



Full Council
19 February 2020

Report from the Director of Finance

Budget and Council Tax 2020/21

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|---|---|
| Wards Affected: | All |
| Key or Non-Key Decision: | Key |
| Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small> | Open |
| No. of Appendices: | 21 – see list attached |
| Background Papers: | 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 2020/21 and business plans for 2021/22 and 2022/23. It also sets out the results of the consultation, scrutiny and equalities processes. The report also sets out the overall financial position facing the Council for the medium term and highlights the significant risks, issues and uncertainties.

- 1.2 The Council published an updated draft medium term financial strategy up to 2022/23 on 11 November 2019. This set out the delivery of a balanced budget for 2020/21, which included £7.4m of savings to be delivered in 2020/21 and a Council Tax increase of 3.99%, all of which were extensively consulted upon and agreed at the Full Council meeting of 25 February 2019. It also set out £6.1m of new proposals to balance the budgets of 2021/22 and 2022/23. If all

of these proposals were to be agreed, it is expected that the budgets for 2020/21, 2021/22 and 2022/23 would be balanced. However, the estimates for 2021/22 and 2022/23 are subject to change due to the uncertainty around a longer-term Spending Review and the outcome of other significant planned reforms to Local Government funding, for example the Fair Funding review.

- 1.3 Having considered the various comments made, including through the consultation, scrutiny and equalities processes, officers have been instructed to proceed with the budget proposals as previously set out. These are set out in more detail in the appendices to this report, which are organised as follows:

| | |
|------------------|---|
| Appendix C (i) | Summary of 2020/21 budget savings proposals |
| Appendix C (ii) | Summary of 2021/22 - 2022/23 budget savings proposals |
| Appendix C (iii) | Detailed budget templates for 2021/22 - 2022/23 proposals |

The appendices also include an equalities analysis for each proposal (Appendix C (v)) and a cumulative equalities analysis on the overall budget for the next three years (Appendix C (iv)).

- 1.4 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. By adopting a long-term and forward looking approach, the proposals should 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.
- 1.5 The budget setting process is designed to ensure that it is priority led so that resources are aligned with Council priorities, as well as the statutory processes of consultation, scrutiny and equality analyses. This includes alignment with the Borough Plan for 2019 – 2023, agreed by Full Council on 25 February 2019, which sets out 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 peoples' 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.

- 1.6 Aside from the usual updating of and adjustments to various technical assumptions the key features of this budget are:

- A council tax rise of 3.99% for the Brent element, making a Band D council tax of £1,312.74. Additionally, the Council will levy a council tax currently expected to be £332.07 at Band D on behalf of the Greater London Authority (GLA), which is a 3.61% rise compared to 2019/20 (comprising an additional £10 for the Metropolitan police and £1.56 for the London Fire Brigade). Therefore, the total council tax at Band D is expected to be £1,644.81, an overall 3.91% increase on the 2019/20 level.
- Budget savings proposals (all of which were considered by Council in February 2019) with an aggregate value of £7.4m for 2020/21, as summarised in Appendix C (i).

1.7 This report is structured as follows:

- Officer recommendations for Cabinet and full Council to approve;
- Strategic overview of the financial and macro-economic climate;
- Summary of the process to develop the budget;
- The results of consultation, scrutiny and equalities are set out;
- Updates from the Council's ring fenced budgets, specifically the Housing Revenue Account (HRA) and the Dedicated Schools Grant (DSG); and
- The capital programme is set out, along with the associated pipeline of schemes, capital strategy, investment strategy and treasury management strategy.

2.0 Recommendation(s)

Cabinet

- 2.1 Agree to recommend to full Council an overall 3.99% increase in the Council's element of council tax for 2020/21, with 2% as a precept for Adult Social Care and a 1.99% general increase.
- 2.2 Agree to recommend to full Council the General Fund revenue budget for 2020/21, as summarised in Appendix A.
- 2.3 Agree to recommend to full Council the cost pressures and technical adjustments set out in Appendix B.
- 2.4 Agree to recommend to full Council the budget savings proposals set out in Appendix C.
- 2.5 Note the report from the Budget Scrutiny Panel in Appendix D. In addition, Cabinet agreed at the meeting to recommend to full Council that any overall underspend across the General Fund at the end of March 2020 is ring fenced and that proposals are brought forward for spending on the climate change emergency.
- 2.6 Agree the HRA budget for 2020/21, as set out in section seven of this report.
- 2.7 Agree the HRA rents for council dwellings, tenant service charges and garages, as set out in section seven of this report.
- 2.8 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 seven of this report.
- 2.9 Note the Dedicated Schools Grant, as set out in section eight of this report.
- 2.10 Agree to recommend to full Council the Capital Programme as set out in section nine and Appendix E and that the Chief Officers be authorised to take all the necessary actions for implementation of the programmes.
- 2.11 Agree to recommend to full Council the changes to the existing Capital Programme in relation to additions of new projects, as set out in Appendix E.
- 2.12 Agree that the Director of Finance be authorised to make the necessary adjustments to the Capital Programme to account for the final 2019/20 outturn position and any associated programme slippage.
- 2.13 Agree to recommend to full Council the Capital Strategy, Investment Strategy, Treasury Management Strategy and Minimum Revenue Provision Policy in Appendices G, H, I and J and to note the pipeline schemes in Appendix F.

- 2.14 Note the advice of the Director of Legal, HR, Audit and Investigations, as set out in Appendix K.
- 2.15 Agree, and where relevant agree to recommend to full Council, the schedule of fees and charges set out at in Appendix L.
- 2.16 Note the results of the budget consultation, as set out in section six and detailed in Appendix M.

