (delayed) publication of the Local Government Finance Settlement has not fundamentally changed this long-term position. Having considered the various comments made, including through the consultation and Scrutiny processes, officers have been instructed to prepare the budget including savings of £20.9m as set out in Appendix C. Given the significant financial uncertainties that have been highlighted throughout this process this is a balanced and proportionate approach to the demanding choices that have to be confronted in budget setting.

- 1.3 By adopting a relatively high level of savings now, the council will be able to set a balanced budget for 2019/20 and, unless the funding position worsens even more dramatically than assumed in the prudent estimates set out in this report, 2020/21 as well. It may also be reasonable to assume that delivering these savings would make a contribution towards the 2021/22 budget requirement. This would leave the council in a relatively strong financial position, with long-term plans in place to give certainty to residents about future levels of service provision.
- 1.4 Accordingly, the budget now proposed includes the recommended adoption of savings of £20.9m out of the £26.2m consulted upon, and a council tax increase for the Brent element of the council tax of 4.99%, which is the maximum allowable without a referendum.
- 1.5 “Savings” mean different things to different people. Although an entirely objective classification is probably an unrealistic goal, the council’s Scrutiny Panel (see Appendix D) has recommended that they are classified by way of Cut, Income generation, Service transformation and Efficiency. Officers’ assessment against these headings is that the overall savings of £20.9m should be classified as:
  - Cut, £2m
  - Income generation, £1.6m
  - Service transformation, £15.6m
  - Efficiency, £1.7m
- 1.6 Following an extensive period of consultation, described further in section seven of the report, as well as taking in to the account the outcome of the statutory scrutiny processes and the equalities impact assessments, the budget proposals that are recommended for agreement are shown in Appendix C. This also shows, for completeness, the proposals that are not recommended for agreement. Overall, taking into consideration the additional income from council tax, the additional cost pressures mentioned later in this report and the recommended budget proposals of £20.9m, the budget for 2019/20 and the business plans for 2020/21 will be balanced.
- 1.7 The provisional local government finance settlement was announced on 13 December 2018. This was a week later than the scheduled date of 6 December, due to the lack of Parliamentary time as a result of the Brexit debate and its consequences. The Secretary of State announced that the settlement provides for increases in local authorities’ ‘core spending power’ of 2.8%

overall. Core spending power (CSP) is the government's measure of the key components of local government funding. As this includes the ability of local authorities to increase council tax it is possible for this to increase despite reductions to government grant. Brent's CSP has increased by 3.4%, compared to the national average of 2.8%, despite its main non ring-fenced government grant (Revenue Support Grant) being cut again in 2019/20. If the council tax increases were stripped out of CSP it would be a more accurate measure of government financial support to local authorities. On this basis Brent's CSP in 2019/20 would reduce by 1.4% compared to last year.

- 1.8 Further details of the settlement are discussed in section three of the report. The most significant announcement was confirmation that the 'referendum limit' for council tax is 3%. This was not certain, but it was anticipated by way of the October Cabinet report and consulted on accordingly. No changes were announced to the social care precept, which remains at 2%.
- 1.9 Like last year, the Government's financing assumption is that all councils will act on this and increase council tax by the maximum amount possible. Taking into account the inflationary pressures that the council is subject to (which Ministers have confirmed were a significant factor in their decision to increase the referendum limit), the financial position in the round and the results of consultation through the Brent Connects and other meetings held by the date of despatch of this report the budget has been prepared on the basis of a 4.99% increase in the Brent element of the council tax.
- 1.10 The Mayor of London has announced plans for an increase in his precept of £26.28 or 8.9%, the maximum amount allowed by the Government before holding a council tax referendum. Of this increase £24 will be applied for policing and the balance to fund the London Fire Brigade. This makes the overall increase in council tax 5.77%.
- 1.11 The budget process is designed to ensure that it is priority led so that resources are aligned with council priorities and statutory responsibilities including consultation, scrutiny and equalities considerations. The new Borough Plan for 2019 – 2023 has been consulted on at the same time as the budget and is presented elsewhere on this agenda. The Borough Plan is the council's commitment to making a real difference to the lives of local people based on a number of key priorities such as:
  - **Every opportunity to succeed** – working in partnership to support children and young people's educational attainment and training
  - **A future built for everyone, an economy fit for all** – regenerating our borough to grow the local economy and provide the jobs, homes and transport that people need
  - **A cleaner, more considerate Brent** – improving air quality and keeping our environment clean and pleasant

- **A borough where we can all feel safe, secure, happy and healthy** – building stronger, safer and healthier communities, with opportunities to enjoy Brent’s unique cultural heritage, and support for vulnerable children and adults to be as independent as possible
- **Strong foundations** – ensuring that the council and its partners are structured and equipped to secure the best possible outcomes for local people, within a context of diminishing resources.

1.12 The budget has been constructed against what continues to be a very challenging financial background. It is widely accepted by serious commentators that reductions to local authority funding have been more significant, often far more significant, than in any other part of the public sector. Since 2010 the council has agreed expenditure reductions of £185m, including £20.9m by way of this report. As set out above, the council continues to find ways to improve efficiency and transform services, and 83% of the £20.9m has been achieved this way, demonstrating the council’s continued commitment to finding ways to improve value for money. However, as the pressure on budgets rises it is of course more difficult to keep finding sufficient efficiency savings to balance the budget.

1.13 This budget contains a small proportion of proposals that will result in reductions to service levels. These have not been recommended lightly, but following the extensive consultation process it was clear that these were the least worst such reductions of the options identified. Agreeing the proposed budget, despite these impacts, will leave the council in a relatively strong financial position and mitigate against the risk of having to deliver more substantial and unplanned cuts in later years.

1.14 Considering the expenditure reductions that have had to be implemented since 2010 and the various impacts this would have had on residents, the recent residents’ survey showed that since 2014 a similar number of Brent residents (two thirds) felt the Council does a good job and the number that disagree has reduced. Also, over the last four years, the majority of residents surveyed felt council services had either been maintained or improved. These scores are above the national average for local authorities which, in part, can be attributed to the council’s approach to financial sustainability and adopting a forward-looking financial strategy based on taking difficult decisions early, allowing time for implementation.

1.15 Aside from the usual updating of and adjustments to various technical assumptions the key features of this budget would be:

- A council tax increase of 4.99% for the Brent element, making a Band D council tax of £1,262.34. Additionally, the Council will levy a council tax of £320.51 at Band D on behalf of the Greater London Authority, which is a 8.93% increase on last year. Therefore, the total council tax at Band D will be £1,582.85, a 5.77% increase on the 2018/19 level. This is equivalent to £30.44 per week, and the overall increase equates to £1.66 per week.

