

 Brent	Cabinet 8 February 2021
	Report from the Director of Finance
Budget and Council Tax 2021/22	

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:	22 – 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 2021/22 and 2022/23. 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 22 February 2021. 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 7 December 2020. This set out the delivery of a balanced budget

for 2021/22 and 2022/23, which included £5.1m of new savings proposals and a Council Tax increase of 4.99%.

- 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 previously agreed savings for 2021/22 – 2022/23
Appendix C (ii)	Summary of new savings proposals for 2021/22 - 2022/23
Appendix C (iii)	Detailed budget templates for new 2021/22 - 2022/23 proposals

The appendices also include an equalities analysis for each proposal flagged as part of the screening process (Appendix C (iv)) and a cumulative equalities analysis on the overall budget (Appendix C (v)).

- 1.4 Given the significant financial uncertainties that have been highlighted throughout this process, in particular managing the expected long term financial impact of COVID-19, 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 resilient financial position, with long term plans in place to give certainty to residents about future levels of service provision.
- 1.5 In doing so, it must be recognised that the situation remains ongoing and it is extremely difficult to make a full, definitive and comprehensive assessment of the financial impact. The significance of the financial challenge cannot be underestimated, however the measures outlined in this report aim to ensure that the Council continues to operate in a financially sustainable and resilient way. In addition, the new proposals are designed to limit, as far as possible, service reductions and the impact on front line services particularly during these challenging times. For example, the new proposals include expected gains from re-procurement of major contracts, service transformations and efficiency savings. This does not mean that delivering these planned savings, if approved, will be managerially straightforward, or that front-line services will be entirely unaffected, or that they can be achieved without some staffing reductions, but it is nonetheless the case that the new proposals do not include the wholesale cuts to services that many Councils are having to consider.
- 1.6 The budget process is designed to ensure that it is priority led so that resources are aligned with council priorities and statutory responsibilities, as set out in the refocussed Borough Plan for 2021/22.
- 1.7 The draft Borough Plan is the key strategic document that sets out what the Council aims to achieve over the next year. The plan focuses on how the Council will, over the next twelve months, take forward delivery in the five priority areas agreed in 2019 as being of fundamental importance to Brent and its people:

- Every Opportunity to Succeed
- A Future Built for Everyone, An Economy Fit for All
- A Cleaner More Considerate Brent
- A Borough where we can all feel safe, secure, happy and healthy
- Strong Foundations

1.8 This includes refocussed actions against each priority reflecting work since adoption of the previous version of the Plan and drawing on experience of tackling the challenges of the past year. These include actions to tackle key cross-cutting areas such as homelessness, reducing health inequalities, providing youth opportunities, the climate emergency and delivering employment and training support.

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

- A Council Tax rise of 4.99% for the Brent element, making a Band D Council Tax of £1,378.26. Additionally, the Council will levy a Council Tax precept currently expected to be £363.66 at Band D on behalf of the Greater London Authority (GLA), which is a rise of 9.5% (comprising an additional £15 for the Metropolitan police and an extra £15 for Transport for London). Therefore, the total Council Tax at Band D is expected to be £1,741.92, which is an overall increase of 5.9%.
- New budget savings proposals of £5.1m, as set out in Appendices C (ii) and C (iii).

1.10 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 capital strategy, investment strategy and treasury management strategy.

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 2021/22, with 3% 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 2021/22, as summarised in Appendix A.
- 2.3 Agree to recommend to full Council the cost pressures and technical adjustments detailed in Appendix B.
- 2.4 Agree to recommend to full Council the budget savings proposals detailed in Appendix C.
- 2.5 Note the report from the Budget Scrutiny Panel in Appendix D.
- 2.6 Agree to recommend to full Council the HRA budget for 2021/22, 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 refinance the loan for First Wave Housing, as set out in section ten of this report.
- 2.11 Agree to recommend to full Council the Capital Programme as set out in Appendix E.
- 2.12 Agree to recommend to full Council the Capital Strategy, the Investment Strategy, the Treasury Management Strategy and the Minimum Revenue Provision Statement as set out in Appendices G, H, I and J.
- 2.13 Agree to recommend to full Council the schedule of reserves, as set out in Appendix K.
- 2.14 Agree, and where relevant agree to recommend to full Council, the schedule of fees and charges set out at in Appendix L.
- 2.15 Note the results of the budget consultation as set out in section six and detailed in Appendix M.

- 2.16 Note the advice of the Director of Legal, HR, Audit and Investigations as set out in Appendix N.

Full Council

- 2.17 Agree an overall 4.99% increase in the Council's element of Council Tax for 2020/21, with 3% as a precept for Adult Social Care and a 1.99% general increase.
- 2.18 Agree the General Fund revenue budget for 2021/22, as summarised in Appendix A.
- 2.19 Agree the cost pressures and technical adjustments detailed in Appendix B.
- 2.20 Agree the budget savings proposals detailed in Appendix C.
- 2.21 Note the report from the Budget Scrutiny Panel in Appendix D.
- 2.22 Agree the HRA budget for 2021/22, 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 Appendix E.
- 2.25 Agree the Capital Strategy, the Investment Strategy, the Treasury Management Strategy and the Minimum Revenue Provision Statement as set out in Appendices G, H, I and J.
- 2.26 Agree the schedule of reserves, as set out in Appendix K.
- 2.27 Agree the schedule of fees and charges as set out in Appendix L.
- 2.28 Note the results of the budget consultation as set out in section six and detailed in Appendix M.
- 2.29 Note the advice of the Director of Legal, HR, Audit and Investigations as set out in Appendix N.
- 2.30 Agree the Pay Policy Statement for 2021/22 as set out in Appendix O, including the additional wording set out in paragraph 9.2 and the payments to which it refers.

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.

2.31 In relation to the Council Tax for 2021/22 we resolve:

That the following amounts be now calculated as the Council's element by the Council for the year 2021/22 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended:

- (a) £1,036,468,015 being the aggregate of the amount that the Council estimates for the items set out in Section 31A(2) of the Act.
- (b) £900,778,354 being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(3) of the Act.
- (c) £135,689,697 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) £1,378.26 being the amount at (c) above, divided by the amount for the tax base of 98,450, agreed by the General Purposes Committee on the 7 December 2020, 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
£	£	£	£	£	£	£	£
918.84	1,071.98	1,225.12	1,378.26	1,684.54	1,990.82	2,297.10	2,756.52

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.

2.32 That it be noted that for the year 2021/22 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 25 February 2021.

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
242.44	282.85	323.25	363.66	444.47	525.29	606.10	727.32

- 2.33 That the Council establishes a Council Tax setting committee, to set the Council Tax for the year 2021/22, 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 P.
- 2.34 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.
- 2.35 That the special Council Tax setting committee meet as soon as possible after 25 February 2021 to allow Council Tax notices to be issued in line with the normal statutory timetable.
- 2.36 That it be noted that the Director of Finance has determined that the Council element of the basic amount of Council Tax for 2021/22 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 In February 2020, Council agreed a Medium Term Financial Strategy (MTFS) that sought to provide the financial framework for the years 2020/21 to 2022/23. The programme, developed through a combination of effective financial management and cost control and more innovative approaches to investment and demand management, set out the delivery of £13.5m of savings (profiled £7.4m in 2020/21, £4.3m in 2021/22 and £1.8m in 2022/23) in order to deliver

balanced budgets over the three year period. This followed a period of 10 years where, as a result of significant reductions in government funding and the challenges posed by new legislation, the Council had been obliged to make an unprecedented £174m of savings, despite an increase in demand for key services.