Full Council

- 2.17 Agree an overall 3.99% increase in the Council's element of council tax for 2020/21, with 2% as a precept for Adult Social Care and a 1.99% general increase.
- 2.18 Agree the General Fund revenue budget for 2020/21, as summarised in Appendix A.
- 2.19 Agree the cost pressures and technical adjustments set out in Appendix B.
- 2.20 Agree the budget savings proposals set out in Appendix C.
- 2.21 Note the report from the Budget Scrutiny Panel in Appendix D and agree that any overall underspend across the General Fund at the end of March 2020 is ring fenced and that proposals are brought forward for spending on the climate change emergency.
- 2.22 Agree the HRA budget for 2020/21, as set out in section seven of this report.
- 2.23 Agree the dedicated schools' grant, as set out in section eight of this report.
- 2.24 Agree the Capital Programme as set out in section nine and Appendix E and that the Chief Officers be authorised to take all the necessary actions for implementation of the programmes.
- 2.25 Agree the changes to the existing Capital Programme in relation to additions of new projects, as set out in Appendix E.
- 2.26 Agree that the Director of Finance be authorised to make the necessary adjustments to the Capital Programme to account for the final 2019/20 outturn position and any associated programme slippage.
- 2.27 Agree the Capital Strategy, Investment Strategy, Treasury Management Strategy and Minimum Revenue Provision Policy in Appendices G, H, I and J and to note the pipeline schemes in Appendix F.
- 2.28 Note the advice of the Director of Legal, HR, Audit and Investigations, as set out in Appendix K.
- 2.29 Agree the schedule of fees and charges, as set out in Appendix L.

- 2.30 Note the results of the budget consultation, as set out in section six and detailed in Appendix M.
- 2.31 Agree the Pay Policy Statement for 2020/21, as set out in Appendix N.

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 cannot be carried out until the final GLA precept has been received.

- 2.32 In relation to the council tax for 2020/21 we resolve:

That the following amounts be now calculated as the Council's element by the Council for the year 2020/21 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended:

- (a) £1,029,121,285 being the aggregate of the amount that the Council estimates for the items set out in Section 31A(2) of the Act.
- (b) 900,990,772 being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(3) of the Act.
- (c) £128,130,513 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) £1,312.74 being the amount at (c) above, divided by the amount for the tax base of 97,605, agreed by the General Purposes Committee on 9 December 2019, 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 |
|--------|---------|----------|----------|----------|----------|----------|----------|
| £ | £ | £ | £ | £ | £ | £ | £ |
| 875.16 | 1021.02 | 1,166.88 | 1,312.74 | 1,604.46 | 1,896.18 | 2,187.90 | 2,625.48 |

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

- 2.33 That it be noted that for the year 2020/21 the proposed GLA precept issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, in respect of the GLA, for each of the categories of dwellings are as shown below. The GLA intends to agree its precept on 24 February 2020.

Valuation Bands

| A | B | C | D | E | F | G | H |
|--------|--------|--------|--------|--------|--------|--------|--------|
| £ | £ | £ | £ | £ | £ | £ | £ |
| 221.38 | 258.28 | 295.17 | 332.07 | 405.86 | 479.66 | 553.45 | 664.14 |

- 2.34 That the Council establishes a council tax setting committee, to set the council tax for the year 2020/21, in accordance with section 67(3) of the Local Government Finance Act 1992, and agrees the terms of reference, size and political composition as set out in Appendix O.
- 2.35 That the Council appoints Councillors to serve on the council tax setting committee and appoints a chair and vice-chair of the council tax setting committee.
- 2.36 That the special council tax setting committee meet as soon as possible after 24 February 2020 to allow council tax notices to be issued in line with the normal statutory timetable.
- 2.37 That it be noted that the Director of Finance has determined that the Council element of the basic amount of Council Tax for 2020/21 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992.
- (a) That the Director of Finance 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 Director of Finance 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 Director of Finance 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.

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 Central Government.
- 3.2 The proposals in this report enable the Council to set a balanced budget for 2020/21 and set the business plans for 2021/22 and 2022/23 whilst giving some protection to front line services and investing in key projects and priorities. The funding gap in future years, estimated at £6.1m 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 November 2019 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% 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 for 2021/22 and beyond. It is vital that the new 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.
- 3.4 Given these ongoing policy changes, authorities are facing a period of significant uncertainty in the run up to the 2021/22 'cliff edge'. Greater clarity over the financial position of Local Government from 2021/22 is essential to reduce the high degree of uncertainty currently built into medium term financial planning.
- 3.5 Despite the delay in implementing these reforms, the Spending Review of September 2019 revealed Local Government funding is set to grow by 4.1% in real terms in 2020/21, an additional £3.5 billion, increasing public spending as a share of national income for only the second time since 2009. On the whole the additional funding is good news for Councils in 2020/21, especially for social care. However, the Government has not put out a detailed timetable of when it will put forward longer-term proposals or when the long-delayed Adult Social Care Green Paper will be published. It remains to be seen how this will link to the Fair Funding Review and the current Adult Social Care precept.
- 3.6 The additional funding announced in the Spending Review will obviously help with in year budget management, but as the funding will be for 2020/21 only it would not be appropriate to use all of this to enter into new longer-term commitments, such as additional staffing, and build in to the base budget. The longer-term position will become clearer once the Spending and Fair Funding reviews are announced.
- 3.7 A key area of concern is that this Spending Round was announced without the Office of Budget Responsibility's latest fiscal forecasts, comments or consultation, as would be expected with a Budget or Spring Statement. This,

coupled with the political uncertainty of a new Government and a potentially disorderly Brexit, means that these allocations have been made with a limited fiscal view and without knowing the real costs of the UK's departure from the European Union.

- 3.8 The provisional Local Government Finance Settlement was announced on 20 December 2019, two weeks later than expected due to the general election. The provisional settlement confirmed the funding announced in the Spending Review. Members will recall that as a result of the new funding announcements the medium term financial planning assumptions were updated and reflected in the draft budget agreed by Cabinet on 11 November 2019. Therefore, no further changes are required to financial planning assumptions and, subject to the outcome of the statutory processes of consultation, scrutiny and equality analyses, the budget presented by way of this report is unchanged from the draft budget.
- 3.9 Since 2010 the Council has delivered against a series of challenging financial targets following a prolonged period of austerity as well as disproportionate growth in demand for services, through a combination of effective financial management and cost control and more innovative approaches to investment and demand management. This approach has been very effective where Brent has managed its finances well by adopting a forward-looking financial strategy based on taking difficult decisions early, allowing time for implementation. The significant reductions in Government funding, as well as challenges posed by new legislation, has meant that the Council has had to deliver savings of £174m since 2010, including an additional £7.4m in 2020/21 and £6.1m between 2021/22 and 2022/23 by way of this report.
- 3.10 Accordingly, this draft budget seeks to set a reasonable and proportionate course over the next three years. The proposals for 2020/21 were extensively consulted upon and agreed by Council in February 2019. New proposals of £6.1m have been consulted upon, which would need to be agreed in order to balance the budgets of 2021/22 and 2022/23. This approach will place the Council in a strong financial position, as planning the budgets for future years well in advance will enable sensible phasing of the implementation of proposals to minimise the impact on services to residents.