- Following the statutory consultation and scrutiny processes, new budget savings proposals with an aggregate value of £20.9m, as summarised in Appendix C.

1.16 This report is structured as follows:

- Officer recommendations for cabinet and full council to approve;
- Strategic overview of the financial and macro-economic climate;
- The forecasts against the current year's (2018/19) revenue budgets are summarised;
- Summary of the process to develop the budget;
- Changes to the revenue funding position, based on the provisional local government finance settlement, which was released after the last Cabinet report on the subject;
- The results of consultation, scrutiny and equalities and other relevant factors are set out;
- Updates from the Council's ring fenced budgets, specifically the Housing Revenue Account (HRA) and the Dedicated Schools Grant (DSG);
- The capital programme is summarised along with the associated investment strategy, prudential borrowing indicators and treasury management measures; and
- Finally, the report considers the budget beyond 2020/21 and the approach to developing budget proposals.

## **2.0 Recommendation(s)**

### **Cabinet**

- 2.1 Agree to recommend to full council an overall 4.99% increase in the Council's element of council tax for 2018/19 with 2% as a precept for Adult Social Care and a 2.99% general increase.
- 2.2 Agree to recommend to full council the General Fund revenue budget for 2019/20, as summarised in Appendix A.
- 2.3 Note the cost pressures and technical adjustments detailed in Appendix B.
- 2.4 Note the savings detailed in Appendix C.
- 2.5 Delegate authority to the Chief Finance Officer to:
- a) agree (in consultation with the Leader) whether to participate in the London Business Rates Pool and pilots for subsequent years (noting that in this case the authority's executive administrative function as a billing authority pursuant to the Non-Domestic Rating (Rates Retention) Regulations 2013 will remain delegated to the City of London Corporation, as the Lead Authority); and

- b) agree the operational details of the pooling arrangements with the participating authorities for 2019/20 and any subsequent years and enter into any Memorandum of Understanding required.
- 2.6 Agree that the Leader of the Council will continue to represent the authority in relation to consultations regarding the London Business Rates Pilot Pool undertaken by the Lead Authority pursuant to the Memorandum of Understanding and he will respond to the consultations.
- 2.7 Note the report from the Budget Scrutiny Panel in Appendix D.
- 2.8 Agree to recommend to full council the HRA budget for 2019/20, as set out in section eight of this report.
- 2.9 Agree to recommend to full council the HRA rents for council dwellings, tenant service charges and garages, as set out in section eight of this report.
- 2.10 Agree to recommend to full council the major works and new build development budgets set for 2019/20 and 2020/21, as set out in section eight of this report.
- 2.11 Agree to recommend to full council the rents set under the Housing General Fund for Brent Housing PFI and traveller's site pitches and to note the rents for Hillside dwellings as set out in section eight of this report.
- 2.12 Note the Dedicated Schools Grant as set out in section nine of this report.
- 2.13 Agree to recommend to full council the capital programme as set out in Appendix E.
- 2.14 Agree to recommend to full council the Treasury Management Strategy, Capital Strategy, Investment Strategy and MRP Policy as set out in Appendices F, G, H and I.
- 2.15 Note the advice of the Director of Legal and HR as set out in Appendix J.
- 2.16 Agree, and where relevant agree to recommend to full council, the schedule of fees and charges set out at in Appendix K.
- 2.17 Note the results of consultation as set out in section 7 and detailed in Appendix L.

### **Full Council**

- 2.18 Agree an overall 4.99% increase in the Council's element of council tax for 2019/20 with 2% as a precept for Adult Social Care and a 2.99% general increase.
- 2.19 Agree the General Fund revenue budget for 2019/20, as summarised in Appendix A.

- 2.20 Agree the cost pressures and technical adjustments detailed in Appendix B.
- 2.21 Note the report from the Budget Scrutiny Panel in Appendix D.
- 2.22 Agree the HRA budget for 2019/20 as set out in section eight of this report.
- 2.23 Agree the HRA rents for council dwellings, tenant service charges and garages as set out in section eight of this report.
- 2.24 Agree the major works and new build development budgets set for 2019/20 and 2020/21 as set out in section eight of this report.
- 2.25 Agree the rents set under the Housing General Fund for Brent Housing PFI and traveller's site pitches and to note the rents for Hillside dwellings as set out in section eight of this report.
- 2.26 Agree the dedicated schools' grant as set out in section nine of this report.
- 2.27 Agree the capital programme as set out in Appendix E.
- 2.28 Agree the Treasury Management Strategy, Capital Strategy, Investment Strategy and MRP Policy as set out in Appendices F, G, H and I.
- 2.29 Note the advice of the Director of Legal and HR as set out in Appendix J.
- 2.30 Agree the schedule of fees and charges as set out in Appendix K.
- 2.31 Note the results of consultation as set out in section 7 and detailed in Appendix L.
- 2.32 Agree the Pay Policy Statement for 2019/20 as set out in Appendix M.

### **Council Tax recommendations**

**These recommendations only include a provisional Council Tax level for the GLA as its final budget was not agreed when this report was despatched. 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.**

- 2.33 In relation to the council tax for 2019/20 we resolve:

That the following amounts be now calculated by the Council for the year 2019/20 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended:

- (a) £1,027,149,293 being the aggregate of the amount that the Council estimates for the items set out in Section 31A(2) of the Act.

(b) 905,158,017 being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(3) of the Act.

(c) £121,991,275 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) £1,262.34 being the amount at (c) above, divided by the amount for the tax base of 96,639, agreed by the General Purposes Committee on the 21 January 2018, 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
£	£	£	£	£	£	£	£
841.56	981.82	1,122.08	1,262.34	1,542.86	1,823.38	2,103.90	2,524.68

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.

2.34 That it be noted that for the year 2019/20 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
£	£	£	£	£	£	£	£
213.67	249.29	284.90	320.51	391.73	462.96	534.18	641.02

2.35 That, having calculated the aggregate in each case of the amounts at paragraph 2.26(e) and 2.27, 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 2019/20 for each of the categories of dwellings shown below:

### Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
1,055.23	1,231.11	1,406.98	1,582.85	1,934.59	2,286.34	2,638.08	3,165.70

- 2.36 That it be noted that the Chief Finance Officer has determined that the Council's basic amount of Council Tax for 2019/20 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance 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.
- 2.37 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 2.34, but only insofar as to reflect the GLA decision, and to make consequential, but no other, amendments to the amounts at 2.35.