- 3.2 At the time the MTFFS was agreed in February 2020, it was also recognised that while the Council remained in a relatively resilient financial position, there were significant medium term financial risks that needed to be taken account of and managed to ensure the Council remained financially resilient. Most notably, these were around the uncertain funding outlook for local government and uncertainty around the long term funding for adult social care.
- 3.3 Therefore, it should be noted that the Council was already operating in a significantly challenging financial environment prior to the outbreak of COVID-19.
- 3.4 On 25 November 2020, the one year Spending Review was announced and on 17 December 2020, the Provisional Local Government Finance Settlement was announced. 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 Strategy was updated and reflected in the draft budget presented to Cabinet on 7 December 2020. Therefore, no further changes are required to the 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.
- 3.5 Furthermore, while the above inflationary uplift in some elements of the settlement is welcome, the funding does not provide the certainty required to plan long term. In addition, the majority of the uplift (85%) will fall directly on council tax-payers through assumed council tax increases. This means that councils, like Brent, will have little choice but to raise council tax by the maximum amount allowable.
- 3.6 Given the underlying structural funding issues, after a decade of funding restraint and the huge financial pressures incurred due to COVID-19, the settlement does little to provide the assurances needed over the longer term for Local Government to adequately support residents and businesses to recover from the pandemic. This must be a priority at next year's multi-year Spending Review if Local Government finances are to be put on a sustainable medium-term footing.
- 3.7 London boroughs have estimated that the total financial impact of COVID-19 in 2020/21 will be £2.2 billion, and this was before the latest lockdown and new variant of the virus. Boroughs have received around £1.2 billion in general and targeted grants, which have been very welcome and have largely covered the additional spending pressures so far. However, boroughs estimate almost £1.1 billion in lost income and the latest estimates suggest only around £400m of this might be covered by the compensation schemes for lost sales, fees and

charges (SF&C) and irrecoverable tax losses. The remaining gap is forecast to be around £600m. It is particularly concerning that no compensation has been provided for lost HRA, commercial and other income – totalling almost £170m in London in 2020/21.

- 3.8 For Brent, the impact of COVID-19 is predicted to add £37.1m of costs and income losses to services in 2020/21, of which £34.2m relates to the General Fund, £0.2m relates to the Dedicated Schools Grant and £2.7m relates to the Housing Revenue Account. The pressures have been partially offset by emergency funding and targeted grant funding from the Ministry of Housing, Communities and Local Government (MHCLG) and other government departments. Further details are provided in the Quarter 3 Financial Report that was presented to Cabinet in January 2021.
- 3.9 The significant unplanned expenditure and income losses experienced so far are expected to continue beyond 2020/21. The additional funding announced in the Spending Review will obviously help with in year budget management, but as the funding will be for 2021/22 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 multi-year Spending Review and Fair Funding review are announced.
- 3.10 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 £13.5m agreed by Council in February 2020 and a further £5.1m proposed between 2021/22 and 2022/23 set out by way of this report.
- 3.11 Accordingly, this draft budget seeks to set a reasonable and proportionate course over the next two years. New proposals of £5.1m 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 relatively resilient 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 2021/22 – 2022/23

- 4.1 The key processes involved in the development of this budget were, in summary, 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 of budget proposals by officers and relevant Lead Members 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 December 2020;
- The publication of a detailed list of savings proposals at Cabinet in December 2020 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 two virtual Brent Connects meetings in December 2020 and January 2021;
- 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; and
- 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 Strategy 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 2021/22 Local Government Finance Settlement was announced on 17 December 2020 and provided details of the core funding allocations for local authorities in 2021/22 only. The settlement confirmed the funding announced in the November 2020 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 2021/22 RSG amount of £25m has been confirmed and determined using the 2020/21 amount plus CPI inflation.
- 5.3 On social care funding, as announced at Spending Review 2020, the provisional settlement confirms the previously proposed national amounts and allocation methodologies, which continues at the same level as 2020/21. For Brent, this includes £1.3m Winter Pressures Grant, £11.6m Improved Better Care Fund and £10.1m Social Care Grant.
- 5.4 At the date of despatch of this report, allocations for the Public Health Grant had not been announced. While no allocations have been published, it is inferred from the Spending Review statement that the grant will be 'maintained' and that this will continue at cash flat levels. Last year, the allocation for Brent was £21.8m.
- 5.5 The Homelessness Prevention Grant is a new grant that combines and increases what was previously the Flexible Homelessness Support Grant and Homelessness Reduction Grant. Brent's overall allocation has increased from £6.4m to £7m.
- 5.6 The settlement also confirmed the un-ring fenced COVID-19 grant (£10.7m) and, unexpectedly, a new un-ring fenced Lower Tier Services Grant (£0.9m). The latter relates to authorities providing lower tier services including homelessness, planning, recycling and refuse collection, and leisure services. While the additional funding is welcome, it is considered one-off and it would not be appropriate to use all of this to enter into new longer term commitments. The settlement sets out that 'the government is clear that this funding is in response to the current exceptional circumstances and is a one-off. No local authority should take this funding floor as guaranteeing similar funding floors in future years, including in future finance reforms.'

Council Tax

- 5.7 As expected, the MHCLG confirmed their intention for the main council tax referendum threshold to remain at 1.99% in 2020/21. The flexibility to raise the Social Care Precept will increase from 2% to 3%.
- 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 help to reduce the significant funding pressures in 2021/22 and beyond. Taking into account the unprecedented pressures within social care and the financial position in the round, the recommendation of this report is that the budget should be constructed on the basis of a Council Tax increase of 4.99% in 2021/22.

- 5.9 While it is acknowledged that increasing Council Tax will be difficult for some households, it should also be recognised that the Council continues to invest in the Council Tax Support scheme, which provides over £30m of support for around 28,000 households who are financially vulnerable. In addition, the Spending Review announced £670m of new funding in recognition of the increased costs of providing local council tax support. Brent's share of this has been confirmed as £4m and will be used to support economically vulnerable people and households in the borough.
- 5.10 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 8 January 2021, the Mayor of London published his draft revenue budget for 2021/22 for consultation and following the announcement of the police grant settlement proposed to increase the precept by £31.59 (or 9.5%) to £363.66 per Band D property in the 33 London Boroughs. This comprises of an additional £15 for the Metropolitan police and £15 for Transport for London to maintain free bus and tram travel for under 18s and the over 60s oyster card (i.e. for those Londoners aged from 60 to statutory state pension age as opposed to the freedom pass for those above pension age which boroughs fund) in 2021/22. 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 2021. As the GLA's budget will be considered after the Council considers its budget on 22 February 2021, a committee will be established to finalise the overall Council Tax setting process.

Business Rates

- 5.11 The settlement confirmed the end of the 75% London pilot pool and that London Boroughs will be able to continue to pool their business rates, albeit under a lower retention rate of 67%. This means that London Boroughs can 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. At Leaders' Committee in October, it was agreed in principle to continue the pan-London business rates pool on the same basis as currently in 2021/22. This is subject to any authority signalling an intention not to proceed by 14 January 2021 (28 days from the date of the provisional settlement – 17 December 2020).
- 5.12 COVID-19 has led to a far worse economic outlook than was anticipated in October, and the Spending Review confirmed that business rates holiday for Retail, Hospitality and Leisure businesses would end in March, which is worth £3 billion for London businesses (£60m for Brent). If the current relief scheme is not extended, there could be significant reductions in business rates collected from businesses in these sectors. In addition, the office sector is also experiencing a significant increase in the number of Material Change of Circumstances appeals, which represents a significant further risk to potential revenues collected next year. The settlement also confirmed that the 75% compensation scheme for irrecoverable tax losses resulting from COVID-19 in

2020/21 will not be extended to 2021/22. Without these protections, and a worsening economic position, it is highly likely that the pool would be in deficit, meaning some authorities would be worse off than if they weren't in the pool next year. This being the case, a joint letter, from London Councils, the GLA and the City of London, as the lead authority, was sent to MHCLG to indicate the collective desire of the 34 London pool members to discontinue the pool in 2021/22, stressing that while there is continued commitment to the principles of pooling, the financial case is not strong enough to make the pool viable next year.

- 5.13 From Brent's point of view the decision to discontinue to pool is disappointing as recent financial modelling indicated a slight benefit from pooling. Nevertheless it is understandable that those boroughs that would be worse off from pooling would take the decision to not take part. Since the beginning of the London pool in 2018/19 Brent has taken prudent budget decisions with regards to budgeting for business rate by not building the net benefit of pooling in the base budget. Therefore, the total amount expected from business rates has not changed from that assumed in the draft budget set out for Cabinet on 7 December 2020.
- 5.14 Finally, the settlement does not contain any definite indication about the future of business rate pools and retention beyond 2021/22. 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

- 5.15 It is clear that the impact of COVID-19 will be felt beyond 2020/21 and will have a significant legacy impact on the MTFS making it highly unlikely that a number of budgets, either income or expenditure, will return to their pre COVID-19 levels.
- 5.16 Managing ongoing demand-led pressures remains a key aspect of the MTFS. The table below sets out the existing annual growth assumptions, or estimated increases in unavoidable expenditure, that are built in to the MTFS, for example contract inflation, pay inflation, meeting the cost of providing existing services for a growing population, etc. 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. These expenditure assumptions have also been reviewed and a summary of these growth and cost pressures are shown in the table below. Further details are set out in Appendix B.