4.0 Budget Development Process 2020/21 – 2022/23

- 4.1 Proposals in this budget have initially been developed by officers and then discussed with Members and with the wider community. The key processes were as follows:
 - 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;
- Development of the budget approach, based on the updated medium term financial outlook which was considered by the Cabinet in November 2019;
- The publication of a detailed list of savings proposals at Cabinet in November 2019 for the purposes of consultation, scrutiny and equality analyses;
- Debates through the Budget Scrutiny Task Group of the Resources and Public Realm Scrutiny Committee;
- Presentations and question and answer sessions at each of the five Brent Connects meetings in January 2020;
- Review of the schools budgets by the Schools Forum;
- Considering feedback from residents, businesses and other key stakeholders, whether received from the online consultation portal, the general ‘consultation@brent.gov.uk’ email address or other direct representations;
- Conducting individual equality impact assessments on the budget proposals and a cumulative equality impact assessment on the overall budget in order to ensure that their consequences were properly understood.

4.2 This report updates the position on the core estimates that drive the medium term financial planning assumptions, including the outcome of the provisional settlement and the consultation, scrutiny and equalities analyses processes.

5.0 Update/Review of Key Budget Assumptions

Income Assumptions

5.1 The provisional 2020/21 Local Government Finance Settlement was announced on 20 December 2019 and provided details of the core funding allocations for local authorities in 2020/21 only. The settlement confirmed the funding announced in the September 2019 one year Spending Review. The key headlines that are relevant for Brent from a financial planning point of view are set out below.

Revenue support grant (RSG) and other relevant grants

5.2 As expected, the 2020/21 RSG amount of £24.9m has been confirmed and determined using the 2019/20 amount plus the September CPI inflation increase of 1.63%.

- 5.3 On social care funding, as announced at Spending Round 2019, the provisional settlement confirms the previously proposed national amounts and allocation methodologies. For Brent, this includes £1.3m Winter Pressures Grant, £11.6m Improved Better Care Fund and £8.1m Social Care Grant.
- 5.4 The Government also announced additional resources to reduce homelessness and rough sleeping through the extension of the Flexible Homelessness Support Grant (FHSG) and the Homelessness Reduction Grant. Brent's allocation for the FHSG is the same amount as in 2019/20 of £5.2m and for the Homelessness Reduction Grant £1.2m will be available.
- 5.5 At the date of despatch of this report, allocations for the Public Health Grant had not been announced. That said, the Government announced that there would be a 'real terms increase' in 2020/21, this has been reflected in current funding assumptions.
- 5.6 The settlement confirms Ministers' intention to undertake a fundamental review of the basis of grant allocations, effective from April 2021 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 2020, 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 2020.

Council Tax

- 5.7 As expected, the Ministry of Housing, Communities and Local Government (MHCLG) confirmed their intention for the main council tax referendum threshold to reduce to from 2.99% in 2019/20 to 1.99% in 2020/21. The flexibility to raise the Social Care Precept will remain at 2%.
- 5.8 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 2020/21 and beyond. After due consideration the recommendation of this report is that the budget should be constructed on the basis of a council tax increase of 3.99% in 2020/21.
- 5.9 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 18 December 2019 the Mayor of London published his draft revenue budget for 2020/21 for consultation and following the announcement of the police grant settlement on 22 January 2020, proposed to increase the precept by £11.56 (or 3.6%) to £332.07 per Band D property in the 32 London Boroughs. This comprises of an additional £10 for the Metropolitan police and £1.56 for the London Fire Brigade, the maximum increase allowed by Government without a referendum. 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 24 February 2020. As the GLA's budget will be considered after the Council considers its budget on 19 February 2020, a committee will be established to finalise the overall Council Tax setting process.

Business Rates

- 5.10 The settlement confirmed the end of the 75% London pilot pool, but confirmed that London Boroughs will continue to pool their business rates, albeit under a lower retention rate of 67%. This means that London Boroughs will continue to be treated as one authority for the purposes of various calculations, sharing risk and retaining a greater proportion of business rates growth within London.
- 5.11 The three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Top Up amounts) have all increased by 1.63%, in line with the September 2019 CPI inflation figure.
- 5.12 Overall, however, the total amount expected from business rates has not changed from that assumed in the draft budget.
- 5.13 The settlement does not contain any definite indication about the future of business rate pools and retention beyond 2020/21. 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 Fair Funding reviews.

Expenditure Assumptions

- 5.14 Critical to understanding the overall budget are the annual growth assumptions, or estimated increases in unavoidable expenditure, that are built in to medium term financial planning, for example contract inflation, pay inflation, meeting the cost of providing existing services for a growing population, etc. These estimates were reviewed and set out for Cabinet in November 2019 as part of the draft budget and further details can be found in Appendix B. For the avoidance of doubt, these expenditure assumptions represent the annual costs, all else being equal, that would have to be incurred just to stand still. A summary of these growth and cost pressures are shown in the table below.

| Assumption | Extra cost per annum (£m) | Description |
|-------------------|----------------------------------|--------------------|
| | | |

| | | |
|---------------------|-------------|--|
| Demography | 3.5 | Estimated annual cost of providing the same services to a growing population. Indicative allocations are £2m Adult Social Care, £0.5m Housing, £0.5m Children's Social Care, £0.3m Public Realm and £0.2m various corporate departments. |
| Payroll | 2.1 | Based on a 2% pay award and new pay spines. |
| London Living Wage | 1.5 | Assumed average annual cost of making more contracts LLW compliant. |
| Contracts | 3.9 | Primarily based on 2% inflation and known contractual commitments. Indicative allocations are £1.5m Community Wellbeing, £0.8m Children's Social Care, £0.9m Regeneration & Environment and £0.7m various corporate departments. |
| Transport | 1.3 | Freedom passes and transporting children with Special Educational Needs. |
| Technical | 0.5 | Pensions, levies (e.g. West London Waste Authority) and other technical items. |
| Capital financing | 0.2 | Interest and debt repayment costs for the capital programme. |
| Total Growth | 13.0 | |