### **3.0 Strategic Overview**

- 3.1 The council takes a long-term and strategic approach to its corporate and financial planning, linking the new Borough Plan 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. This has, in part, been reinforced by a recent residents' survey which showed satisfaction with the council being above the national average and improving over the last four years.
- 3.2 The proposals in this report enable the Council to set a balanced budget for 2019/20 and set the business plans for 2020/21 whilst giving some protection to front line services and investing in key projects and priorities. The funding gap in future years, estimated at around £20m for 2021/22 and 2022/23, demonstrates the difficult service decisions ahead as central government

funding reductions continue to reduce the resources available to meet increasing service demands.

- 3.3 As set out in the October Cabinet report, significant reform of the local government finance system is expected over the next 12 months, including the ongoing Fair Funding Review, the move to 75 per cent Business Rates Retention and the forthcoming (although much delayed) Adult Social Care Green Paper. Each of these reforms will only succeed if a sufficient quantum of funding is made available for the entire sector through the Spending Review in 2019. It is vital that the Government uses these events to place local government finance on a genuinely sustainable footing to cope with the expected rise in demand for local services. This is supported by the Local Government Association which stated that they are 'concerned that there is no clarity over funding levels, both nationally and locally, after March 2020. This hampers meaningful financial planning at a time when government grant funding is the lowest it has been for decades and demand pressures are increasing'.
- 3.4 Given these ongoing policy changes, authorities are facing a period of significant uncertainty in the run up to the 2020/21 'cliff edge'. Greater clarity over the financial position of local government from 2020/21 is essential to reduce the high degree of uncertainty currently built into medium term financial planning.
- 3.5 The provisional local government finance settlement was announced on 13 December 2018. As Brent, like almost every other local authority, had signed up to the four year spending deal which confirmed the significant funding cuts from 2016/17 to 2019/20. That said, the settlement confirmed the amounts expected for 2019/20 with respect to Revenue Support Grant (£24.5m), Business Rates Top Up Grant (£53.5m), Improved Better Care Fund (£11.6m), New Homes Bonus (£8.8m), Flexible Homelessness Support Grant (£5.2m), Public Health grant (£20.8m) and other smaller grants. All grants were in line with the budget assumptions expected.
- 3.6 The Flexible Homeless Support Grant (FHSG) is £5.2m in 2019/20, down from £7.8m in 2018/19. However, officers had anticipated this reduction some months ago, and as a result did not commit all of the 2018/19 allocation. As a result the council is able to accommodate this substantial (33%) reduction in its overall budget.
- 3.7 The provisional settlement, unexpectedly, announced a one-off redistribution of the "surplus on the national business rates levy account" in 2019/20. The amount for Brent is £1.3m. However, as this is a one-off grant it cannot be built into the long-term budget plans. It is proposed to hold this grant in an earmarked reserve to help mitigate any major disruptions to council funding ahead of the fair funding review or to manage significant issues arising from Brexit, which is highly uncertain at the point of drafting this report.

- 3.8 Finally, the settlement confirmed the additional funding announced in the Chancellor's autumn statement, although as they are one off they do not affect the budget currently being set.
- For adult social care, an additional £240m nationally was announced for 2019/20, and Brent will receive £1.3m.
  - For adults and children's social care, an additional £410m was announced for 2019/20, and Brent will receive £2.3m.
  - An additional £420m nationally was announced for potholes, where Brent will receive £0.6m.
  - An additional £55m of Disabled Facilities Grant funding was announced and Brent will receive £0.6m.

This will obviously help with in year budget management, but as the funding will only be for 2019/20 it would not be appropriate to use it to enter into new longer-term commitments, such as additional staffing, and build in to base budget. The longer-term position will become clearer once the Spending and Fair Funding reviews are announced.

- 3.9 As reported previously, demographic change in Brent continues to drive costs. The Office for National Statistics projects that London's population is forecast to increase by 21% between now and 2039, compared with just 11% across the rest of England. In terms of Brent, focusing on the four year period of this Administration, the population is projected to grow by approximately 3% according to the latest Greater London Authority's population projections. Within this there are particularly sharp rises in the 65-84 year group (2.5% per annum) and the over 85 year group (4.6% per annum). The estimates of the likely costs of these pressures, as set out in the October Cabinet report, are still considered realistic.
- 3.10 At the national level the debate over Brexit has dominated political proceedings throughout the preparation of this budget. It is not practical for officers to make realistic assessments of the financial impact of this locally, given the national uncertainty. It is clear that the Brexit negotiations have taken up a significant proportion of government resources, such that other legislative programmes have been delayed, such as the provisional local government finance settlement and the further delayed adult social care green paper. Dealing with the political position following the Parliamentary "meaningful vote" on Brexit of 15 January, and the amendments being debated on 29 January as this report was being finalised, is likely to consume further Government resources and continue to delay key pieces of legislation and policy.
- 3.11 The decision to produce the green paper was first announced in November 2017 and was initially intended to be published in the summer of 2018 before being delayed until the autumn to coincide with the NHS long-term plan. The long term plan will set out how the NHS will spend its extra £20.5bn announced in the summer. It is now expected to be published in 2019. The timing has not been confirmed, although in January the Secretary of State for Health announced that it would be published in April 2019, the month after what was at the time the planned date of the UK's departure from the EU. Adult social care represents nearly a third of the Brent's net budget and so the implications

of these plans with regards to long term funding will have a significant impact on the medium term funding outlook.

#### 4.0 The Council's current year revenue budget and forecasts

4.1 The table below shows the Council's current revenue budget and forecasts. Delivery of the 2018/19 budget is critical to maintaining the Council's financial standing and that front line services are protected. Overall, expenditure is expected to be contained within budget. Further details of the forecast at departmental level were presented to Cabinet on 14 January 2019. Any implications to the 2019/20 budget as a result of pressures experienced in 2018/19 have been robustly reviewed and taken into consideration during the budget setting process.