Existing Growth / Cost Pressures.

Assumption	Extra cost per annum (£m)	Description
Demography	3.5	Estimated annual cost of providing the same services to a growing population.
Payroll	1.5	Adjusted to reflect the public sector pay freeze, while allowing for grade drift and other remuneration proposals.
London Living Wage	1.5	Assumed average annual cost of making more contracts LLW compliant.
Contracts	3.5	Primarily based on 2% inflation and known contractual commitments.
Transport	0.8	Transporting children with Special Educational Needs.
Technical	1.0	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	12.0	

- 5.17 While these growth assumptions have largely been in place for over five years, the only material change is to the payroll inflation assumption. The Spending Review announced that there will be a public sector pay freeze, other than for frontline NHS workers and people earning below £24,000. The previous MTFS had assumed a pay award of 2.75% in line with the award in 2020/21. There will, however, be some increase in payroll costs as annual increments and other adjustments are implemented. In addition, as agreed in principle by the General Purposes Committee on 7 December 2020 it is proposed that a payment be made to most staff in recognition of their on-going commitment in difficult circumstances during the COVID-19 crisis. It is proposed that a one off payment of £500 to each employee up to and including grade Hay 4 is agreed. In the event that the recommendation is agreed, the total cost is expected to be in the region of £1.5m, which can be accommodated within the budget provision set out in the table above.
- 5.18 As set out earlier in the report, due to the current period of unprecedented financial uncertainty, the new additional growth pressures have been modelled using three scenario cases as set out in the table below. Predicting the future is inherently risky, so it is prudent to explore as many different cases of what could happen as is reasonably possible under the current circumstances. While the scenarios modelled are unique to each category of growth, including the

assumptions that underpin those scenarios, the process of examining and evaluating possible impacts across different budgets is a key part of the decision making process. Overall, the range of possible outcomes is between £5m and £20m, and the current working estimate is that £13m ('central case') of additional growth will be required in 2021/22 to manage the impact of COVID-19.

2021/22 MTFS Scenario Model.

Description	Best case (£m)	Central case (£m)	Worst case (£m)	Comment
PPE	0.5	1.0	2.0	Likely increase in the cost of care, whether the Council funds it directly or care homes source their own.
Homelessness	1.0	1.5	2.0	A continuation of pandemic response measures will require additional resources for managing homelessness, which will be further impacted by the worsening economic situation.
Housing Needs rent	0	1.0	1.5	Estimate based on current levels of collection and increase in bad debts.
Children's Social Care	0.5	1.0	1.5	Pressures arising within the Children and Young People with Disabilities (0-25) care at home and direct payment budgets.
Transport	0	0.5	1.5	Pressure arising due to social distancing measures.
Council Tax Support	1.0	2.0	3.0	Projected increase in working age caseloads.
Income generation	2.0	5.0	7.0	Income generated in the Regeneration & Environment department across various lines of business. Advertising and sponsorship income, conference and events income, Registrars and Nationality income and other traded services are affected.
Allowance for uncertainty	0	1.0	1.5	Further slippage of existing savings plans or new emerging pressures.
Total pressures	5.0	13.0	20.0	

5.19 Forecasting growth under normal circumstances is challenging and the task has only increased as a result of COVID-19. Scenario modelling of

assumptions continues to be undertaken across all income and expenditure budgets, in particular demand led services. In many cases, and in particular on income lines, estimates are based on evidence available at the time of writing this report.

- 5.20 For the avoidance of doubt, the new expenditure assumptions are estimated to create a budget gap of anywhere between £5m and £20m, excluding changes to income assumptions (Council Tax, Business Rates and government funding). £13m is the 'central case' that is being taken forward and further proposals are set out, by way of this report, to close the budget gap in order to deliver a balanced budget for 2021/22 and 2022/23.
- 5.21 However, it must be stressed that the estimates shown are based on a number of assumptions which are subject to constant change. It is incredibly difficult to predict the implications of the changes to the furlough scheme and how the general economy will recover after COVID-19. This uncertainty runs alongside existing budget pressures including social care demand, demographic changes, housing and homelessness.
- 5.22 In addition to the growth assumptions that are being proposed, and as mentioned earlier in the report, the Council is committed to delivering the refocused Borough Plan, which is also on the agenda for this meeting. Likewise, the MTFS will need to ensure that it provides a framework to enable the delivery of these initiatives, which included an allocation of £1m as part of the overall growth assumptions. Since the publication of the draft budget, expenditure for the Borough Plan is proposed as follows:
- **The climate emergency** – activity focused on improving domestic energy efficiency and carbon reduction. Tackling fuel poverty for all housing tenures in Brent, working with local businesses to grow the green economy, green travel activity and a rewilding and environmental education project at Welsh Harp to connect local communities and young people to nature.
 - **Tackling poverty** – rolling out community money mentors across the borough, increasing employment opportunities for people with disabilities, establishing a Living Wage place working with local businesses, tackling period poverty, tackling fuel poverty and contributing to the private rented sector review.
 - **Tackling inequality** – the Black Community Action Plan – establishment of a leadership development programme, engaging young people through supplementary schools support, supporting the development of voluntary sector groups and organisations, commissioning local Black-led voluntary sector organisations and businesses to carry out work that will contribute to the delivery of the action plan, increasing awareness amongst Young People of entrepreneurship opportunities and support.

Expenditure will be monitored and reviewed on a regular basis in line with the Council's overall financial framework.

Overall funding position

- 5.23 Prior to the outbreak of COVID-19, the budget agreed by Council in February 2020 was balanced between 2020/21 and 2022/23. This meant that, subject to consultation and any other material changes to circumstances, no new savings proposals would have needed to be developed to achieve a balanced budget in 2021/22, which is the Council's minimum legal requirement.
- 5.24 As noted earlier in the report, based on information, data and modelling undertaken to date, the current estimate is that ongoing or one off cost pressures in the region of £5m ('best case') and £20m ('worst case') are expected from 2021/22 across all service areas. £13m per annum is the current 'central case' and is proposed to be taken forward as part of the 2021/22 budget. In addition, with regards to income, factoring in changes to assumed income from Council Tax (increase in Council Tax, increase in Council Tax Support expenditure, reductions in the tax base growth and the collection rate), Business Rates (removal of future growth), recognition of government funding confirmed in the Spending Review (Revenue Support Grant, Social Care Support Grant, Improved Better Care Fund and one off COVID-19 funding) has the effect of reducing the budget gap. The overall budget gap (the difference between the Council's anticipated total expenditure and forecast total income) is estimated to be £5.1m between 2021/22 and 2022/23, as shown in the table below.