Overall funding position

- 5.15 The table below sets out the overall balanced budget for the next three years and is unchanged from the draft budget agreed by Cabinet in November 2019. As set out earlier in the report, until a longer-term Spending Review is published and until the direction of the Fair Funding review is clearer this estimate will be subject to considerable change or at least uncertainty.

| | 2020/21 | 2021/22 | 2022/23 |
|--------------------|---------|---------|---------|
| | £m | £m | £m |
| Expenditure | | | |

| | | | |
|--|----------------|----------------|----------------|
| Assumed budget brought forward before in-year growth and savings | 276.0 | 289.8 | 295.7 |
| Demographic Growth | 3.5 | 3.5 | 3.5 |
| Other Growth | 9.5 | 10.6 | 10.6 |
| Total Expenditure | 289.0 | 303.9 | 309.8 |
| <hr/> | | | |
| Income | | | |
| Revenue Support Grant | (24.9) | (21.7) | (18.8) |
| Specific Grants (e.g. Public Health) | (39.3) | (39.3) | (39.3) |
| Total funding from Central Government | (64.2) | (61.0) | (58.1) |
| Council Tax | (128.1) | (135.2) | (141.4) |
| Business Rates | (97.5) | (99.5) | (101.7) |
| Total funding from residents and businesses | (225.6) | (234.7) | (243.1) |
| Total Income | (289.8) | (295.7) | (301.2) |
| <hr/> | | | |
| Savings required (Expenditure less Income) | (0.8) | 8.2 | 8.6 |
| £7.4m savings agreed in February 2019 for 2020/21 | (7.4) | — | — |
| £6.1m savings put forward in February 2020 for 2021/22 – 2022/23 | — | (4.3) | (1.8) |
| Re-profiling adjustment | 8.2 | (3.9) | (7.3) |
| Contingency | — | — | 0.5 |
| Grand Total | 0.0 | 0.0 | 0.0 |

6.0 Statutory process of consultation, scrutiny and equalities analyses

Equalities

- 6.1 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. Each of the budget proposals attached in Appendix C have been subject to an initial equality impact assessment (EIA) to assess their potential or likely impact on service users and employees with protected characteristics. Where the EIA process identified a disproportionately negative impact with no reasonable mitigation, the proposals were subject to a full EIA. In addition to individual EIAs, a cumulative (or overall) EIA has been produced to assess and understand the potential cumulative and compounding impact on groups with a protected characteristic that arise from either changes across a range of services or a group of savings proposals. These EIA reports are included within Appendix C alongside the actual proposal. In summary, it has been concluded that all of the proposals are considered reasonable and have shown due regard to the Public Sector Equality Duty.
- 6.2 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 EIAs or assessments of best value. The results of any consultations and EIA considerations subsequent to those referred to at 6.1, 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

- 6.3 A Budget Scrutiny Task Group was convened after the Cabinet published the draft budget proposals in November 2019. The panel, made up members of the two scrutiny committees (Resources & Public Realm and Community Wellbeing) 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 29 January 2020 as part of the Cabinet's decision making.

Consultation

- 6.4 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.

- 6.5 As previously set out, the budget proposals for 2020/21 were endorsed by Council in February 2019 following an extensive consultation process, as well as scrutiny and equalities analyses. For clarity, these are the proposals set out in Appendix C (i).
- 6.6 The consultation, instead, focused on the new proposals for 2021/22 and 2022/23. These are summarised in Appendix C (ii) and set out in more detail in Appendix C (iii). The following paragraphs set out the results of the various consultation processes.
- 6.7 Brent Connects is a well-established public consultation forum for local residents, businesses and other stakeholders with meetings spread across the borough. The Council has consulted on the budget proposals at all five Brent Connects events in January 2020. At these events a presentation was delivered by either the Leader or Deputy 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 |
|----------------------|--------------------------|------------|
| Kingsbury and Kenton | Monday 27 January 2020 | 25 |
| Harlesden | Monday 13 January 2020 | 16 |
| Kilburn | Wednesday 8 January 2020 | 18 |
| Wembley | Tuesday 28 January 2020 | 37 |
| Willesden | Thursday 30 January 2020 | 32 |

- 6.8 The detailed budget proposals were published on the Council's website, inviting comments and feedback through the online consultation portal. A number of people accessed the online consultation and provided responses. Appendix M contains further information about the results of consultation and sets out a summary of emerging themes and other key findings.
- 6.9 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 they could have their say.

- 6.10 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. In addition, the consultation was publicised in the CVS Brent newsletter throughout the consultation period. A response to the consultation was received from CVS Brent, commenting on the overall financial position of the Council and two specific proposals. These comments are addressed in the detailed savings templates set out in Appendix C (iii).
- 6.11 In order to maximise the opportunity for comment the consultation was kept open to 31 January 2020. 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.
- 6.12 Overall, one of 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.
- 6.13 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.

7.0 Housing Revenue Account Budget and Housing General Fund Budget 2020/21

Housing Revenue Account

- 7.1 The proposed HRA annual budget for 2020/21 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 2020/21. This report also includes Housing General Fund rent-setting proposals for stock managed by Hillside (Hyde Group) and for the Residential Pitches portfolio.
- 7.2 After four consecutive years of rent reductions, 2019/20 will be the final year of the required 1% rent reduction as set out in the Welfare Reform Act. The

Government has set out its rent policy, which allows rent levels to be increased by CPI +1% for the next five years starting from April 2020.

- 7.3 The table below shows the average rent per week, for the various bed sizes, before the 1% rent reductions compared to current rates, and the proposed increase of 2.7% (CPI+1%) for 2020/21. All new re-lets are charged at formula rent, therefore the current average rent will not be a directly comparable reduction against 2015/16.