Department	Budget	Forecast spend	Variance
	£m	£m	£m
Children & Young People	41.6	43.4	1.8
Community Wellbeing	132.3	132.3	0
Performance, Policy & Partnerships	9.9	9.9	0
Regeneration & Environment	38.4	35.2	(3.2)
Resources	36.0	36.0	0
<b>Subtotal Service Area Budgets</b>	<b>258.2</b>	<b>256.8</b>	<b>1.4</b>
Other Expenditure	8.5	8.5	0
<b>Subtotal Net expenditure</b>	<b>266.7</b>	<b>265.3</b>	<b>(1.4)</b>
Business Rates, Council Tax and Specific Grants	(265.9)	(265.9)	0
Contingencies	(0.8)	(0.8)	0
<b>Total General Fund</b>	<b>0</b>	<b>(1.4)</b>	<b>(1.4)</b>

#### 5.0 Budget Development Process 2019/20 – 2020/21

5.1 Proposals in this budget have initially been developed by officers and then discussed with Members and with the wider community. 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 July 2018;

- 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 2018 for consultation purposes;
- Debates through the Budget Scrutiny Panel of the Scrutiny Committee;
- Presentations and question and answer sessions at each of the five Brent Connects meeting in October 2018 and January/February 2019;
- Four 'pop up' consultation events across the borough with Brent residents;
- Review of the schools budgets by schools forum;
- 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 voluntary sector bodies and local businesses;
- Conducting Equality Impact Assessments of the budget proposals in order to ensure that their consequences were properly understood.

5.2 This report updates the position on the core estimates that drive the budget development process, including the outcome of the provisional settlement and the consultation, scrutiny and equalities assessment processes.

## **6.0 Future Revenue Funding Position and changes to financing assumptions since October**

6.1 The provisional 2019/20 Local Government Finance Settlement was announced on 13 December 2018 and provided details of the core funding allocations for local authorities in 2019/20. As this is the final year of the 'four year offer' period the figures were within those previously assumed as part of the October Cabinet report. The key headlines that are relevant for Brent from a financial planning point of view are set out below.

### ***Revenue support grant (RSG) and business rates top-up***

6.2 There are no changes to Brent's previously announced allocations as, like most other councils, last year Brent signed up to the Ministry of Housing, Communities & Local Government (MHCLG) proposal to fix RSG and business rates top-up until 2019/20.

- 6.3 The settlement confirms Ministers' intention to undertake a fundamental review of the basis of grant allocations, effective from 2020/21 onwards (the 'Fair Funding Review'). It is still not possible to make reliable estimates of the impact this will have on Brent and this uncertainty remains the largest single variable in the council's long-term financial planning. The results of the Fair Funding review are not expected before late 2019, making long-term financial planning difficult. In the meantime officers will follow developments and respond to the next stage of the various technical consultations planned in 2019.

### ***Council Tax***

- 6.4 As expected, the MHCLG have set the 'referendum limit' for council tax for 2019/20, which is the same level as 2018/19, at 3% in recognition of higher than expected inflation and the pressures on services such as social care. No changes were announced to the adult social care precept. At present the financial plans are based on an assumption of an overall rise of 4.99% in 2019/20 and 3.99% in 2020/21.
- 6.5 There is an implicit assumption from MHCLG, built into the future funding settlements, that local authorities will increase council tax by up to the referendum limit. As the increase would permanently increase the council tax base income it would also reduce the significant funding pressures in 2019/20 and beyond. After due consideration the recommendation of this report is that the additional flexibility to increase the core element of council tax by up to 3% be taken forward and that the budget should be constructed on the basis of a council tax increase of 4.99% in 2019/20.
- 6.6 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. On 20 December 2018 the Mayor of London published his draft revenue budget for 2019/20 for consultation, in which it proposed to increase the precept by £26.28 (or 8.9%) to £320.51 per Band D property in the 32 London Boroughs. The increase in the precept is the maximum amount allowed before triggering a referendum for both the policing element and the non-policing element. These figures are subject to change following the consultation process and confirmation of London Boroughs' tax bases. The final GLA budget will be considered by the London Assembly on 25 February 2019. As the budget is in draft form, a verbal update will be provided at the Full Council meeting on 25 February either confirming the recommendations or setting out a revised set of figures following the outcome of the GLA decision making.

### ***Business Rates***

- 6.7 The settlement confirms the continued operation of the pilot London business rates pool. However, this will operate on the basis of 75% retention of the growth in business rates by the boroughs, not 100%.

- 6.8 In 2018/19 the pool is expected to generate a direct one-off benefit for Brent of c£6m. The exact figure will only be known once the final figures are confirmed for the year, expected in summer 2019. At 75% retention the pool will be less beneficial. Nonetheless, assuming that business rates grow in 2019/20 at the same rate that they did in 2018/19 and taking into account preliminary modelling of the 2019/20 pilot would indicate a direct benefit of around £3.9m.
- 6.9 A memorandum of understanding has been agreed between the Secretary of State for Housing, Communities and Local Government and the Mayor of London and Chair of London Councils. This sets out the terms of an agreement to extend the London Business Rate Retention Pilot into 2019/20 at the level of 75% retention. The potential financial benefit, compared to having no pilot, continues, however, to be significant. The precise benefit will, of course, depend on the level of growth in business rates income across the capital next year, but on the basis of the growth currently forecast in 2018/19, London could expect to collectively retain additional business rates in 2019/20 of approximately £200m under this agreement, even without any additional year-on-year growth.
- 6.10 At the time of despatch of this report detailed financial modelling on the potential net financial benefit to individual local authorities is being undertaken based on the latest estimate of growth in the current year. Initial modelling would suggest a net financial benefit of c£200m would be possible, with c£30m top sliced for the Strategic Investment Pot, the GLA's share would be £61m, and £109m would be distributed to the remaining boroughs. This is based on estimates using forecasts from London Boroughs and are therefore only illustrative and a lower set of figures is entirely possible. However, the example serves to illustrate the potential direct financial benefit of continuing with a pilot London pool on basis being offered. That said, as in 2018/19, the net financial benefit of the pilot pool is not certain at this stage and it is not thought prudent to build this potential additional income into the base budget, especially given the economic uncertainty referred to above. Therefore the budget has been constructed on the basis of the amount of business rates that can be retained as under the previous rates retention scheme.
- 6.11 If the council did not want to participate in this pilot, it would have had to opt out of the pool by 10 January 2019. This deadline was set in the settlement. The Chief Executive took an urgent decision on 9 January 2019, in consultation with the Leader and Lead Member (and following notification to the Leader of the Opposition) that the council should not opt out in order that this deadline could be met. The authority's executive administrative function as a billing authority pursuant to the Non-Domestic Rating (Rates Retention) Regulations 2013 will remain delegated to the City of London Corporation, as the Lead Authority, for 2019/20.
- 6.12 In order to avoid urgent decision making in future years, it is recommended that Cabinet delegate to the Chief Finance Officer authority to agree (in consultation with the Leader) whether to participate in the pool for subsequent years and to agree for 2019/20 and subsequent financial years, the operational details of the pooling arrangements with the participating authorities and any Memorandum

of Understanding with them. This is a precautionary provision only, as it is hoped that the pilot arrangements are replaced by permanent ones, making the exercise of this delegated authority unlikely to be required.

