Brent	**Full Council** 24 February 2022
	Report from the Director of Finance

Budget and Council Tax 2022/23

Wards Affected:	All
Key or Non-Key Decision:	Council
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	20 – See list attached
Background Papers:	Draft Budget 2022/23, Cabinet 6 December 2021
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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 2022/23. It also sets out the results of the consultation, scrutiny and equalities processes. Following consideration by Cabinet on 7 February 2022 these proposals now form the basis of the budget to be agreed by Full Council. 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 Members are reminded that at the Council meeting of February 2021, the budgets for 2021/22 and 2022/23 were agreed based on the delivery of £11.2m of savings in order to deliver balanced budgets over the two year period. The savings are profiled £8.5m in 2021/22 and £2.7m in 2022/23. Update reports have been brought to Cabinet throughout the year, most recently in July and December 2021. Although the provisional local government finance settlement, announced just before Christmas, contained some unexpected changes (discussed below) the position remains that a balanced budget for 2022/23 can be agreed by reconfirming those savings proposals accepted by Council in February 2021: no new savings proposals are introduced by way of this report.

1.3 Brent has delivered total cumulative savings of £185m since 2010, and it is clear that over the remainder of the Spending Review period into 2023/24 and 2024/25 further savings will be required. The lack of clarity about the future of local government financing makes it hard to be precise about future financial targets, but the working assumption is that further savings of around £12m will need to be identified for those two years.

1.4 Brent, like most well-run local authorities, seeks to avoid making substantial new proposals in the last budget of any Administration, as it will be for whatever Councillors are elected in May 2022 to determine longer-term financial policy. Therefore, no new budget proposals are recommended by way of this report.

1.5 However, the provisional local government finance settlement unexpectedly set the 'referendum limit' for Council Tax at 2.99% (where 1% is ring fenced for Adult Social Care). Like last year, the Government's financing assumption is that all Councils would act on this. The previous intention was to raise Council Tax by 3.99%, which at the time of the February 2021 Council report was consistent with the then prevailing legislation. The decision on Council Tax will be taken by Full Council, but the budget has been constructed on the basis of a 2.99% rise in the Brent element of Council Tax, which is consistent with the previous position of increasing Council Tax by the maximum amount allowable under the legislation. In addition, this is based on taking into account the rising inflationary pressures that the Council is subject to, the financial position in the round and the results of consultation through the Brent Connects and other meetings held by the date of despatch of this report. The Mayor of London has announced plans for an increase in his precept of 8.8% (slightly different rules on the limits for the Greater London Authority (GLA) apply due to its role as the police authority) making the overall increase in Council Tax 4.2%. This equates to £1,815.07 at Band D, or the equivalent of £34.91 per week, and the overall increase equates to £1.41 per week.

1.6 Given the significant financial uncertainties that have been highlighted throughout this process, this is a balanced and proportionate approach to the demanding choices that have to be confronted in budget setting. It should be recognised, however, that forecasting over the medium term has been, and continues to be, extremely difficult. There is a high level of uncertainty over the medium term due to the delays in funding reforms, the continuing impacts of COVID-19 on residents and businesses in the borough and the impact of BREXIT. 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.

1.7 Agreeing the proposals in this report, all of which were consulted on and agreed in February 2021, will enable the Council to set a balanced budget in 2022/23 in accordance with its statutory obligations and consistent with the Borough Plan. The plan focuses on how the Council will 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 two years. 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 During 2022, work will be undertaken to develop the Borough Plan for 2023-2027. This gives the Council an opportunity to refresh and update its vision and ambitions and to outline how it will work with communities and partners to deliver them over the four years covered. Engagement and consultation will be fundamental in the development of the Borough Plan. As a result, the MTFS will need to ensure it provides a framework to enable and support the delivery of these programmes.

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

- A Council Tax rise of 2.99% for the Brent element, making a Band D Council Tax of £1,419.48. Additionally, the Council will levy a Council Tax precept currently expected to be £395.59, a rise of 8.8%, at Band D on behalf of the GLA. Therefore, the total Council Tax at Band D is expected to be £1,815.07, which is an overall increase of 4.2%.