Rent setting proposal for 2020/21

| Bed Size | Average Net Rent 2015/16 (before rent reductions) | Current Average Net Rent 2019/20 | Proposed Average Net Rent 2020/21 (2.7%) | Proposed v 2015/16 Rent |
|---------------------|---|----------------------------------|--|-------------------------|
| | £ | £ | £ | £ |
| Bedsits | 88.12 | 84.59 | 86.87 | (1.25) |
| 1 | 102.06 | 98.46 | 101.12 | (0.94) |
| 2 | 115.66 | 113.59 | 116.65 | 0.99 |
| 3 | 127.73 | 125.55 | 128.94 | 1.21 |
| 4 | 138.95 | 135.96 | 139.63 | 0.68 |
| 5 | 148.83 | 147.63 | 151.61 | 2.78 |
| 6 | 152.56 | 155.39 | 159.59 | 7.03 |
| Average Rent | 114.53 | 112.06 | 115.08 | 0.55 |

- 7.4 The proposed rent rates for 2020/21 will be on average £0.55 per week (0.48%) more than they were in 2015/16. The average rent increase compared to the current financial year is estimated to be £3.02. As part of the statutory rent setting process, the proposed rent increase was put out for consultation on the Council's online portal on 27 December 2019 and closed on 26 January 2020.
- 7.5 The rent increase will contribute towards the Council's future years investment programme in council homes, including £13.5m on fitting new kitchens, bathrooms, windows and roof renewals, £3m of appropriate fire safety measures, and carry out £0.5m of estate improvements such as bike sheds, build new family homes, and create user-friendly technology systems.
- 7.6 The net rent amounts are excluding service charges. The service charges are a recharge to tenants and leaseholders which is based on the actual costs incurred for providing specific services, such as estate cleaning.

Tenants Service Charges

- 7.7 It is proposed that service charges for HRA dwellings are increased by an average of £0.21 per week (2%). The individual service charge elements have been adjusted to bring them in line with the estimated contract costs of providing these services to tenants in 2020/21. This is shown in the table below which displays the average charges made to date in 2019/20, and which reflects the current number of units.

Tenants Service Charges for 2020/21

| Service | Current Average Charge 2019/20 | Recommended Average Charge 2020/21 | Estimated Increase / (Decrease) |
|----------------------------------|--------------------------------|------------------------------------|---------------------------------|
| | (£/Week) | (£/Week) | % |
| Concierge | 9.64 | 10.70 | 11% |
| Communal Lighting | 1.42 | 1.49 | 5% |
| Grounds Maintenance | 1.35 | 1.35 | 0% |
| Cleaning (Internal and External) | 6.87 | 6.87 | 0% |
| Laundry | 2.75 | 2.75 | 0% |
| TV Aerial | 0.74 | 0.74 | 0% |
| Communal Heating (District) | 8.27 | 8.68 | 5% |
| Hot Water | 2.28 | 2.39 | 5% |
| Helpline Monitoring Service | 1.49 | 1.56 | 5% |
| Average Charge | 9.92 | 10.13 | 2% |

Garages Rent Setting

- 7.8 The HRA currently has 280 active garage accounts, a reduction of 51 accounts compared to 2018/19. The estimated annual income for 2019/20 is £0.20m, a reduction of £0.04m from previous year. It is proposed for 2020/21 that charges should increase by 2.7% (CPI plus 1%) for residents and 3.1% for non-residents. Average weekly charges are shown in the table below.

Proposed charges for Garages 2020/21

| Average Weekly Charge | Existing charge 2019/20 | Proposed charges 2020/21 | Proposed Increase |
|-----------------------|-------------------------|--------------------------|-------------------|
| | | | £ |
| Residents | 10.67 | 10.96 | 2.7% |
| Non-residents | 16.55 | 17.06 | 3.1% |

HRA forecast outturn 2019/20

- 7.9 In the current financial year, budget pressures of £0.5m have been identified. This is due to the additional staffing and associated costs of bringing the estate cleaning team, previously carried out by Wettons, in-house from September 2019.
- 7.10 A projected underspend on responsive void works of £0.3m will partially offset budget pressures. In addition to this, the annual adjustments to reflect actual costs incurred by the Council in relation to service charges has resulted in an additional £0.2m leasehold service charge income, this will contribute towards mitigating the full risk of overspend in 2019/20. Overall, the HRA is forecasting to spend in line with the approved balanced budget set in February 2019.

HRA budgets 2020/21

- 7.11 The proposed budget for 2020/21 is set out in the table below and shows a net balanced budget. The budget movements are as a result of the items summarised below:

| Technical adjustments | £m |
|---|-----------|
| Rent increase of 2.7% on 2019/20 base stock. | (1.3) |
| Additional rent from 119 new homes expected between 2019/20 and 2020/21. | (0.7) |
| Increase for cost of borrowing to fund the new council homes programme, and interest rate rises from the Public Works Loan Board (PWLB), which took effect from October 2019. | 1.8 |
| Reduction in revenue contributions on capital works due to re-profiling of major works to existing properties, bringing it in line with the Asset Management Strategy. | (0.5) |
| Increase for re-alignment of leaseholders service charge budget to bring it in line with actual billed values from 2019/20. | (0.2) |
| | |
| Growth | £m |
| Increases on pay and operational cost inflation. | 0.5 |
| Repairs contract inflation increases. | 0.5 |
| Associated costs of in-house estate cleaning services. | 0.1 |
| Supporting community hubs. | 0.1 |
| | |
| Savings | £m |
| Budget decrease on void works due to reductions on eviction rates and revision of assumed void rates based on 2019/20 in-year performance. | (0.1) |

| | |
|---|------------|
| Efficiency savings across housing management following successful implementation of the transformation programme. | (0.2) |
| Total Net Movement | 0.0 |

- 7.12 The proposed 2020/21 HRA budget will ensure that the HRA will continue to hold £1.3m in reserve balances as part of the 30 year HRA business plan.