Overall Financial Position

	2021/22	2022/23
	£m	£m
Expenditure		
Assumed budget brought forward before in-year growth and savings	288.3	297.0
Demographic Growth	3.5	3.5
Other Growth	9.5	10.0
COVID-19 Growth	13.0	(4.0)
Total Expenditure	314.3	306.5
Income		
Revenue Support Grant	25.1	25.1
Specific Grants	50.0	41.2
Total funding from Central Government	75.1	66.3
Council Tax	135.7	142.5

Business Rates	95.0	95.0
Total funding from residents and businesses	230.7	237.5
Total Income	305.8	303.8
Savings required (Expenditure less Income)	8.5	2.7
Savings agreed in February 2020	4.3	1.8
Budget gap / Savings required - Incremental	4.2	0.9
Budget gap / Savings required - Cumulative	4.2	5.1

Use of and adequacy of reserves

- 5.25 Section 25 of the Local Government Act 2003 requires the Director of Finance to report on the adequacy of the proposed level of financial reserves annually as part of the budget setting process. The level of reserves is subject to the approval of the Council and will be set at the level commensurate with their identified need.
- 5.26 In considering reserves, it is important to distinguish between earmarked reserves which are planned to be used for a particular purpose but could be used for other purposes and those that are committed to a particular project or programme, even if not actually spent as yet. Comparing reserves is difficult, because it is not immediately obvious how another council's reserves should be classified.
- 5.27 The review of reserves is key to starting to understand a Council's financial position and sustainability. For the majority of Local Authorities, the key factor for holding reserves in recent years has been due to the lack of a long-term funding settlement for the sector and uncertainty around the Fair Funding Review. This uncertainty has led to Councils maintaining their reserves and building contingencies in their financial planning assumptions, where possible, to manage any unexpected disruptions to funding. Many will be relying on this funding to ensure continued service delivery and to smooth out the impact. The uncertainty created as a result of the impact of COVID-19 is also a factor to consider when considering reserves, although the growth built into the base budget is expected to mitigate this pressure.
- 5.28 Brent held total reserves of £398m as at 31 March 2020. On the face of it this would appear to be a high figure, but the following analysis shows that in practice the figure for all practical purposes is substantially lower. £264m (66%) of these reserves are for the funding of the Council's ambitious capital programme. £30m (8%) is legally ring fenced for bodies such as our maintained schools and the Housing Revenue Account. £69m (17%) of reserves have

been earmarked for a specific purpose or future expenditure commitment. This includes reserves managed by departments (for example unspent government grants with ring fenced commitments set aside to meet expenditure pressures) and reserves used to smooth out expenditure that by its nature will vary considerably from year to year and avoid uncontrollable under and over spends, for example insurance claims, PFI contracts, redundancy and pension costs. £21m (5%) are reserves that are earmarked to manage the future funding risks and it was primarily set aside to manage the potential impact of the Fair Funding Review. As a result of the impact of COVID-19, this reserve may be required to manage any one off pressures arising that cannot be met through the growth built into the budget, as set out in section 5.16. Finally, £15m (4%) is a general reserve which is held as a contingency against unforeseen events (for example unexpected in-year overspends, failure to identify sufficient savings to balance the budget in-year or future funding risks) and to ensure that the Council has sufficient funds available to meet its cash flow requirements. The general reserve is relatively low when compared to other London Boroughs and is only c5% of the Council's net budget.

5.29 A schedule of the Council's reserves is set out in Appendix K and can be categorised as follows:

- Non-earmarked (general) Reserves – These are held to cover the net impact of risks and unforeseen emergencies;
- Earmarked (specific) Reserves – These are held to cover specific known or predicted financial liabilities;
- Other Reserves – These relates to ring fenced accounts, which cannot be used for General Fund purposes, for example the Housing Revenue Account and school's accumulated balances.

All reserves have been reviewed and their level judged to be adequate and the continued need for them appropriate.

5.30 It is projected that the Council will have non earmarked General Fund balance of £15m at 31 March 2021. The final position will be dependent however on the Council's 2020/21 financial outturn to be reported to Cabinet in July 2021. It is imperative that the non earmarked general reserves and contingencies are adequate to meet the net financial impact of risks facing the Council. Accordingly, the proposed level of general reserves set out above, together with Future Funding Risks earmarked reserve are judged to be adequate within the context of the 2003 Act.

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 December 2020. The task group, 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 task group's report and recommendations, attached in full at Appendix D, were noted by the Resources & Public Realm scrutiny committee on 27 January 2021 as part of the Cabinet's decision making process.
- 6.4 The Audit and Standards Committee is responsible for providing assurance on the adequacy of the Council's overall systems of governance, risk management and internal control and compliance with established policies and operational procedures. Scrutiny takes a broader strategic perspective and is concerned with the impact of decisions on the people, providing an important check and balance to ensure the decisions that are made reflect the interests and needs of local residents and businesses, through effective scrutiny of performance, policy development and decision making. Scrutiny is therefore an integral part of the Council's governance arrangements, and a source of assurance to the Audit and Standards Committee on the effectiveness of operations.

- 6.5 The work of the Audit and Standards Committee often goes unnoticed, however, its role as guardian of an organisation's finances is invaluable, even more so during a crisis. COVID-19 has decimated the economy and rocked the income statements and balance sheets of private and public firms. The committee acts as a transparent mesh holding power to account through studied questioning and probing. These checks and balances ensure prudence and value for money for residents but also raise important questions about future forecasts and budgets which impact the Council's long-term financial health. The committee will play an important role in facing the challenges of an uncertain 2021.

Consultation

- 6.6 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.
- 6.7 The consultation process 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.
- 6.8 Brent Connects is a well-established public consultation forum for local residents, businesses and other stakeholders. As a result of COVID-19, these meetings are currently held virtually. The first meeting was held on 17 December 2020, where over 90 people attended, and the second meeting was held on 14 January 2021, where 113 people attended. 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.
- 6.9 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.
- 6.10 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 and a number of town centre business associations. The consultation on the budget was published in the weekly newsletter sent to over 9000 local businesses, explaining why the views of local businesses were important and how they could have their say.

- 6.11 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, inviting responses through the online portal.
- 6.12 In order to maximise the opportunity for comment the consultation was kept open to 31 January 2021. The comments above, and summarised in Appendix M, 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.
- 6.13 Overall, the most commented theme was the proposed increase in Council Tax. It is acknowledged that increasing Council Tax will be difficult for some households to manage in the current circumstances and sections 5.7 - 5.9 of this report sets out the rationale the Council considered as part of its decision making. In summary, the additional income will provide much needed funding to limit the impact of COVID-19 pressures expected in 2021/22, in particular for the Adult Social Care department, as well as preventing the wholesale cuts to the key services the Council provides that many other Councils are having to consider. In addition, it should be recognised that the Council continues to invest in the Council Tax Support scheme, which provides over £30m of support for around 28,000 households who are financially vulnerable.
- 6.14 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.
- 6.15 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 (HRA) Budget 2021/22

Housing Revenue Account (HRA)

- 7.1 The proposed HRA annual budget for 2021/22 sets out proposed expenditure for housing management services, stock investment, maintenance work and new council housing development programmes, as well as rent and service charge setting proposals for 2021/22.
- 7.2 After four consecutive years of rent reductions, between 2016/17 to 2019/20, the Government has set out its rent policy, which allows rent levels to be increased by CPI plus 1% for the next five years starting from April 2020.
- 7.3 The table below shows the current average rent levels and the proposed increase of CPI plus 1%, which equates to 1.5% for 2021/22. All new re-lets are charged at Formula rent, which is reflected in the current average rent. The average proposed rent rate for 2021/22 is £1.75 per week (1.5%) higher than the current financial year.

Tenant Rents for 2021/22

Bed Size	Current Average Rent 2020/21	Proposed Average Rent (1.5%) 2021/22	Proposed v Current Rent
	(£/Week)	(£/Week)	(£/Week)
Bedsits	87.33	88.64	1.31
1	102.30	103.84	1.54
2	118.16	119.94	1.78
3	129.63	131.57	1.94
4	141.41	143.53	2.12
5	154.20	156.51	2.31
6+	177.74	180.41	2.67
Average Rent	116.30	118.05	1.75

- 7.4 A rent increase of 1.5% is estimated to result in an additional £0.7m of income when compared to 2020/21. However, this rent increase is £0.6m less than last year. This is due to CPI reducing by 1.2%, which is the result of unprecedented national economic pressures due to the ongoing pandemic.
- 7.5 The net rent amounts exclude service charges. The service charges are recharges to tenants and leaseholders, which are based on the actual costs incurred for providing specific services, such as estate cleaning.

Tenants Service Charges 2021/22

- 7.6 Individual service charge elements have been adjusted to bring them in line with the estimated contract costs of providing these services to tenants in

2021/22. Current average service charges have been compared to the proposed rates and this is analysed below for services provided to tenants.

Service charge frozen for 2021/22

- 7.7 Grounds maintenance service is included within the Council's wider corporate contract. The annual contribution from the HRA is estimated to offset against the HRA's proportion of the contract cost through existing charges.
- 7.8 The cost of maintenance and servicing for the laundry room and TV aerials is forecast to over recover in 2020/21 by £0.03m. This over recovery is expected to be offset against increased costs to the Council in 2021/22. Therefore, no increases are proposed for this charge for 2021/22.