- 6.13 The settlement does not contain any definite indication about the future of business rate pools and retention beyond 2019/20. It would be extremely helpful for long-term financial planning if this vital information was contained within next year's local government settlement, following on from the Spending and Needs reviews

### ***Other grants and considerations from the settlement***

- 6.14 Allocations on the Improved Better Care Fund (iBCF) of £11.6m and the Flexible Homeless Support Grant (FHSG) of £5.2m have been checked and are in line with the budget assumptions. The latter is down from £7.8m in 2018/19. However, officers had anticipated this reduction some months ago, and as a result did not commit all of the 2018/19 allocation. As a result the council is able to accommodate this substantial (33%) reduction in its overall budget. The public health grant has, as expected, been cut again in 2019/20 by £0.5m to £20.8m. All other estimates for grants in 2019/20 are unchanged from that presented to Cabinet in October 2018.
- 6.15 The Secretary of State also commented adversely on the commercial investments that some councils have undertaken. It is anticipated that further guidance or regulations will be issued in due course in this area, which may have the effect of restricting some potential activities. However, to date Brent has not undertaken the kinds of activities that appear to have generated most concern, such as large acquisitions of commercial property outside of their own borough boundaries.

## **7.0 Statutory process of consultation, scrutiny and equalities assessments**

### **Equalities**

- 7.1 The Council has a duty to pay due regard to the need to eliminate unlawful discrimination and advance equality of opportunity and foster good relations between those who have a protected characteristic and those who don't when making decisions. This duty is set out in more detail in the Equality Implications section of this report. Each of the budget proposals attached in Appendix C have been subject to equality impact assessments (EIA) to assess their potential or likely impact on service users and employees with protected characteristics. Where the EIA process identified a disproportionate negative impact with no reasonable mitigation, the proposals were subject to a full EIA. These EIA reports are also included within Appendix C alongside the actual proposal.
- 7.2 It is important to note that in some cases when budgets are reduced in any particular area, further decisions will be required to implement the initiative achieving the budget reduction. Those further decisions are often subject to consultation or engagement with residents and other stakeholders and to the

results of equality impact assessments (EIAs) or assessments of best value. The results of any consultations and EIA considerations subsequent to those referred to at 7.1, will be analysed and taken into account as part of the decision making process required to put the proposed budget into effect. The savings that can be derived from these initiatives identified in the budget presented for agreement are therefore subject to change. If the proposals are changed in a way that materially reduces the budget reductions derivable from them (for example from having considered in detail the results of a consultation), there will be a need to make up for the shortfall from other additional reductions elsewhere, the use of reserves or by departing from the budget envelope – for which there is a particular constitutional procedure.

### **Scrutiny**

- 7.3 A Budget Scrutiny Panel was convened after the Cabinet published the draft budget proposals in October 2018. The panel, made up members of the three scrutiny committees (Resources & Public Realm, Community & Wellbeing and Housing) reviewed the proposals, as well as the budget development process, with relevant Lead members and officers. The panel's report and recommendations, attached in full at Appendix D, were considered and adopted by the Resources & Public Realm scrutiny committee on 15 January 2019. The budget now being recommended, by way of this report, was considered by the Resources & Public Realm scrutiny committee on 7 February 2019. A note of its deliberations and comments on the proposals have been circulated to the Cabinet to consider as part of their decision making.

### **Consultation**

- 7.4 The council recognises consultation as a key part of policy formulation, and makes considerable effort to ensure that the views of residents, businesses and other key stakeholders 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.
- 7.5 The council published an online budget simulator on 7 September 2018 to give residents the ability to set a balanced budget by determining their spending and income priorities for the year and leaving comments to explain their choices.
- 7.6 In brief 88 completed it, of which the majority chose to reduce expenditure on housing, cultural and adult social care related services, while protecting children's and environment related services. Just over half of the respondents opted to increase council tax by 4.99%, while 17% of respondents chose to increase is by 3.99%. Therefore over two-thirds of people completing the tool chose to increase council tax by either 3.99% or 4.99%, twice as many as those who proposed lower (or no) increases.

7.7 Brent Connects is a well-established public consultation forum for local residents, businesses and other stakeholders with meetings spread across the borough. At the date of despatch of this report the council has consulted on the budget proposals at eight Brent Connects events between October 2018 and January 2019. One further event is planned before the date of the Cabinet meeting (but after the date of this report) and a final event after the Cabinet report, but not before the Council meeting. At these events a presentation was delivered by the Leader and supported by officers, followed by a question and answer session. The table below sets out the schedule of events.

Brent Connects	Date	Attendance	Date	Attendance
Harlesden	16-Oct 2018	34	22-Jan 2019	13
Kingsbury and Kenton	29-Oct 2018	18	20-Feb 2019	TBC
Kilburn	30-Oct 2018	12	06-Feb 2019	TBC
Wembley	23-Oct 2018	35	29-Jan 2019	20
Willesden	17-Oct 2018	43	21-Jan 2019	24

7.8 At the date of despatch of this report four pop up events were organised across the borough attended by the Leader, Deputy Leader and other Cabinet members. These events allowed members to engage with those residents who would not otherwise have much interaction with the council and may not be aware of the consultation on the budget but whose views were important nonetheless. These events were used to inform residents to take part in the consultation process and respond to the consultation, either on line or in writing. The table below sets out the schedule of pop up events.

Pop up events	Date
Sainsbury's, Willesden Green	15-Nov 2018
Tesco, Harlesden Plaza	24-Nov 2018
Kilburn Square Market	30-Nov 2018
Wembley Park station	11-Dec 218

7.9 At the date of despatch of this report 262 people accessed the online consultation and of these 210 provided responses. Of the responses 15% mentioned council tax and of those 75% agreed with the increase proposed. One respondent suggested increasing council tax by more than 4.99% and holding a referendum. Put another way, 178 respondents did not mention council tax (from which one might reasonably infer that they did not strongly object to the proposed increase, albeit that they have not explicitly stated so). Of the 32 respondents who mentioned council tax, 24 agreed with the proposed increase, and therefore eight respondents disagreed with the council tax proposal. One might view this as eight out of 32 respondents mentioning council tax (25%) disagreeing with the proposed increase or eight out of 210 (4%) disagreeing with the proposed increase. A number of other themes emerged from the responses. The most popular theme was in relation to the local environment where over 20% of respondents stated refuse collection and clean streets were important to them. Also, over 9% of respondents indicated that community safety should play a greater role in council services. Social

care services, in particular services for older people, were frequently listed as key priorities for the council. Appendix L contains further information about the results of consultation and emerging themes.