- New budget savings proposals (all of which were agreed by Council in February 2021) with an aggregate value of £2.7m, as set out in Appendix C (i).

1.11 This report is structured as follows:

- Officer recommendations for Cabinet and Full Council to approve;
- Strategic overview of the financial and macro-economic climate;
- The forecasts against the current year's (2021/22) revenue budgets are summarised;
- Summary of the processes taken 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)**

2.1 Agree an overall 2.99% increase in the Council's element of Council Tax for 2022/23, with 1% as a precept for Adult Social Care and a 1.99% general increase.

2.2 Agree the General Fund revenue budget for 2022/23, as summarised in Appendices A and B.

2.3 Agree the savings proposals for 2022/23, as set out in Appendix C.

2.4 Note the report from the Budget Scrutiny Panel in Appendix D.

2.5 Agree the HRA budget for 2022/23, as set out in section seven of this report.

2.6 Agree the Dedicated Schools Grant, as set out in section eight of this report.

2.7 Agree the changes to the existing Capital Programme in relation to additions of new schemes and reprofiling, as set out in section 10 of this report and Appendix E, and note the Capital Pipeline Schemes in Appendix F.

2.8 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.

2.9 Agree the Reserves Strategy and schedule of reserves, as set out in Appendix K.

2.10 Note the action plan to implement CIPFA's Financial Management Code, as set out in Appendix L.

2.11 Agree the schedule of fees and charges, as set out in Appendix M.

2.12 Note the results of the budget consultation, as set out in section six and detailed in Appendix N.

2.13 Note the advice of the Director of Legal, HR, Audit and Investigations, as set out in Appendix O.

2.14 Agree the Pay Policy Statement for 2022/23, as set out in Appendix P.

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.

2.15 In relation to the Council Tax for 2022/23 we resolve:

That the following amounts be now calculated as the Council's element by the Council for the year 2022/23 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended:

(a) £1,067,562,055	being the aggregate of the amount that the Council estimates for the items set out in Section 31A(2) of the Act.
(b) £927,416,795	being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(3) of the Act.
(c) £140,145,260	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) £1,419.48	being the amount at (c) above, divided by the amount for the tax base of 98,730, agreed by the General Purposes Committee on the 6 December 2021, 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
£	£	£	£	£	£	£	£
946.32	1,104.04	1,261.76	1,419.48	1,734.92	2,050.36	2,365.80	2,838.96

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.

2.16 That it be noted that for the year 2022/23 the proposed GLA precept issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, in respect of the GLA, for each of the categories of dwellings are as shown below. The GLA intends to agree its precept on 24 February 2022.

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£

263.73	307.68	351.64	395.59	483.50	571.41	659.32	791.18

2.17 That the Council establishes a Council Tax setting committee, to set the Council Tax for the year 2022/23, 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 Q.

2.18 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.

2.19 That the special Council Tax setting committee meet as soon as possible after 24 February 2022 to allow Council Tax notices to be issued in line with the normal statutory timetable.

2.20 That it be noted that the Director of Finance has determined that the Council element of the basic amount of Council Tax for 2022/23 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 2021, Council agreed a Medium Term Financial Strategy (MTFS) that sought to provide the financial framework for the years 2021/22 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 £11.2m of savings (profiled £8.5m in 2021/22 and £2.7m in 2022/23) in order to deliver balanced budgets over the two year period. This follows 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 £185m of savings, despite an increase in demand for key services.

3.2 At the time the MTFS was agreed in February 2021, it was recognised that the Council was already operating in a significantly challenging financial environment prior to the outbreak of COVID-19. Most notably, these were around the uncertain funding outlook for local government, uncertainty around long term funding for adult social care and emerging pressures in children's services.

3.3 In addition to the uncertainty, there is also the potential for significant spending pressures from demand-led services, specifically in children's and adult social care, new burdens which impact on the budget and new pressures as a result of COVID-19. Although growth has been built into the MTFS to help alleviate some of these pressures, they continue to present a significant budget risk, particularly in respect of the demographic and contractual pressures. For example:

- The impact of COVID-19, and the new Omicron variant, is not fully known or how the pandemic will play out for the remainder of the year. Therefore, there is a level of risk when setting the budget that the Council may be exposed to unfunded financial pressures in-year.