Service	No. of Properties	Average Charge 2020-21 (£/Week)	Recommended Average Charge 2021-22 (£/Week)	Estimated Increase / (Decrease) %
Grounds Maintenance	4,827	1.35	1.35	0.00%
Laundry	32	2.75	2.75	0.00%
TV Aerial	3,520	0.74	0.74	0.00%

Service charge increases for 2021/22

- 7.9 The estate caretaking service was transferred in-house in 2019/20, with a commitment to pay staff at the London Living Wage rate while job evaluation was undertaken during the current year to implement LGPS pay scales from 2021/22. This meets the Council's strategic objective to be a London Living Wage employer. The cost of bringing the service in-house and the associated costs for vehicles, machinery and material is projected to be under recovered by £0.2m. The proposed increase of £0.34 per week in 2020/21 will not fully offset this, and therefore a phased approach to cost recovery has been modelled to allow charges to increase over a four-year period, whilst balancing in-year budget shortfalls at the same time.
- 7.10 The concierge service charge is currently £10.70 per week on average. An increase of £0.67 is estimated to result in a break-even position for 2021/22.
- 7.11 The helpline monitoring service charge is currently £1.56 per week on average. An increase of £0.10 per week is estimated to result in a break-even position for 2021/22.
- 7.12 Communal lighting, heating and hot water charges are adjusted annually in line with the forecast energy supplier inflations for 2021/22.

Service	No. of Properties	Average Charge 2020-21	Recommended Average Charge 2021-22	Estimated Increase / (Decrease)
		(£/Week)	(£/Week)	%
Estate Caretaking	4,514	6.87	7.21	5.00%
Concierge	597	10.70	11.37	6.25%
Helpline Monitoring Service	53	1.56	1.66	6.50%
Communal Lighting	5,322	1.49	1.61	8.00%
Communal Heating (District)	467	8.68	9.37	8.00%
Communal Hot Water	19	2.39	2.58	8.00%

New Accommodation Independent Living (NAIL)

7.13 In November 2020, tenants moved in to 11 new independent living homes at Peel Road. These homes are all one-bedroom, self-contained residential flats developed as part of the New Accommodation for Independent Living (NAIL) programme and are held within the HRA. The properties are fully adapted and the homes benefit from communal facilities, including a garden area. There is access to 24-hour care, allowing residents to contact care staff from anywhere in the building. The rent for this scheme is based on both these services and the level of need of the occupants.

7.14 The table below compares the current gross rent levels (including service charges) for these homes against the proposed increase of CPI plus 1% (1.5%) for 2021/22. This equates to an increase of £4.41 per week when compared to the current financial year.

Gross Rent 2020/21	Proposed Gross Rent 2021/22 (1.5%)	Proposed v Current Rent
(£/Week)	(£/Week)	(£/Week)
293.84	298.25	4.41

Garage Rent for 2021/22

7.15 The HRA currently has 342 occupied garages with an estimated annual income of £0.2m for 2020/21, which is the same as the previous year. Following a benchmarking exercise undertaken by Brent Housing Management, charges are considered to be at the lower end when compared to other local authorities. The average charge for Brent tenants is £11.25 per week and £14.10 per week for non-tenants.

7.16 The current charges for garages vary widely due to annual uplifts applied to a varied base rate. It is proposed to implement consistent pricing at a standard

rate of £15 per week for tenants and leaseholders, £20 per week for Brent residents and £25 per week for non-residents. To bring rents for existing occupied garages to the levels specified above, a three-year phased increase will be implemented.

Garage Rent Charge	Proposed Standard Charge (Net)
	(£/Week)
LBB Tenants & Leaseholder	15.00
LBB Resident	20.00
Non - Resident	25.00

HRA Forecast Outturn 2020/21

7.17 The total budgetary pressure is forecast to be £2.7m and is fully attributable to the effects of the ongoing pandemic. Excluding the financial pressures arising as a result of COVID-19, the HRA is expected to break-even.

Forecast excluding COVID-19

7.18 The forecast break-even position (excluding COVID-19) is the net result of a £0.7m overspend being mitigated through in-year underspends and utilisation of provisions. The variances consist of:

- £0.4 overspend arising from settling backlog of disrepair cases, offset through use of provisions (£0.3m);
- £0.1m additional spend over budget to increase borough wide waste bin capacity in response to tenant feedback;
- £0.1m additional spend over budget for the implementation of estate parking enforcements on 5 pilot sites;
- £0.1m reduction on service charge billing to leaseholders, reflecting reduced volume of responsive communal repairs in previous year;
- (£0.3m) underspend on external works and communal responsive repairs; and
- (£0.1m) underspend against staffing budgets from vacancies.

Additional costs/ estimated loss of income due to COVID-19

7.19 HRA finances face uncertainties from COVID-19 outbreak, and the recognised and forecasted pressures include:

- £2m forecast increase in rent arrears based on extrapolating the decline in rent collection rates experienced to date to forecast the impact for a full

year, and accounting for the potential future impact of a second wave of COVID-19 and a possible recession;

- £0.4m (10%) forecast under-recovery of service charges, which is in line with the Bank of England forecasts on consumer credit and debt recovery;
- £0.2m loss of rental income due to delays to new build completions arising from stoppages on site during the first national lockdown resulting in delays in letting new properties out to tenants; and
- £0.1m additional costs incurred on employing additional temporary staffing resource in estate caretaking services to provide cover for colleagues staying in isolation.

HRA Budget 2021/22

7.20 The proposed budget for 2021/22 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 1.5% (CPI+1) on current stock	(0.7)
Service charge uplifts to reflect cost incurred	(0.2)
Reduction in service charges for major works in line with profiled works completed	0.3
Reduction in revenue contributions to capital major works in line with Asset Management Strategy	(1.7)
Growth	
Pay and operational cost inflation	0.4
Repairs contract inflation	0.4
Associated cost of implementing in-house estate cleaning services	0.5
Communal utility supplier inflation	0.1
Council Tax on decant properties in regeneration zone	0.3
Provision for bad debts due to economic uncertainty	0.3
Provision for legacy structural repair work	0.5
Provision for garages and playground maintenance in housing estates	0.2
Improvement project for signage and notice boards across housing estates	0.1
Savings	
Efficiency savings across housing management	(0.2)
Efficiency savings across repairs and maintenance	(0.3)
Total Net Movement	0.0

7.21 The proposed 2021/22 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 as shown in table below.

HRA Budget 2020/21 v Draft Budgets for 2021/22

HRA Budget 2020/21 v Draft Budgets 2021/22	(1) Final Budgets 2020/21	(2) Draft Budgets 2021/22	(2-1) Variance	Variance Explanation (2-1)
Description	£'000	£'000	£'000	
Rents and Service Charge	(49.9)	(50.8)	(0.9)	Tenant rents and service charges offset by rent loss through voids and RTB sales
Non Dwelling Rents	(0.5)	(0.5)	(0.0)	
Leaseholders' Charge for Services and Facilities	(2.6)	(2.6)	0.0	
Major Works and Other Contribution Towards Expenditure	(2.3)	(2.0)	0.3	Service charge reduction based on profiled major works completion
Total Income	(55.3)	(55.9)	(0.6)	
Repairs and Maintenance	11.7	12.6	0.9	Repairs contract uplifts and provision for structural works offset by efficiency savings target
Supervision and Management	11.8	12.0	0.2	Operational cost inflations offset by efficiency savings target
Special Services	4.1	4.7	0.6	Staffing, vehicle and equipment costs of delivering in-house estates cleaning team and communal utility bill inflation
Rent and Rates and Others Charges	0.9	1.2	0.3	Council tax on decant properties
Depreciation of Fixed Assets	17.2	15.5	(1.7)	Reduction to capital contributions
Bad or Doubtful Debts	0.4	0.7	0.3	Provision for likelihood of increased arrears
Capital Financing and Debt Management	9.2	9.2	0.0	
Total Expenditure	55.3	55.9	0.6	

(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 Budgets 2021/22 and 2022/23

- 7.22 Planned works include refurbishments such as new roofs, windows, lifts, kitchens, bathrooms, heating systems and planned fire safety works.
- 7.23 The Asset Management Strategy and budget availability are required to be closely aligned. Planned improvement works on existing homes in 2021/22 are budgeted to be £15m.
- 7.24 To ensure the efficient delivery of the multi-year capital programme, it is considered to be prudent to allocate an indicative 2022/23 major works capital budget, which is estimated to be £15m. In total, this results in a £30m investment in existing Council homes over the next two years.