- 7.10 In order to maximise the opportunity for comment the consultation was kept open to 31 January 2019. The comments above reflect the position shortly before that date to fit in with the despatch deadlines for this report. In the event that significant numbers of new comments are received subsequent to this an update will be provided to Cabinet.
- 7.11 There are a number of business forums and associations that the Council regularly engages with that include a wide range of both small and large local businesses. These include West London Business (a non-profit business membership organisation), the Federation of Small Businesses, a number of town centre business associations and the Brent Business Board. The consultation on the budget was published on the front page of the quarterly newsletter sent to a large number of Brent businesses, explaining why the views of local businesses were important and how to they could have their say.
- 7.12 The local voluntary sector is closely engaged with Brent's communities and has considerable experience of the impact of the council's difficult choices against a background of funding reductions. Engagement with the local voluntary sector has therefore been an important part of the consultation process. Invitations to participate in the consultation were sent to all Brent voluntary and community sector organisations.
- 7.13 Overall, one the main aims of the consultation and communication strategy was to raise awareness of the council's financial position, inform residents on how the council spends its budget and ensure residents, businesses and other key stakeholders were fully aware of the opportunities to have their say, by knowing how to respond and when the consultation events were taking place. This was delivered through a variety of communication channels, including advertising in local papers, publicity on the council's website, media briefings and use of the council's Facebook and Twitter accounts to disseminate reminders and encourage residents to participate.
- 7.14 All of these consultation responses are important. Members need to have regard to them, but are not obliged to follow 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.

## **8.1 Housing Revenue Account Budget and Housing General Fund Budget 2019/20**

- 8.2 The proposed HRA annual budget for 2019-20 sets out proposed expenditure for housing management services, stock investment and maintenance works

and new council housing development programmes as well as rent and service charge setting proposals for 2019-20. This report also includes Housing General Fund rent-setting proposals for stock managed by Hillside (Hyde Group) and for the Residential Pitches portfolio.

- 8.3 Table 8.3 sets out the current average 2018-19 rents and the proposed rents for 2019-20, taking account of the 1% reduction as required by the Welfare Reform Act. The amount of the rent reduction depends on the property size and current rent, the average reduction is £1.13 per week compared to 2018-19 average.

**Table 8.3: Rents reductions set for council dwellings 2019-20**

2018-19				2019-20	
Bed Size	Number of Properties	Average of Net Rent 2018-19	1% Reduction	Number of Properties	Average of Net Rent 2019-20
		£			£
0	375	85.44	16,661	373	84.59
1	2410	99.45	124,632	2410	98.46
2	2507	114.74	149,574	2517	113.59
3	1973	126.81	130,107	1992	125.55
4	423	137.34	30,208	423	135.96
5	60	149.12	4,652	60	147.63
6	9	156.96	735	9	155.39
<b>Grand Total</b>	<b>7757</b>	<b>113.19</b>	<b>456,570</b>	<b>7784</b>	<b>112.06</b>

#### 8.4 Tenants Service Charges

- 8.5 For HRA dwellings it is proposed that service charge is increased by an average of £0.18pw (3%). The individual service charge elements have been adjusted to bring it in line with estimated contract costs of providing these services to tenants in 2019-20 and is detailed in table 8.5 below:

**Table 8.5: Tenants Service Charges for 2019-20**

<b>Service</b>	<b>Average Charge 2018-19</b>	<b>Recommended Average Charge 2019-20</b>	<b>Estimated Increase / (Decrease)</b>
	(£/Week)	(£/Week)	%
Concierge	9.03	9.84	9%
Communal Lighting	1.40	1.40	0%
Grounds Maintenance	1.30	1.30	0%
Cleaning (Internal and External)	6.63	6.90	4%
Laundry	2.48	2.56	3%
TV Aerial	0.74	0.74	0%
Communal Heating (District)	8.29	8.29	0%
Hot Water	2.41	2.41	0%
Helpline Monitoring Service	1.52	1.52	0%
<b>Average Charge</b>	<b>7.07</b>	<b>7.25</b>	<b>3%</b>

## 8.6 Garages Rent Setting

8.7 The HRA currently has 331 active garage accounts with an estimated annual income of £0.24m in 2018-19. It is proposed for 2019-20 that charges should increase by 3.4% (CPI plus 1%) for residents and 6.4% (CPI plus 4%) for non-residents, a breakdown of charges by garage type is detailed in table 8.7 below:

**Table 8.7: Charges for Garages 2019-20**

	<b>Charges set for Residents</b>	<b>Charges set for non-residents</b>	<b>Proposed charges for residents</b>	<b>Proposed charges for non-residents</b>
	<b>2018-19</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2019-20</b>
	£	£	£	£
Cage Garages	3.40	3.82	3.52	4.06
Half Garages	6.79	7.65	7.02	8.14
Single Garages	13.60	13.60	14.06	14.47
Double Garages	22.27	22.27	23.03	23.70

## 8.8 HRA forecasted outturn 2018-19:

8.9 Overall the HRA is forecasting to spend in line with the approved net budget of £2.54m. However, there are some unbudgeted pressures estimated at £0.30m, this relates to £0.10m for cleaning contract inflationary uplift higher than budgeted for, £0.10m to fund a new tenants employment hub, and £0.10m for un-accrued payments to third parties for decanting tenants in prior years.

8.10 Salary budgets will partially offset budget pressures during the transformation programme due to a number of posts being unfilled partway through the year, also leasehold service charge actuals are higher than budgeted and will contribute towards mitigating the full risk of overspend.

## 8.11 HRA budgets 2019-20:

8.12 2019-20 will be the final year of the required 1% rent reduction as set out in the Welfare Reform Act. The Government has now set out its rent policy for the five years from 2020. From April that year, social rent increases will be limited to the Consumer Price Index (CPI) plus 1%.

8.13 The proposed budget for 2019-20 is set out in Table 8.14 below and shows a balanced budget. Overall the budget includes a net reduction of £2.54m when compared to 2018-19. The budget movements are summarised below:

**Technical adjustments** – technical adjustments to budgets are required for:

- £0.90m reduction in the anticipated income from recharges to leaseholders for major works in line with cost estimates for 2019-20.
- £3.45m anticipated reduction in the revenue contributions to capital works due to the re-profiling of major works to existing stock following the initial findings of the stock condition survey.
- £0.46m reductions in rents due to 1% rent reductions.
- £0.17m increase in rents due to a net increase in stock, taking new build and Right to Buy sales in to account.
- £0.18m realignment to leaseholders service charge budget to bring it in line with actual billed values from 2018-19
- £0.47m reduction for HRA share of premiums on debt following a restructured treasury portfolio.