HRA Final Budget 2019/20 v Draft Budget for 2020/21

| | Final Budget 2019/20 (1) | Draft Budget 2020/21 (2) | Variance (2-1) | Variance Explanation |
|--|-------------------------------------|-------------------------------------|---------------------------|---|
| Description | £m | £m | £m | |
| Rents and Service Charge | (48.2) | (49.9) | (1.7) | Tenant rents and service charges plus new homes offset by rent loss through voids and RTB sales |
| Non Dwelling Rents | (0.2) | (0.5) | (0.3) | |
| Leaseholders' Charge for Services and Facilities | (2.4) | (2.6) | (0.2) | Increase in line with service charge actuals in 2019/20 |
| Major Works and Other Contribution Towards Expenditure | (2.4) | (2.3) | 0.1 | |
| Total Income | (53.2) | (55.3) | (2.1) | |
| Repairs and Maintenance | 11.4 | 11.7 | 0.3 | Voids budget savings offset by inflationary uplift on repairs contracts |
| Supervision and Management | 11.4 | 11.8 | 0.4 | Transformation savings offset by inflationary uplift on pay and on costs, and community hub funding |
| Special Services | 4.0 | 4.1 | 0.1 | Staffing, vehicle and equipment costs of delivering in-house estates cleaning team |
| Rent and Rates and Others Charges | 0.9 | 0.9 | 0.0 | |
| Depreciation of Fixed Assets | 17.7 | 17.2 | (0.5) | Reduction to capital contributions |
| Bad or Doubtful Debts | 0.4 | 0.4 | 0 | |

| | | | | |
|--|--------------|--------------|------------|--|
| Capital Financing and Debt Management | 7.4 | 9.2 | 1.8 | Increased borrowing for investment in new council homes and interest rate rise from PWLB |
| Total Expenditure | 53.2 | 55.3 | 2.1 | |
| (Surplus)/or Deficit for the Year on HRA | 0.0 | 0.0 | 0.0 | |
| Housing Revenue Account brought forward | (1.3) | (1.3) | (0.0) | |
| (Surplus)/or Deficit on HRA | 0.0 | 0.0 | 0.0 | |
| Closing balance | (1.3) | (1.3) | 0.0 | |

HRA Stock Improvement and Major Works Budget 2020/21 and 2021/22

- 7.13 Planned works include refurbishments such as new roofs, facades, windows, lifts, kitchens, bathrooms, heating systems and the planned fire safety works for 2020/21.
- 7.14 The Asset Management Strategy highlights the requirement for a stock improvement and major works capital budget of £17m for 2020/21.
- 7.15 To ensure the efficient delivery of this multi-year capital programme, it would be prudent to allocate an indicative 2021/22 major works budget, estimated to be £17m. In total, this results in £34m investment in council homes over the next 2 years.

New Council Homes Programme 2020/21

- 7.16 The development and management of new council homes and affordable housing remains a key priority of the Council's Housing Strategy and of the HRA Asset Management Strategy.
- 7.17 The 2019/20 planned expenditure is £17.8m on new council homes and acquisition. Further continued investment of £83m over the next 4 years to deliver 310 new homes is currently at the planning stage. The new build budget for 2020/21 is £28m towards the delivery of 260 homes.

Housing General Fund

Hillside Rent Setting 2020/21

- 7.18 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.

- 7.19 The table below sets out the rent levels for 2020/21, with an average increase of £3.28 per week:

Range of Weekly Rents for 2020/21

| | Weekly Rent 2019/20 (£) | Weekly Rent 2020/21 (£) | Increase (£) | Increase (%) |
|---------------------|------------------------------------|------------------------------------|--------------------------|--------------------------|
| 1 Bed Flat | 99.35 | 102.03 | 2.68 | 2.7% |
| 2 Bed Flat | 117.61 | 120.79 | 3.18 | 2.7% |
| 1 S/croft Elders | 99.35 | 102.03 | 2.68 | 2.7% |
| 2 S/croft Elders | 117.61 | 120.79 | 3.18 | 2.7% |
| 2 Bed House | 127.74 | 131.19 | 3.45 | 2.7% |
| 3 Bed House | 140 | 143.78 | 3.78 | 2.7% |
| 4+ Bed House | 147.38 | 151.36 | 3.98 | 2.7% |

Hillside are also responsible for setting service charges across the stock, including those retained by the Council. The average service charge per week for 2020/21 is set at £6.71 per week, an increase of £0.18 from the 2019/20 average, based on an uplift of 2.7% (CPI + 1%).

Housing Private Finance Initiative (PFI) 2020/21

- 7.20 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 the 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.
- 7.21 The proposal is to hold the rents at the current levels, with no increase for the coming year.

Travellers' Site Pitch Rent 2020/21

- 7.22 The current weekly pitch rent is £144.15. It is proposed to increase this by CPI + 1% (2.7%) to £148.04 for 2020/21. It is estimated to generate an annual income of £0.24m.

8.0 Schools Revenue Budget

- 8.1 The Dedicated Schools Grant allocations were announced on 19 December 2019, and the proposed budget, as described below, was endorsed by the Schools Forum on 15 January 2020. The main Schools Block which supports mainstream schools has been confirmed at £234.7m, which is £3.7m more than last year. It equates to £5,563 per pupil, an increase of £41 compared to 2019/20. This overall increase is due to a national minimum increase in pupil funding, and an increase in the number of secondary pupils. The number of primary phase pupils funded in the formula has reduced slightly compared to last year, but overall mainstream pupil numbers in Brent rose from 41,997 to 42,186. The gains in funding do however mask a £1m reduction to the block due to changes in the national funding formula pupil growth allocations.
- 8.2 During the autumn term Schools Forum were consulted on and agreed some adjustments to the local funding formula. A new factor for funding schools with more mobile cohorts of pupils will be introduced, and the pupil growth fund has been increased to fund further expected increases in secondary pupils. The additional Schools block funds were also used to increase all pupil funding factors, and all schools will receive a minimum 0.5% per pupil funding increase. The report on the mainstream funding formula recommends that 0.46% (£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. Separate to the DSG there are also significant grants from Central Government to assist schools in meeting the costs of the teachers' pay rise and the increased contributions to the teachers' pension scheme.
- 8.3 The allocation for the High Needs Block has been announced at £61.3m. This is £5m more than received in 2019/20 and represents a 9% increase. This is Brent's share of an 11% national increase in High Needs funding. Like most authorities Brent is facing substantial pressures in this area, and is overspending in 2019/20. The £5m additional funding and the £1m Schools block transfer will be allocated against these pressures across the High Needs block budget for 2020/21 in consultation with the Schools Forum High Needs sub group. The DfE are changing the terms and conditions of the DSG, to make it clearer that any deficit position can be carried forward against the grant for future years. It is envisaged that a multi-year recovery plan would then be required in addition to sustained increases in funding.
- 8.4 The provisional Early Years block was announced at £22.9m. This allocation is updated in July each year following the confirmation of the spring early years census. There are marginal increases to the hourly funding rate allocations for

2 year olds and 3 and 4 year olds. A small block of DSG funding which supports some central services has reduced slightly to £2.2m. This brings the total 2020/21 DSG allocation for Brent to £321.1m.