New Council Homes Programme 2021/22

- 7.25 The development and management of new council homes and affordable housing remains a key priority in the Council's Housing Strategy and the HRA Asset Management Strategy.
- 7.26 The forecast capital investment on acquisitions and building new council homes in 2020/21 is £50m. The Council maintains a continued investment plan of £90m in new council homes over the next four years to deliver 546 homes. The capital budget for new council homes in 2021/22 is set at £48m.

Housing General Fund

Hillside Rent Setting 2020/21

- 7.27 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.
- 7.28 The table below sets out the rent levels for 2021/22, with an average increase of £1.87 per week:

	Weekly Rent 2020/21 (£)	Weekly Rent 2021/22 (£)	Increase (£)	Increase (%)
1 Bed Flat	102.03	103.56	1.53	1.5%
2 Bed Flat	120.79	122.60	1.81	1.5%
1 S/croft Elders	102.03	103.56	1.53	1.5%
2 S/croft Elders	120.79	122.60	1.81	1.5%
2 Bed House	131.19	133.16	1.97	1.5%
3 Bed House	143.78	145.94	2.16	1.5%
4+ Bed House	151.36	153.63	2.27	1.5%

- 7.29 Hillside are also responsible for setting service charges across the stock, including those retained by the Council. The average service charge per week for 2021/22 is set at £6.81 per week, an increase of £0.10 from the 2020/21 average, based on an uplift of 1.5% (CPI plus 1%).

Housing Private Finance Initiative (PFI) 2020/21

- 7.30 The Housing PFI comprises of 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.

- 7.31 The proposal is to hold the rents at the current levels, with no increase for the coming year. This is to ensure the rent levels do not rise above the Local Housing Allowance and therefore remain affordable to the residents.

Travellers' Site Pitch Rent 2020/21

- 7.32 The current weekly pitch rent is £148.04. It is proposed to increase this by CPI plus 1% (1.5%) to £150.26 for 2021/22. 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 17 December 2020, and the proposed budget, as described below, was endorsed by the Schools Forum on 21 January 2021. The main Schools Block which supports mainstream schools has been confirmed at £247.7m and now includes the Teachers' pay and pension grants as DSG core funding. This therefore represents a comparable increase to 2020/21 of £3.2m (1.3%). The overall increase of 1.3% represents Brent's share of a national minimum increase of

3% in per 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, and the overall mainstream pupil numbers in Brent reduced from 41,985 to 41,641.

- 8.2 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 0.5% (£1.2m) 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.
- 8.3 The allocation for the High Needs Block has been announced at £66.4m. This is £6m more than received in 2020/21 and represents a 10% increase compared to a 12.1% increase nationally. Like most authorities Brent is facing substantial pressures in this area, and is currently in deficit of £4.9m carried forward from 2019/20 coupled with an in year forecast pressure of £4.2m, this deficit at the end of 2021/22 is forecast to be £9.1m. The £6m additional funding and the proposed £1.2m Schools block transfer will be allocated against these pressures across the High Needs block budget for 2021/22 in consultation with the Schools Forum High Needs sub group. The increase in allocation is not sufficient to fund increasing demand and mitigate the deficit. The DfE makes it clear that deficit positions can be carried forward against the grant for future years and require a multi-year deficit recovery plan to be in place with termly updates of the plan taken to the Schools Forum.
- 8.4 The Early Years Block funding was announced at £23.4m, a 2.1% increase compared to 2020/21. 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 increased slightly by £80k. This brings the total 2021/22 DSG allocation for Brent to £339.8m.

9.0 Pay Policy Statement 2021/22

- 9.1 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 2020/21 and so there are no proposed changes to the statement related to the guidance. The Draft Pay Policy Statement, attached as Appendix O, contains minor updating and cosmetic changes from the Statement adopted by full Council for the last financial year. It also contains changes to reflect the introduction of a statutory cap on payments made by the Council to staff exiting the Council by the Restriction of Public Sector Exit Payments Regulations 2020.

- 9.2 In the event that recommendation 2.30 is agreed, it is proposed that the following addition be made to the Statement after the statement that:

“Council employees including the Chief Executive and directors do not receive performance related payments or bonuses.”

“A one off payment of £500 to each employee up to and including grade Hay 4 was agreed by full Council on 22 February 2021 in recognition of the on-going commitment of staff in difficult circumstances during the COVID-19 crisis.”

10.0 Capital Programme Budget 2021/22 – 2025/26

- 10.1 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.
- 10.2 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. A summary of the Capital Programme is set out in the table below. The detailed Capital Programme, and financing, is set out in Appendix E.
- 10.3 The Capital and Investment Strategies (Appendices G and 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 period 2021/22 – 2025/26.
- 10.4 First Wave Housing (FWH) the Council’s registered provider for social housing has sought support to refinance its debt. Significant capital investment will be required to undertake remediation works during 2021/22 and 2022/23 to improve the quality of the housing stock. The request is for a refinancing of its loans to an interest rate of 3% and an extension of the loan repayment terms by 7 years to 2047/48. Following a reduction in borrowing rates by the Public Works Loan Board (PWLB), the Council has sufficient headroom within its capital financing budget to accept the revised terms and for those to be backdated retrospectively from 1 April 2020 once approved.
- 10.5 In the past, the use of internal resources in lieu of borrowing was considered the most cost effective means of funding the capital programme. However, the Council’s internal resources have been reduced over the last few years so future capital projects will have to be financed from new external borrowing if not already funded from other sources. Affordability remains an important influence on the Council’s borrowing strategy. The programme has a mixture of invest to save, grant funded and self-financing projects to help reduce the treasury risk. Hence our strategy is to undertake external borrowing to fund projects as a last resort.

- 10.6 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. Appendix E shows the Council will require c£363m of borrowing over the five year period to fund the Capital Programme of which the interest costs will be charged to the revenue capital financing budget.
- 10.7 S106/Community Infrastructure Levy (CIL) will be used to undertake major infrastructure projects meeting the conditions or terms for funding. The capital programme includes CIL funded schemes totalling £31m which includes contributions to the CCG towards the fit out cost of three medical centres, funding for the College of North West London for a new facility in Wembley and the new Moorland Gardens educational facility. In addition to this it is estimated that a further £50m in CIL funding could be applied to fund pipeline projects listed in Appendix F.
- 10.8 The Council has embarked on an extensive Capital Programme to invest c£638m over five years, 2021/22 to 2025/26. The investment 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 2020 the pipeline projects approved and promoted during the year have been included in the 2021/22 to 2025/26 Capital Programme. The balance of provisional schemes held in the pipeline is currently £300m for 29 projects. The pipeline provision has not been included in the Capital Programme set out in the table below and Appendix E but are shown as a separate summary in Appendix F.
- 10.9 The 2020/21 current revised budget is £201m. The revised budget is subject to change as new schemes are approved prior to Full Council on 22 February 2021. Any budget changes post the Quarter 3 monitoring report will be updated in a subsequent budget report to Cabinet.
- 10.10 The UK markets and economy has slowed down due to the impact of the COVID-19 pandemic and associated lockdown since March 2020. The ability of businesses to operate, including the construction industry, has been limited due to the lockdown and social distancing measures implemented. Council officers have undertaken, and will continue to undertake, risk assessments regularly to evaluate and report the impact on the delivery of the Capital Programme, and take appropriate mitigating actions to reduce any long term impact.