**Growth** - Budget reductions are counter-balanced by a number of necessary growth items:

- £1.0m for salary and operational cost inflation.
- £0.17m for water billing contracts ending from April 2019.

**Savings** – The main savings in 2019-20 budgets are:

- £0.80m savings attributed to the Housing Management Transformation.

8.14 The proposed 2019-20 HRA budget will ensure that the HRA will continue to hold £1.09m in balances as part of the 30 year HRA business plan.

**Table 8.14: HRA Draft Budgets 2019-20**

<b>HRA Budget 2018/19 v Draft Budgets 2019/20</b>	<b>(1) Final Budgets 2018/19</b>	<b>(2) Draft Budgets 2019/20</b>	<b>(2-1) Variance</b>	<b>Variance Explanation (2-1)</b>
<b>Description</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Rents and Service Charge	(48,450)	(48,162)	289	Reductions to rent (1%), stock movement and service charges
Non Dwelling Rents	(217)	(217)	0	
Leaseholders' Charge for Services and Facilities	(2,276)	(2,451)	(175)	Increase in line with service charge actuals in 2018/19
Major Works and Other Contribution Towards Expenditure	(3,261)	(2,363)	897	Reduced major works profiling
<b>Total Income</b>	<b>(54,204)</b>	<b>(53,193)</b>	<b>1,011</b>	
Repairs and Maintenance	11,455	11,455	(0)	
Supervision and Management	11,326	11,424	98	Transformation savings offset by Inflationary uplift to salaries and cost inflation
Special Services	3,883	3,976	93	Cleaning contracts inflationary uplift
Rent and Rates and Others Charges	732	904	172	Water billing contracts expected to end
Depreciation of Fixed Assets	21,103	17,658	(3,446)	Reduction to capital contribution
Bad or Doubtful Debts	420	420	0	
Capital Financing and Debt Management	7,824	7,356	(468)	Reductions to HRA share of premiums on debt
<b>Total Expenditure</b>	<b>56,745</b>	<b>53,193</b>	<b>(3,552)</b>	
<b>(Surplus)/or Deficit for the Year on HRA</b>	<b>2,541</b>	<b>0</b>	<b>(2,541)</b>	
<b>Housing Revenue Account brought forward</b>	<b>(3,635)</b>	<b>(1,094)</b>	<b>2,541</b>	
(Surplus)/or Deficit on HRA	2,541	0	(2,541)	
<b>Closing balance</b>	<b>(1,094)</b>	<b>(1,094)</b>	<b>0</b>	

#### **8.15 HRA Stock Improvement and Major Works Budgets 2019-20 and 2020/21**

8.16 Planned works include refurbishments such as new roofs, facades, windows, lifts, kitchens, bathrooms, heating systems and the planned Fire safety works for 2019-20.

8.17 The initial indications coming out of the 2018 stock condition survey highlights the requirement for a stock improvement and major works capital budget of £14.11m for 2019-20.

8.18 To ensure the efficient delivery of this multi-year capital programme, it would be prudent to allocate an indicative 2020/21 major works budget. The total budget has been estimated at £15.70m for 2020/21.

#### **8.19 Development Services 2019-20**

8.20 The development of new council homes is a key priority of the council's Housing Strategy and of the HRA Asset Management Strategy. Two phases of development are currently underway:

8.21 Phase 1 - this was supported by GLA grant and will provide 47 Affordable Rent homes. The Phase 1 programme is nearing completion with handover expected in 2018-19, the estimated capital budget carried over for 2019-20 is set at £1.27m.

8.22 Phase 2 - this will provide 52 Affordable rent units which now have GLA grant allocated under the New Building Council Homes for Londoners programme. The Phase 2 programme is expected to be completed in January 2020. The estimated capital budget for 2019-20 is set at £7.02m and £0.86m for 2020/21. Also budget for feasibility works on future development programmes estimated at £0.41m in 2019-20.

#### **8.23 Housing General Fund**

#### **8.24 Hillside Rent Setting 2019-20**

8.25 In addition to the dwellings contained within the HRA, the Council also continues to hold dwellings in the General Fund (GF). These dwellings were formerly held by the Stonebridge Housing Action Trust (HAT) and were transferred to Brent Council in August 2007 when the HAT was dissolved. The Council currently owns 324 properties under this scheme and Hillside Housing Trust (part of Hyde Housing Group) manages these properties on the Council's behalf.

8.26 Table 8.26 below sets out the rent levels for 2019-20, with an average reduction of £1.26 per week:

**Table 8.26 – Range of Weekly Rents for 2019-20**

	<b>Weekly Rent 2018-19 (£)</b>	<b>Weekly Rent 2019-20 (£)</b>	<b>Decrease (£)</b>	<b>Decrease (%)</b>
1 Bed Flat	100.35	99.35	1	1%
2 Bed Flat	118.8	117.61	1.19	1%
1 S/croft Elders	100.35	99.35	1	1%
2 S/croft Elders	118.8	117.61	1.19	1%
2 Bed House	129.03	127.74	1.29	1%
3 Bed House	141.41	140	1.41	1%
4+ Bed House	148.87	147.38	1.49	1%

Hillside are also responsible for setting service charges across the stock, including those retained by the council. The average service charge per week for 2019-20 is set at £6.53 per week, an increase of £0.33 from the 2018/19 average, based on an uplift of 5.4% (CPI + 3%).

#### **8.27 Housing Private Finance Initiative (PFI) 2019-20**

8.28 The Housing PFI refers to 364 units of rented accommodation managed by Hyde under a PFI contract. The stock is made up of a mixture of Temporary Accommodation, Affordable Rent and Discounted Market Rent properties. As per the cabinet decision on 17 January 2017 in regards to PFI Housing Tenancy Conversions, Temporary Accommodation units are being phased out with the units being converted into Affordable Rent and Discounted Market Rent properties.

8.29 For temporary accommodation units the proposal is to uplift rents by RPI at 3.3%. For Affordable Rent and Discounted Market Rent, a comparison against market rents has been undertaken. When these findings are applied to each individual property, it leads to a wide range of rent increases and decreases from -43% to +56%. The proposal is that any increases should be capped at RPI 3.3% and properties where the methodology shows a decrease, the rents are to be frozen. These proposals are in line with the Housing Tenancy Conversion strategy to ensure that the Housing PFI deficit is managed within the council's medium term financial strategy.