9.0 Capital Programme

- 9.1 The Capital Programme is a key part of the overall budget setting process. It is focused on supporting the delivery of the Council's statutory responsibility in relation to ensuring there are sufficient school places available for children and young people whilst, investing in new affordable housing and in our existing housing stock, town centres, public realm and community facilities across Brent.
- 9.2 A key element of the Council's successful financial strategy has been to expand the capital investment programme and enable it to deliver substantial revenue savings over the medium term financial planning (MTFP) period. For example, the £12.5m investment in the Digital Strategy implementation is expected to generate savings of £4.2m over the five-year period.
- 9.3 The Capital and Investment Strategies (Appendix G & H) provide further details on the overall capital strategy, which sets out how capital investment supports the delivery of the Council's objectives. It sets out the main objectives for the Council over the medium term financial planning (MTFP) period 2020/21 – 2024/25.
- 9.4 Until recently the Council has utilised internal cash resources to fund the elements of the Capital Programme in lieu of borrowing, this has kept the interest costs low as it delays the requirement to undertake new external borrowing. Looking ahead borrowing will be undertaken for specific schemes and prioritised where it can have a net positive impact on the revenue budget and there is a clear repayment plan for the capital.
- 9.5 The Capital Programme schemes which are funded using a combination of external grants and borrowing will only be undertaken once the external funding is secure; amounts of Council borrowing shown are indicative. Table 1 shows the Council will require c£471m of borrowing over the 5 year period to fund the Capital Programme of which the interest costs will be charged to the revenue capital financing budget.
- 9.6 Looking further ahead there are plans to utilise S106/Community Infrastructure Levy (CIL) to undertake major infrastructure projects meeting the conditions or terms for funding (e.g. £15.2m allocated from Strategic CIL to pay for the build of the education centre and workspace on the Morland Gardens project).
- 9.7 The Council has embarked on an extensive Capital Programme to invest c£779m over 5 years, 2020/21 to 2024/25. The sum includes significant spend across the General Fund and Housing Revenue Account (HRA) to support the strategic vision of the Council across the borough. Since the capital budget was agreed by Council in February 2019 the pipeline projects approved and

promoted during the year have been included in the 2020/21 to 2024/25 Capital Programme. The balance of provisional schemes held in the pipeline is currently £545m for 32 projects. The pipeline provision has not been included in the Capital Programme set out in Table 1 and Appendix E but are shown as a separate summary in Appendix F.

- 9.8 A summary of Capital Programme and financing arranged according to portfolio (excluding pipeline provision) for 2020/21 to 2024/25 is set out in Table 1. The detailed Capital Programme is set out in Appendix E.
- 9.9 The 2019/20 revised budget reported to Cabinet in January 2020 was £246.7m. The revised budget is subject to change as new schemes are approved prior to Council in February 2020. The budget changes since the Quarter 3 monitoring reported to Cabinet is c£14.4m and is comprised of the following:
- £3.45m total budget on Picture Palace approved by Cabinet in October 2019. £2m was allocated in 2019/20 and £1.45m in 2020/21.
 - £7.3m re-profiled RTB Affordable Housing spend from future years to meet 2019/20 target spend.
 - £1.86m re-profiled budget on South Kilburn due to increased purchasing activity.
 - £1.1m additional budget due to TfL bus improvements projects to be funded from S106.

Table 1 – Summary Capital Programme

| Portfolio | BOARD (PROGRAMME) | 2019/20 (Revised Budget) | 2020/21 Budget | 2021/22 Budget | 2022/23 Budget | 2023/24 Budget | 2024/25 Budget | TOTAL 2020/21 to 2024/25 |
|---|----------------------|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------------------|
| | | £m | £m | £m | £m | £m | £m | £m |
| Resources: Cllr Margaret McLennan | Corporate Landlord | 10.553 | 22.100 | 53.000 | 8.500 | 1.500 | – | 85.100 |
| Regeneration: Highways, Planning: Cllr Tatler | South Kilburn | 10.628 | 23.972 | 23.805 | 15.014 | 5.931 | 5.452 | 74.174 |
| | Regeneration | 4.049 | 18.726 | 19.150 | 23.450 | – | – | 61.326 |
| St Raphael's : Cllr Tatler | St Raphael's | 0.988 | 0.300 | – | – | – | – | 0.300 |
| Regeneration: Highways, Planning: Cllr Tatler | Public Realm | 18.509 | 23.477 | 5.729 | 5.651 | 5.645 | – | 40.502 |
| Public Health: Culture & Leisure: Cllr Krupesh Hirani | Public Realm | 1.048 | 0.105 | – | – | – | – | 0.105 |
| Environment: Cllr Krupa Sheth | Public Realm | 1.615 | 0.360 | – | – | – | – | 0.360 |
| Schools: Employment & Skills: Cllr Amer Agha | Schools | 10.790 | 11.474 | 16.376 | 16.937 | – | – | 44.787 |
| Housing & Welfare Reform: Cllr Eleanor Southwood | Housing GF | 23.190 | 70.696 | 63.044 | 55.170 | 28.600 | – | 217.510 |
| | HRA | 110.032 | 92.080 | 74.133 | 8.057 | 0.895 | – | 175.165 |
| | i4B – Phase 1 & 2 | 69.749 | 27.403 | 23.500 | 23.500 | – | – | 74.403 |
| | Capitalisation | – | 1.776 | 1.776 | 1.776 | – | – | 5.328 |
| | Total | 261.151 | 292.470 | 280.514 | 158.054 | 42.570 | 5.452 | 779.060 |