- The income loss compensation scheme for Council Tax and Business Rates does not fully cover the losses the Council is estimating and only applies to losses incurred in 2020/21. In addition, the sales, fees and charges compensation scheme ended in July 2021, while the 'Plan B' restrictions will have a further adverse impact on business rates and fees & charges income as footfall reduces. Overall, income losses can pose a considerable budget pressure.

- The level of 'scarring' that has occurred, for example pent up demand in children's social care, long Covid and the mental health impact on adult social care. In addition, the extent to which current circumstances will become the 'new normal', for example greater domestic waste if more people continue to work from home and a larger role for Public Health. The rise in demand for key services caused by the pandemic, particularly adult social care, public health, homelessness and rough sleeping and children's social care will most certainly continue into 2022-23 and beyond.

If these were to transpire, without any further government support, they could expose the Council to a liability that may require it to put in place further savings and/or expenditure reductions in order to balance the overall budget and MTFS.

3.4 COVID-19 has had a significant impact on the Brent economy, specifically:

- It is estimated that the Brent economy had contracted by 9% in 2020, losing 3,800 jobs (a fall of 2.6% compared with 1.9% for West London as a whole and 1.5% for the UK). For 2021, a further loss of 3,700 jobs was forecast with slow job growth afterwards, adding 2,600 jobs by 2025 – an average 0.3% per year, the second-lowest rate across the seven WLA boroughs. It is expected that employment will not return to its pre-pandemic level until 2024.

- According to Official Labour Market Statistics, the unemployment rate in Brent was 4% in September 2019, lower than the London average of 4.6%. However, this rose to 5.8% in June 2020 and to 7.6% in June 2021 (London average for June 2021 was 6.5%). The pandemic has had an adverse impact on unemployment levels in the borough, increasing unemployment levels from below the London average to above the London average, indicating that Brent residents have been particularly impacted by COVID-19. Furthermore, whilst the London average gross weekly pay increased from £714.30 in 2020 to £728.40 in 2021, it decreased for Brent residents, falling from £639.50 to £623.80.

3.5 Clearly the pandemic has created significant economic damage that is likely to amplify existing local economic challenges, and these statistics highlight the acute hardship faced by Brent residents and businesses. It is for this reason that, on 12 July 2021, Full Council agreed £17m of funding to facilitate the delivery of programmes in priority areas identified as essential to secure a sustainable and inclusive recovery from the COVID-19 pandemic. These projects are themed around supporting communities, supporting businesses, reducing health inequalities and a green recovery. Further details on the delivery of these projects were set out for Cabinet in January 2022 as part of the Q3 Financial Forecast report.

3.6 The audited Statement of Accounts for 2020/21 show the full financial impact of COVID-19, reporting an overspend of £42m in the year, comprising of £29.1m of additional expenditure and £12.9m of income losses to services, which was funded from emergency grants from government.

3.7 The financial impact of COVID-19 has clearly continued to have a significant impact into 2021/22 and will most likely continue into 2022/23. The Q3 Financial Forecast report for 2021/22 that was presented to Cabinet on 17 January 2022 reported a General Fund overspend of £1.5m, excluding the impact of COVID-19. Total COVID-19 related pressures are estimated at £25.1m in 2021/22, however this was the position before 'Plan B' restrictions where introduced following the outbreak of the Omicron variant. Therefore, this figure is likely to grow further.

3.8 Management actions continue to be considered, and implemented, to mitigate these pressures (additional expenditure, income losses and non delivery of savings) as much as possible to achieve a balanced budget position for the year. At this stage it is expected that these pressures can be funded from the growth allocated to service areas and specific COVID-19 grants from central government.

Local Government Finance Settlement

3.9 On 27 October 2021 the three year Spending Review was announced and on 16 December 2021 the Provisional Local Government Finance Settlement was announced.

3.10 Whilst the 2021 Spending Review covered three years, the provisional Local Government Finance Settlement is for one year only, the fourth one-year settlement in a row. Clearly, this is not helpful for medium term financial planning. The settlement itself is frontloaded, meaning that the risk of additional service pressures from 2023/24 onwards will fall to the Brent taxpayer.