#### **8.30 Travellers' Site Pitch Rent 2019-20**

8.31 It was identified in the 2018-19 budget setting report that the pitch rents were considered to be high in comparison to sites elsewhere in the country and a reduction to rents was approved. The current weekly pitch rent is £114.15, it is proposed to keep it frozen at the same rate for 2019-20. It is estimated to generate an annual income of £0.23m.

- 8.32 The management of the traveller's site contract with Oxfordshire City Council was not renewed in April 2018 and is now managed by the Council. This has resulted in a net saving to the general fund of £0.17m.

## **9.0 Schools Revenue Budget**

- 9.1 The Dedicated Schools Grant was announced on 17 December 2018. The main Schools Block which supports mainstream schools has been confirmed at £231m, which is £0.4m more than last year. It equates to £5,522 per pupil, an increase of £18 compared to 2018/19. This overall increase is due to a slight rise in primary and secondary pupil funding, and the increase in secondary pupil numbers who gain marginally from the phasing in of the national funding formula. However it masks a £1m reduction to the block due to changes in pupil growth allocations. Total pupil numbers in Brent have dropped very slightly from 41,901 to 41,833, but secondary pupil numbers have grown by over 200 since last year and this is expected to continue. An adjusted local schools funding formula which accounts for expected growth will be presented to the Schools Forum for consultation in January 2019. The report on the mainstream funding formula recommends that 0.5% (£1.1m) of the mainstream schools funding block be transferred to the High Needs block which provides for SEND pupils. This was recommended as a measure to address the increasing demand for SEND provision and so to prevent a DSG deficit. It should be noted that a separate Teachers' Pay Grant designed to meet the cost of the pay settlement announced in September 2018 sits outside of the DSG and is worth £2m for schools in Brent in 2019/20. The October 2018 budget also announced a one off additional funding allocation for schools which is yet to be received, estimated to be worth £1.2m for Brent schools.
- 9.2 The provisional allocation for the High Needs Block was announced as £56.1m. This is £0.8m more than expected as on Monday 17 December 2018 the Secretary of State for Education announced additional resources to help meet demand for high needs provision. This is confirmed at £0.8m for Brent in 2018/19 and again in 2019/20. Like most authorities Brent is facing substantial pressures in this area, up to £3m p.a. so the additional resources, whilst welcome, do not bridge this gap
- 9.3 The provisional Early Years block was announced at £23.4m. There are no changes to the hourly funding rate allocations for 2 year olds and 3 and 4 year olds. A small block of funding which supports some central services is unchanged at £2.4m. This brings the 2019/20 DSG allocation for Brent to a total of £312.9m.

## **10.0 The Capital Programme**

- 10.1 The detailed capital investment proposals were considered by Cabinet on 14 January 2019 and recommended for adoption by Council as part of the Budget & Council Tax setting process.

- 10.2 A summary of the updated capital programme along with the new proposals is therefore included in Appendix E to this report. In total, new schemes amounting to £393m have been recommended for progression from the capital pipeline to the main programme.
- 10.3 The capital programme is continually evolving and often changes from time to time to reflect emerging issues and priorities. Since the January cabinet capital pipeline report, and following recent Central Government policy announcements, the programme has been updated to incorporate additional provision for the acquisition of housing and other assets within the geographic boundaries of Brent to further the Council's place-making and development objectives.

### **11.0 Pay Policy Statement 2019/20**

- 11.1 Section 38 of the Localism Act 2011 requires local authorities to publish an annual 'Pay Policy Statement', setting out their policies in respect of chief officer remuneration and other specified matters. Regard must be had to guidance to be published by the Secretary of State in preparing the statement, which must be approved by full Council. The Council is then constrained by its pay policy statement when making determinations on chief officer pay, although the statement may be amended at any time by a further resolution of the full Council. No new guidance has been published since the statement was adopted for 2018/19 and so there are no proposed changes related to the guidance. The Draft Pay Policy Statement, attached as Appendix M, contain minor updating and cosmetic changes from the Statement adopted by full Council for the last financial year.

### **12.0 Approach to budget proposals for 2020/21 – 2021/22**

- 12.1 Local government continues to face an extremely challenging financial outlook following a prolonged period of austerity as well as disproportionate growth in demand for services. There is a growing level of uncertainty as the cliff edge of 2020 approaches – marking the end of the current Spending Review period and start of the new 75% business rates retention scheme.
- 12.2 Since 2010 the council has agreed expenditure reductions of £185m, including £20.9m by way of this report. This has been delivered through a combination of effective financial management, cost control and more innovative approaches to investment and demand management.
- 12.3 Officers' expectation is that savings of £40m will be needed over the lifetime of this Administration. The profile of these is broadly balanced, and so £20.9m of savings are recommended by way of this report in order to be able to agree a balanced budget for at least the next two years. However, it is important to note that, on the current funding estimates, significant further savings will need to be agreed at the Council meeting of February 2021. As a result the current working assumption is that anything not agreed in this budget round may need to be considered again at the point in time, and further options identified.

## **13.0 Financial Implications**

- 13.1 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.
- 13.2 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 2019/20 budget and the forward looking business plans.
- 13.3 Overall, expenditure in 2018/19 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.
- 13.4 In considering the budget report, a key consideration should be the delivery of the saving programme as it presents substantial management challenges. 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.
- 13.5 That said, the budget now proposed is realistic and affordable, albeit challenging. The increases in council tax set out, if agreed, 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 2019/20, but a further gap of nearly £20m remains in between 2021/22 and 2022/23.
- 13.6 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.

## **14.0 Legal Implications**

- 14.1 These are set out in Appendix J.

## **15.0 Equality Implications**

- 15.1 Section seven of this report provides more details of the approach to complying with the Equalities Act 2010 and the outcome of equalities impact assessments.

## **16.0 Consultation with Ward Members and Stakeholders**

16.1 Section seven of this report provides more details of the statutory consultation process with regards to setting the 2019/20 budget.

## **17.0 Human Resources**

17.1 Of the proposals identified in Appendix C, there are some where there is a potential impact on staffing and could be subject to redundancy. However, the number of redundancies are not expected to be significant since the introduction of a 'time limited' voluntary redundancy scheme in 2018.

17.2 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.

## **Related Documents**

Draft Budget Proposals 2019/20 – 2020/21, Cabinet October 2018

**Report sign off:**

**CONRAD HALL**

Chief Finance Officer