Summary Capital Programme

PORTFOLIO	BOARD (PROGRAMME)	2020/21 (Revised Budget)	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	TOTAL 2021/22 to 2025/26
		£m	£m	£m	£m	£m	£m	£m
Resources: Cllr Margaret McLennan	Corporate Landlord	12.757	5.904	3.712	51.433	19.000	-	80.048
Regeneration, Property & Planning: Cllr Shama Tatler	South Kilburn	8.127	23.589	18.325	10.206	4.200	14.873	71.193
	Regeneration	8.421	36.604	18.614	1.157	-	-	56.375
St Raphael's: Cllr Shama Tatler	St Raphael's	0.641	1.298	0.005	-	-	-	1.303
Regeneration, Property & Planning: Cllr Shama Tatler	Public Realm	23.763	10.291	5.875	5.645	2.145	-	23.956
Public Health, Culture & Leisure: Cllr Neil Nerva	Public Realm	0.174	0.405	-	-	-	-	0.405
Environment: Cllr Krupa Sheth	Public Realm	1.280	3.018	0.060	0.056	-	-	3.134
Schools, Employment & Skills: Cllr Tom Stephens	Schools	14.379	26.335	17.137	-	-	-	43.472
Housing & Welfare Reform: Cllr Eleanor Southwood	Housing GF	33.548	47.574	33.893	18.572	53.622	-	153.661
	HRA	68.640	64.712	26.393	16.044	0.004	-	107.152
	i4B – Phase 1 & 2	19.381	24.395	24.309	18.597	-	-	67.301
Adult Social Care: Cllr Harbi Farah	NAIL	10.168	16.835	9.462	3.725	-	-	30.022
	Total	201.278	260.958	157.785	125.435	78.971	14.873	638.021

- 10.11 The Capital Programme is comprised of projects approved 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 including those promoted from the pipeline provision to be added in year, subject to appropriate approval.
- 10.12 The Capital Programme detailed in the table above currently excludes slippage from the 2020/21 Capital Programme. Estimated slippage and re-profiled projects will be detailed in a future capital monitoring report to Cabinet. The potential slippage from 2020/21 will be reviewed at the end of the financial year and reported to Cabinet in July 2021.

There are a number of key projects supported in the 2021/22 – 2025/26 Capital Programme, including:

Corporate Landlord

Oracle Cloud – Release 2 investment

- 10.13 The pipeline provision includes planned expenditure of £2.5m for release 2 of the Oracle Cloud Programme. The implementation of the Oracle Cloud Programme is targeted to Go Live later in the current year. As part of this implementation a number of transformational, business improvements have been identified. To ensure that the Council obtains the optimal use of the Oracle Cloud system it is proposed that these further transformational projects are implemented following the initial Go Live date. The improvements included in the Release 2 implementation will be subject to the Oracle Programme governance and subject to approval based on individual business cases. The improvements include HR Performance Management, HR Case Management, Audit- Governance, Risk and Controls, enhanced debt collection functionality, enhanced sourcing and contract management and improved system integrations.

ICT Investment

- 10.14 The pipeline provision includes £10.3m for ICT investment. The Council needs to invest in its IT infrastructure over the next 5 years. This is due to the current hardware and support beginning to reach the end of its life. It is essential that the Council's IT infrastructure remains current, resilient and reliable. This is becoming increasingly important now that more staff are working remotely and more flexibly. In addition it is essential that the Council invests in Cyber protection as there is an ever present and increasing threat of cyber-attacks. To guard against this, the infrastructure and software must be up to date and well maintained to prevent these types of attacks which recently have been experienced by local and central government organisations. The level of investment sought equates to c£2.1m per year for the next 5 years. The proposed investments which will be subject to approval based on individual business cases include data centre improvement, campus networking refresh, end user modernisation, cyber protection and service improvement.

Regeneration

South Kilburn Estate Regeneration

- 10.15 Our multi-award winning 15-year programme that will deliver 2,400 new high quality homes of which around 1,400 will be made available to existing South Kilburn secure tenants including new larger high quality urban park, improved public realm, new primary school and health facilities, and improved environmental standards and a site-wide energy solution.
- 10.16 Over 1,100 homes have been delivered to date with approximately 60% of those being affordable rent for existing secure tenants of South Kilburn. Over 512 homes are currently on site and a further 626 homes are going to planning this year.
- 10.17 The planned expenditure from 2021/22 over 5 year programme is £71.2m for the delivery of homes including in infrastructure improvements. The programme is self-financing and is expected to be fully funded by a combination of capital receipts and grants.

CIL contribution towards Three Medical Centres (NEW)

- 10.18 In April 2020, Cabinet approved a capital contribution from Strategic Community Infrastructure Levy (SCIL) of up to c£3.5m for use towards the fit out costs of three new medical centres, in Wembley Park, South Kilburn and Alperton. The expansion of the healthcare facilities will help meet the needs of the borough's growing population.

Harlesden Gateway High Streets Heritage Action Zone (NEW)

- 10.19 In August 2020, Cabinet approved the investment for the high streets heritage action project. Brent will provide match funding of £0.455m towards the S106 and Neighbourhood CIL projects and has secured £0.438m of capital funding from Historic England as part of The High Streets Heritage Action Zone ("HSHAZ") for shop front improvements, and community space provision, within the designated conservation area in Harlesden town centre.

Public Realm

- 10.20 There will be continued investment in public realm to ensure the infrastructure is fit-for-purpose and achieves our vision of making use of the opportunities presented by developments within the borough.
- 10.21 The Highways Capital Scheme Programme for 2021/22 includes £3m remaining from the £20m investment approved for the borough's footways. This investment is in addition to the £3.5m annual highways capital maintenance budget used to maintain carriageways and structures. The costs of these works are funded by the Council.

- 10.22 In November 2020, Cabinet approved the draft Brent Climate Emergency Strategy (2021–2030). The pipeline provision includes £10m to implement improvements to mitigate the impact of climate change across the borough. Planned projects include the development of eco centres, green walls and rain gardens, unused pieces of land into community gardens, re-naturalising the River Brent and Wealdstone Brook and various air quality improvement schemes.
- 10.23 The Council receives a fixed block of capital funding annually from TfL. £2.2m planned expenditure is proposed for the 2021/22 programme of LIP Corridors, Neighbourhoods and Supporting Measures schemes. Its delivery is subject to confirmation of the TfL funding allocation for 2021/22 and for future years. A provisional sum of £8.7m (£2.2m in 2021/22 and £2.1m per annum over the subsequent 3 years to 2024/25) has been included in the programme. The programme will be amended accordingly in line with the outcomes from the prioritisation matrix should the final funding allocation change.

Sports Ground Improvement Programme (NEW)

- 10.24 An investment of £1.2m is planned for improvements of sports grounds in the borough over the next four years. The funding will encourage increased use of pitches in parks, allow for a much wider range of involvement from the local community and help to meet targets set out in the Council's Obesity Strategy.

Schools

Secondary Schools

- 10.25 In October 2019 Cabinet approved £35.1m investment in the secondary school estate to expand secondary capacity by an additional 4 forms of entry if required to meet forecast demand as set out in the Brent School Place Planning Strategy 2019 – 2023. Any expansion of secondary capacity is expected to be funded by the Basic Need Education Grant from Central Government.
- 10.26 A refresh of the Brent School Place Planning Strategy 2019 – 2023 was approved by Cabinet in November 2020. The latest GLA forecasts presented in the refreshed Brent School Place Planning Strategy 2019 – 2023 are lower than previous forecasts and the programme has therefore been delayed to allow time to review refreshed forecast demand information in spring 2021.

Special Educational Needs and Disabilities (SEND) Schools

- 10.27 Despite lower pupil projections, demand for places that meet the needs of children and young people with Special Educational Needs and Disabilities (SEND) is increasing. This is in part due to overall population growth, but also increasing diagnosis and the extension of services to children and young people aged 0-25 with SEND.
- 10.28 There is a need to provide 245 additional secondary special school places across years 7 – 11 to cater for pupils with Autistic Spectrum Disorder (ASD),

Moderate Learning Disability (MLD) and Social, Emotional and Mental Health (SEMH) difficulties. There is a £35.5m allowance within the Capital Pipeline to meet this demand.