3.11 In summary, the provisional settlement confirms the funding announced in the Spending Review. Members will recall that there was no need to materially change the Medium Term Financial Strategy assumptions as a result of the Spending Review announcements. The current position was reported in the draft budget agreed by Cabinet on 6 December 2021. Therefore, no further changes are required to the financial planning assumptions and the budget presented by way of this report is unchanged from the draft budget.

3.12 Further details of the technical elements of the settlement and the impact on the 2022/23 budget are set out in section five of this report.

3.13 Overall, the headline announcement is that core spending power will increase by 2.99% each year. However, this assumes that all Councils will increase Council Tax by the maximum amount allowable of 3% without triggering a referendum. In addition, much of the new money is tied to social care reforms, meaning other services will benefit less. Removing the funding for the social care reforms, the increase is actually 1.8% compared to 3.3% for the average government department.

3.14 Nevertheless, while the additional funding announced for Local Government is welcome, the funding available overall is unlikely to be sufficient to withstand the increased demand for services, in particular social care services that are still recovering from the impact of COVID-19. The recent Omicron variant, rising inflation, and the adult social care funding reforms have added further financial risks. Therefore, Brent, like all Local Authorities, will need to make significant savings over the next few years to deliver balanced budgets. Furthermore, another one year settlement means that it is unknown if the additional funding announced will be maintained. This creates financial planning uncertainty, which is clearly not conducive to good financial management and long term financial planning.

3.15 The settlement also included a one-off grant, called the Services Grant, which is intended to cover various new burdens, such as National Insurance Contribution increases for Brent and suppliers and other expected inflationary pressures. It is worth noting that the distribution method that was used will see the most deprived local authorities in England receive a real-terms funding increase of 4.9% in 2022-23, compared with a 3.8% rise for the least deprived councils. This indicates the Government's future priorities with regards to the 'Levelling Up' agenda and future funding reforms. In addition the single year settlement would give the government the time to assess how it will share out resources in future years, which is another clear indication that the 'Levelling Up' agenda will influence future distribution mechanisms. It is widely expected that this means resources being shifted away from London to other parts of the country, in part evidenced by the Levelling Up Fund announced in the Spending Review where London received just 3.8% of the total funding across the UK and received the lowest amount of any English region.

3.16 With regards to social care, there are a concerns about the financial risks that the adult social care funding reforms could bring. While additional funding has been provided to support councils in preparing their markets to deliver the fair cost of care reforms, delivering these reforms will redirect resources away from frontline social care at a time when the pandemic is exerting major pressure on staff capacity. In addition, it is currently unknown whether the new funding will be sufficient to cover the cost of reforms, for example the increase in employers National Insurance Contributions (for both the Council's pay bill and supplier costs), the cost of the cap on personal care costs and inflationary pressures expected in the social care market. Early modelling suggests the additional cost of increasing National Insurance Contributions alone could be in the region of £2m per annum. There will no doubt be a long queue of claims on this tranche of funding. Any shortfall in social care funding will, therefore, mean that Council Tax will end up taking the strain. This may mean that Brent, like all other local authorities, will need to continue to plan with little or no funding certainty.

3.17 Whether the overall funding increases are enough to keep pace with the rising demands over the medium term remains to be seen and will depend on how inflation affects the Council's costs. In addition, with the Office for Budget Responsibility predicting inflation could rise between 4.4% and 5.4% next year, which would be the highest rate seen in the UK for three decades, that will create further financial pressures, particularly for social care where the cost of placements presents a significant financial risk.

3.18 Therefore, at this stage, in the absence of any detailed information on the cost of new burdens and future uncertainty on the impact of rising inflation, these new grant allocations are assumed to be revenue neutral for budget setting purposes. In other words, these new grant allocations, that were not previously part of the Council's MTFS, will need to be allocated to meet new demands, such as the Adult Social Care reforms, and cost pressures that they are intended to address. This is a prudent position, which is appropriate given the significant financial risks, which will be reviewed once the implications of the new burdens are known.