- 9.10 The Capital Programme is comprised of projects approved by annually by Cabinet as well as new approvals in year. New capital schemes and projects will usually be added to the Capital Programme as part of the annual budget setting process, however, the governance arrangements allow for new schemes and projects to be added in year, subject to appropriate approval.
- 9.11 The Capital Programme detailed in Table 1 above currently excludes slippage from the 2019/20 Capital Programme. Estimated slippage and re-profiled projects are detailed in the quarter 3 capital monitoring report to Cabinet in January 2020. The potential slippage from 2019/20 will be reviewed at the end of the financial year and reported to Cabinet in July 2020.
- 9.12 There are a number of key projects supported in the 2020/21 – 2024/25 Capital Programme and these were set out in more detail for Cabinet on 10 February 2020.

Statutory Capital & Treasury Reports

- 9.13 In recognition of the importance of capital investment in asset and treasury management to Council activities, CIPFA and Central Government have compiled codes of practice and regulations for Councils to follow. These ensure that Councils have effective processes and practices in place to control, manage and govern capital investment decisions, that include borrowing and treasury management practices.
- 9.14 The requirement on local authorities in relation to this statutory guidance is that they should “have regard” to such guidance and each year must produce a number of documents/strategies for approval by Council or a nominated body.
- 9.15 The various statutory reports are as follows:
- Capital Strategy (high-level report covering the basics of capital programme, treasury management and investments for service commercial reasons) – Appendix G.
 - Investment Strategy (disclose the contribution that investments make “towards the service delivery objectives and / or place making role of the local authority – Appendix H.
 - Treasury Management Strategy (the Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) requires the Council to approve a treasury management strategy before the start of each financial year. The strategy outlines a framework within which the Council manages its cash flows, borrowing and investments, and the associated risks – Appendix I.
 - Minimum Revenue Provision (the process for calculating the annual charge to the revenue account of provision to repay debt incurred in respect of capital expenditure financed by borrowing or other long-term credit arrangements (such as PFI) – Appendix J.

- The statutory reports have been included for approval in Appendices G, H, I and J.

10.0 Pay Policy Statement 2020/21

- 10.1 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 2019/20 and so there are no proposed changes related to the guidance. The Draft Pay Policy Statement, attached as Appendix N contains minor updating and cosmetic changes from the Statement adopted by full Council for the last financial year.

11.0 Overall summary and conclusion

- 11.1 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. The Council has faced significant reductions in Government funding, as well as challenges posed by new legislation, and has had to deliver savings of £174m since 2010, including a further £13.5m over the next three years by way of this report. In addition, there is a growing level of uncertainty as the cliff edge of 2021 approaches – marking the end of the current Spending Review period and start of the new funding baselines (following the Fair Funding Review) and 75% business rates retention scheme.
- 11.2 As funding has been cut the population has grown and this has been particularly pronounced in the very oldest and very youngest age groups, which are statistically most likely to require services from the Council, thus adding to the cost pressures. Coupled with the impact of legislative change, this has created substantial financial pressures.
- 11.3 There is no doubt that the short term funding boost is welcomed in Local Government, particularly for social care departments. Demand for social care is rising and funding will benefit some of the most vulnerable members of our society. However, in order to address the national social care crisis, larger and more frequent funding boosts will need to follow.
- 11.4 A key area of concern is that this Spending Round was announced without the Office of Budget Responsibility’s latest fiscal forecasts, comments or consultation, as would be expected with a Budget or Spring Statement. This, coupled with the political uncertainty of a new Government and a potentially disorderly Brexit, means that these allocations have been made with a limited

fiscal view and without knowing the real costs of the UK's departure from the EU.

- 11.5 Despite dealing with these pressures and uncertainties, and subject to the remaining uncertainties in the financial planning assumptions, some of which are simply inherent in any budgeting process, the Council has sufficient options at its disposal to balance the budget for the next three years.
- 11.6 It is worth reflecting on the strength of this financial position. Officers' expectation is that savings of £6.1m will be needed between 2021/22 and 2022/23 in order to be able to agree a balanced budget for those years. This includes a £0.5m contingency budget to mitigate any unforeseen risks to future budget assumptions. If the proposals put forward by way of this report are adopted, the Council will be able to balance its budget for the next three years. Setting budgets for more than a single year will also allow the Council to continue its longer-term approach to financial planning, identifying more opportunities to reduce costs without significant reductions to services that residents value.

12.0 Financial Implications

- 12.1 The Council's financial position has been set out in this report and Members are under a legal obligation to set a balanced budget. In doing so they are obliged, under normal administrative principles, to take into account the various relevant factors, particularly in respect of consultation and equalities. In doing so Members are, of course, entitled to exercise their political judgement, paying regard to the relevant factors rather than being absolutely determined by them.
- 12.2 The budget report sets out a comprehensive picture of the Council's finances over the short, medium and long-term to assist in the decision making process in setting the 2020/21 budget and the forward looking business plans.
- 12.3 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 complex programme.
- 12.4 In addition to the risk of delivery of the savings programme, there remains considerable uncertainty on the future of Local Government funding from 2021/22. In consequence, and following a comprehensive review of budget assumptions, the general reserve is expected to increase from £15m to £20m. This level is still relatively low for London, but is not unreasonable.
- 12.5 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 2020/21, but further savings of £6.1m are estimated to be required between 2021/22 and 2022/23.

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

13.0 Legal Implications

- 13.1 These are set out in Appendix K.

14.0 Equality Implications

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

15.0 Consultation with Ward Members and Stakeholders

- 15.1 Section six of this report provides more details of the statutory consultation process with regards to setting the 2020/21 budget.

16.0 Human Resources

- 16.1 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 is not expected to be significant since the introduction of a 'time limited' voluntary redundancy scheme in 2018.
- 16.2 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 Document:

Draft Budget 2020/21 – 2022/23 and medium term financial outlook, Cabinet November 2019

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| <u>Report sign off:</u> |
| MINESH PATEL |
| Director of Finance |
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