Schools Capital Improvement

- 10.29 The Council is responsible for 39 nursery schools, community and foundation primary schools, special schools and pupil referral units spread across 42 sites: Nursery (4), Primary (34), Special (1) and PRU (3). The Council has a statutory duty to undertake major projects at these schools to ensure the buildings are weather tight and provide a safe environment for education.
- 10.30 Funding is provided to carry out these works by the Education and Skills Funding Agency (ESFA) via the School Condition Allocation (SCA). This funding is provided each year based on an assessment by the ESFA of high level building condition need and is provided to meet Brent's local condition priorities across its schools. The Council places SCA monies in a specific capital budget, the School Asset Management Programme (AMP) budget, to meet its statutory requirement.
- 10.31 The approved 2018 – 2023 AMP Programme includes over 100 school condition improvement projects across the 39 schools and the total sum of £4.9m is allocated over the planning period (2021/22: £2.5m and 2022/23: £2.4m).

Housing Programme

- 10.32 The development and management of new affordable council homes remains a key priority of the council's Housing Strategy and of the HRA Asset Management Strategy. Alongside this housing building programme, there is continuing investment in housing repairs, maintenance and improvements.
- 10.33 Brent has been awarded additional funding by the GLA under the New Building Council Homes for Londoners Programme, bringing the total grant allocation to £108.4m to deliver 1,170 new council homes over four years (2019/20 – 2022/23).

General Fund Housing

- 10.34 Continued investment of £103m in mixed development and sites' feasibility over the four years from 2021/22 and will deliver 522 homes for the General Fund. Where the GLA grant is utilised the properties will transfer to HRA upon completion of the scheme.
- 10.35 An investment of £30m is planned for the NAIL programme (Adult Supported Living) over four years to deliver 129 homes.

i4B Holdings

- 10.36 i4B is acquiring units across the borough and purchasing street properties as affordable rented homes to alleviate the housing pressures, reduce the financial pressure and number of families in temporary accommodation with the Council acting as lender for the balance of the funds. The Council provides a mix of equity investment and loan to supplement the existing i4B street properties purchasing programme.
- 10.37 The current plan includes provision of 60 street properties annually to increase the Council's temporary accommodation provision, consider further block purchases, and seek to develop partnerships with developers, housing providers and other organisations to increase future opportunities for expanding the Company's affordable housing stock and continue the growth and diversification of the business.
- 10.38 The 2021/22 Capital Programme includes c£67m planned expenditure over three years (2021/22 to 2023/24).

New Council Homes Programme (HRA)

- 10.39 In 2020/21 the planned expenditure was £50m on new council homes and acquisition. Continued investment of £90m in new council homes programme is planned including sites feasibility over the next four years from 2021/22 to deliver 546 homes. The new build budget for 2021/22 is c£48m towards the delivery of the homes and including those funded from Right-to-Buy (RTB) receipts.

RTB Affordable Housing

- 10.40 The Council retains capital receipts from Right-to-Buy (RTB) sales after deducting debt repayment and other costs. The Council has three years to spend the receipts on affordable programmes, capped at 30% of the construction cost. The Right-to-Buy receipts cannot be combined with other funds provided by the GLA.
- 10.41 The Council is required to spend £14.4m within three years to meet its RTB targets. £9.7m will be utilised towards new build programme to increase the provision of new council homes. £4.7m has been set aside over three years (2021/22 to 2023/24) for affordable housing provision in the borough and property acquisition.

Acquisition of Affordable Homes in Alperton (NEW)

- 10.42 In April 2020, Cabinet agreed the acquisition of 114 new homes to be delivered by St George Ltd (Berkeley Group) at the Grand Union site in Alperton, with the homes expected to be handed over within three years. Right to Buy (RtB) receipts are being used to part fund the scheme costs of £29m.

Stonebridge Development (Hillside and Milton Avenue) (NEW)

- 10.43 Cabinet approved the Stonebridge scheme comprising of three sites (Tywbridge Way, Hillside and Milton Avenue) to be taken forward for development of 140 affordable homes in December 2019. In July 2020, the Hillside and Milton Avenue sites were promoted from the pipeline provision to the main programme for the delivery of 73 affordable homes. The total scheme cost is expected to be £24.7m and will be supplemented by GLA grant of £100k per home, total £7.3m.

Church End Car Park (NEW)

- 10.44 In January 2021, Cabinet approved the redevelopment of Church End car park site for the delivery 99 new homes and a new market consisting of 44 pitches. The total scheme cost is expected to be £32.5m including land acquisition and contingency. It will be supplemented by a GLA grant of £100k per home, total £9.9m. Previous capital programme budget included £4.5m for the acquisition cost and fees. The 2021/22 capital programme budget includes a further budget of £28m profiled to be spent over four years.

Major Repairs & Maintenance of council stock

- 10.45 A key aim for the Council has been the government target of bringing 100% of social homes up to the decent home standard. The Council has invested in its HRA properties to ensure that it meets, and continue to achieve the decent homes standard.
- 10.46 The Council continues to invest in repairs, maintenance and improvement works in order to maximise the life of the assets. The HRA Capital Programme set out in Appendix E shows planned expenditure of £15m for 2021/22 which includes £1.6m for fire safety works. In 2020/21 the planned expenditure is £4m for fire safety on our residential blocks to ensure they are compliant, meet current standards and provide safe homes for residents.

Statutory Capital & Treasury Reports

- 10.47 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.
- 10.48 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.

10.49 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.

10.50 The statutory capital and treasury reports have been included here for noting in Appendices G – J.

11.0 Overall summary and conclusion

11.1 Prior to the outbreak of COVID-19, local government continued to face an extremely challenging financial outlook following a prolonged period of austerity as well as disproportionate growth in demand for services. Since 2010 the Council has delivered expenditure reductions of £174m, and agreed a further £13.5m to 2022/23. This has been delivered through a combination of effective financial management, cost control and more innovative approaches to investment and demand management. As government 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 and uncertainty on the outcome of proposed reforms to local government funding, this has created substantial financial pressures.

11.2 Therefore, the Council was already operating in a significantly challenging financial environment prior to the outbreak of COVID-19.

11.3 While, the funding measures announced in the Spending Review are welcome, it is clear the pandemic will continue to have a huge impact on local government finances throughout 2021/22. It will be essential that councils are adequately resourced to be able to continue playing their vital role in the management of the community and the economic effects of the health crisis. Many of the roles

local councils have been asked to undertake, including distributing emergency grants to business, shielding the vulnerable, local test and trace and marshalling social distancing measures, are effectively 'new burdens' that will need to be recognised in the foreseeable future.

- 11.4 Many of the long-term impacts of the pandemic are still unknown, for example the longer-term impact mental health (for adults and children), as well as the impact on rates of child protection, children in need and looked after children which will be adversely affected by the lockdown earlier in the year and by the repeated impact of local lockdowns. The costs cannot be quantified but they will be significant over the next few years. This needs to be fully taken into account at the Comprehensive Spending Review later in the year.
- 11.5 Finally, and of significant concern, is the sustainability of the local government finance system and lack of detail regarding how the Government plans to ensure councils can continue to deliver services to residents over the longer term. For example, the two single-year Spending Reviews have had a detrimental impact on the ability of councils to plan for the future. In addition, council tax and business rates account for increasing amounts of local government funding. The pandemic has exposed these flaws, with revenues from both falling substantially due to increases in CTS claims and business rates holidays through lockdowns and beyond.
- 11.6 The events due in the next year (the multi-year Spending Review, the outcome of the fundamental review of business rates, the long-awaited reforms to adult social care and the conclusion of the Fair Funding Review) present an opportunity for the Government ensure Local Government finance is put on a sustainable path. If these events are viewed in isolation without broad consideration of how they impact on local government, the continued delivery of vital local public services that will be essential to support the economy and help communities recover from the pandemic will be put at risk.
- 11.7 The COVID-19 pandemic has created a significant shock to the economy and resulted in significant unplanned expenditure and income losses as set out in the report. As noted earlier in the report, savings of £5.1m will be needed between 2021/22 and 2022/23 in order to be able to agree a balanced budget for those years. This report brings forward initial options for those years, which, if adopted, will ensure the Council balances the budget in the next two years and continues to operate in financially resilient manner.
- 11.8 It is worth reflecting on the strength of this financial position. 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.

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 2021/22 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 2022/23. In consequence, and following a comprehensive review of budget assumptions, the general reserve is expected to remain at £15m. 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 2021/22.
- 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 N.

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 2020.
- 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 2021/22 Report - Cabinet 7 December 2020

Report sign off:

Minesh Patel
Director of Finance