Value For Money and the Financial Management Code

3.19 The Council's external auditors, Grant Thornton, are now required to report in more detail on whether the Council has put in place proper arrangements to secure Value for Money (VFM) in respect of economy, efficiency and effectiveness in its use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that the Council can deliver its objectives and safeguard public money. This is assessed under the following areas: Financial Sustainability; Governance; and Improving economy, efficiency and effectiveness.

3.20 As part of the auditor's fieldwork, the audit findings report that was presented to the Audit & Standards Advisory Committee on 22 September 2021 concluded that no significant weaknesses were identified in the Council's VFM arrangements and only improvement recommendations were made. Overall, the commentary from the auditors in respect of financial sustainability is positive from a budget setting point of view. The report notes that the Council has a track record of strong financial management, in particular balancing its budget, delivering savings and managing risks to ensure financial resilience and financial sustainability.

3.21 As part of the new VFM arrangements, the report is expected to be issued to all members and therefore the full report will be presented to Full Council on 24 February 2022, alongside the final 2022/23 budget.

3.22 CIPFA's Financial Management (FM) Code was launched in October 2019 as the first professional code for general financial management in local authorities. It sets out the principles by which local authorities should be guided in managing their finances and the specific standards that they should, as a minimum, seek to achieve. The FM Code has been introduced because the exceptional financial circumstances faced by local authorities has revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future.

3.23 Implementing the FM Code is a major piece of work that the Council is obliged to undertake by having in place detailed implementation plans by the end of the 2021/22 financial year. Much work has already been done and the Council is in a sound position.

3.34 Implementation of the FM Code will provide the chance to adopt cutting edge financial management arrangements that drive value for money and ensure long-term financial sustainability. These are sound foundations on which members can build their policy objectives, safe in the knowledge that these are affordable and sustainable both now and into the future. This assurance, coupled with effective risk management, means that the Council can plan for the future in a way that is simultaneously ambitious and cost effective, yet also prudent and sustainable.

3.35 Appendix L sets out the work areas and the Action Plan that Brent has adopted to deliver the FM Code. Updates on the implementation to this action plan will be regularly provided to the Audit & Standards Advisory Committee as part of their role in advising on governance matters.

4.0 Budget Development Process 2022/23

4.1 The Council set its budget and council tax for 2021/22, and its business plans for 2022/23, at the 26 February 2021 Full Council meeting. As a reminder, the budget development process was 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 on 6 December 2021;
- The publication of a detailed list of savings proposals at Cabinet in December 2021 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 a virtual Brent Connects meeting on 25 January 2022;
- 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

5.1 The provisional 2022/23 Local Government Finance Settlement was announced on 16 December 2021 and provided details of the core funding allocations for local authorities in 2022/23 only. The settlement confirmed the funding announced in the October 2021 one year Spending Review. The key headlines that are relevant for Brent from a budget setting point of view are set out below.

Revenue support grant (RSG) and other relevant grants

5.2 As expected, the 2022/23 RSG amount of £25.8m has been determined using the 2021/22 amount plus the September CPI inflation increase of 3%.

5.3 On social care funding, as announced at the Spending Review 2021, the provisional settlement sets out the proposed amounts and allocation methodologies. For Brent, this includes £13.3m Improved Better Care Fund and £13.7m Social Care Grant. Both have been inflated by 3% for CPI inflation at September 2021. The Social Care Grant includes an additional allocation of £3.3m for new burdens and cost pressures expected across Adults and Children's social care. In previous years, the ASC precept was at least 2%, but this year it is only 1% - this grant helps to fund the resulting gap.

5.4 There is a new grant entitled Market Sustainability and Fair Cost of Care Fund. Brent's allocation is £0.91m. The national £162m fund is intended to support Local Authorities prepare their markets for reform and move towards paying providers a fair cost of care. This grant therefore covers new burdens arising from reform of the care system and is therefore fully committed to fund anticipated additional expenditure.

5.5 A new one-off 2022/23 Services Grant of £822m was announced with Brent being allocated £6.1m of funding. This grant is not ring fenced but is intended to cover new burdens, such as National Insurance Contributions increases for Brent and suppliers as a result of the Health and Social Care levy and other expected inflationary pressures. Again, similar to the new grant above, it is therefore assumed to be revenue neutral. Whilst described as one-off grant, the provisional settlement papers say that there will be future allocations, which will be subject to consultation and may well follow a different allocation methodology. The level of future allocations may change to reflect the 'Levelling Up' agenda. There is every prospect that Brent's allocation may go down.

5.6 New Homes Bonus will reduce from £3.78m in 2021/22 to £3.1m in 2022/23, a reduction of 18.1%. This is a smaller reduction than the average across London (30%), but higher than the national average (11%). This does not have an impact on the revenue budget currently being consulted upon as the grant forms part of the funding for the Council's capital programme.

5.7 The Public Health Grant allocations were announced on 8 February 2022, with a rise of 2.8%. Brent's allocation will increase from £22.3m to £22.9m. Given the ongoing pandemic pressures, service backlogs and increasing need, these allocations are effectively a cut to public health funding in real terms.

5.8 The Homelessness Prevention Grant is a grant that combines what was previously the Flexible Homelessness Support Grant and Homelessness Reduction Grant. Brent's overall allocation has increased from £7.0m to £7.1m.

Similar to the Public Health Grant, this represents a real terms cut to funding of homelessness services. No explanation has been made available as to why this grant did not increase by CPI, like most other core grants.

Council Tax

5.9 The settlement confirmed that Local Authorities will be able to increase Council Tax by up to 1.99% without a local referendum. In addition, local authorities will be able to levy a 1% adult social care precept.

5.10 Like last year, the Government's financing assumption is that all councils will act on this and increase Council Tax by the maximum amount possible. It should be noted that the additional income generated through the Adult Social Care precept alone does not cover the total growth requirement for Adult Social Care pressures. However, the increase would permanently increase the council tax base income and it would also help to reduce the significant funding pressures in 2022/23 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 2.99% in 2022/23.

5.11 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 Council's Resident Support Fund has made available additional funds for residents who are having difficulty due to unforeseen financial circumstances as a result of COVID-19.

5.12 All other budget assumptions for Council Tax remain unchanged to those presented as part of the draft budget with regards to CTS expenditure, short and long term collection rates and growth in the tax base.

5.13 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 22 December 2021, the Mayor of London published his draft revenue budget for 2022/23 for consultation and following the announcement of the police grant settlement proposed to increase the precept by £31.93 (or 8.8%) to £359.59 per Band D property in the 32 London Boroughs. This comprises of an additional £10 for the Metropolitan police, £20 for Transport for London and £1.93 for the London Fire Brigade. These figures are subject to change following the consultation process and confirmation of London Boroughs' tax bases. However, it should be noted that the precept proposal assumes that the government accepts to the Mayor's request to adjust the Council Tax excessiveness principles for the GLA (i.e. referendum limits) to accommodate an additional £20 rise to fund transport services in the final local government settlement, to offset the losses in income as a result of the drop in passenger travel due to COVID-19. If this is not agreed then the final precept figure may change. The final GLA budget will be considered by the London

Assembly on 24 February 2022. As the GLA's budget will be considered on the same day as the Council considers its budget, a committee will be established to finalise the overall Council Tax setting process.

Business Rates

5.14 The three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Top Up amounts) have all remained the at 2021/22 levels, due to the government's decision to freeze business rates nationally; however an additional grant will be available to compensate for inflation.

5.15 As considered in detail in the draft budget report, the Government has allowed Local Authorities with a geographic link to form a business rate pool. The settlement confirmed the Eight Authority Business Rates Pool (involving the City of London Corporation as well as Tower Hamlets, Hackney, Haringey, Waltham Forest, Brent, Barnet and Enfield) is able to proceed in 2022/23 and a Memorandum of Understanding has been signed by all boroughs. In forming a pool, the group of authorities are seen as a single entity from a business rate perspective and in doing this, should retain more of the business rate income generated locally.

5.16 The City of London will act as lead authority and during 2022/23 a working group will be set up to closely monitor each borough's financial forecasts with respect to collectible amounts, collection rates, growth, revaluations, etc. All other budget assumptions for Business Rates remain unchanged to those presented as part of the draft budget

Expenditure Assumptions

5.17 It is clear that the impact of COVID-19 will be felt beyond 2021/22 and will have a significant legacy impact on the MTFS making it highly unlikely that a number of budgets, albeit income or expenditure, will return to their pre COVID-19 levels.

5.18 Managing ongoing demand-led pressures remains a key aspect of the MTFS. The draft budget report set out in detail 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. In addition, the report set out the scenario analysis undertaken against key demand led services and activities that were judged to be particularly sensitive to the impact of COVID-19 and related government interventions. Regarding the latter, it is reasonable to assume that a proportion of the COVID-19 related growth allocated to services in 2021/22 can be reduced in 2022/23.

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. Further details are set out in Appendix B.

5.20 That being said, given the uncertainty inherent in the pandemic and the general economy it is difficult to confidently predict the impact of inflation in 2022/23, and this will remain a financial risk that has to be monitored. The ONS reported CPI of 5.1% in December and the Governor of the Bank of England has suggested it may reach 6% in the next few months. The Department for Levelling Up, Housing and Communities (DLUHC) forecast CPI falling back to 2.6% in 2023 and 2.1% in 2024. Some forecasters consider that there is a material risk of inflation staying higher for longer, which would potentially further erode the benefit of the additional funds announced in the Spending Review. Brent is in regular discussions with its providers on the uplifts to contract prices to reflect a number of inflationary issues including NICS, energy, minimum wage and general inflation. These discussions are complex and whilst the Council has set aside inflationary growth for next year, sustained high inflation remains a risk. Nevertheless, the growth assumptions set out in the draft budget have been reviewed and at this stage are judged to be reasonable.

Overall summary of the budget position

5.21 The main general fund revenue budget for 2022/23 was essentially set at the Council meeting of February 2021, where savings of £2.7m were agreed. Provided that the key assumptions set out in this report hold true then expenditure in 2022/23 should also be contained within budget. Further details are set out in Appendices A and B.

Adequacy of reserves

5.22 As referenced in section three of this report, the Financial Management Code (FM) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets standards of financial management, which include improved long and medium term financial planning. As part of its implementation of the FM Code, the Council has reviewed its approach to reserves. It has produced a Reserves Strategy, set out in Appendix K, which establishes a formal policy to determining the purposes for which reserves will be held and how the amount of those reserves will be calculated. This is closely aligned to the MTFS.

5.23 Whilst reserves are held for a variety of purposes, they can be grouped under two main headings: reserves held for planned and specific purposes and those held to hedge against the unexpected.

5.24 Planned reserves are an intrinsic part of the Council's medium and long term financial planning processes, as they enable funds to be carried across years to fund planned expenditure and to smooth demand that may be uneven over time. Within this heading also fall reserves required by statute or the accounting code of practice. The Council's financial plans will determine the nature and level of these reserves.

5.25 Contingency reserves provide funds to cover uncertain events that may transpire. This includes holding a working balance to cover bumps in the Council's cash flow. Unlike planned reserves, the level of contingency reserves is subjective and requires professional judgment. Indeed Section 25 of Local Government Act 2003 places a duty on the Director of Finance to report to Council his/her view of the adequacy of the reserves so that the Council can make an informed decision. To do this, consideration needs to be given to the risks facing the Council, such failure to deliver savings, overspending due to demand pressures, uncertainty over future funding and potential natural disasters. These need to be considered from the perspective of likelihood and impact. Past experience and comparison with similar local authorities, such as other London boroughs, are a means to assess the level at which reserves need to be held. Also, it would not be prudent to set a level of reserves that would guard against all possible eventualities. Some events, like major natural disasters or a second pandemic, are of such calamitous impact that no local authority could be expected to weather them without assistance from central government. Indeed, this is why the government has the Bellwin scheme to support such events and also why substantial support has been provided to alleviate the financial effects of COVID-19 pandemic.

5.26 The Council has taken these factors into account and has decided that as a principle 5% of net expenditure should be held as generally usable reserves. The details of this assessment are explained further in the Reserves Strategy. It is the Director of Finance's opinion, as required by Section 25 of the Local Government Act 2003, that this level of general usable reserves constitutes the amount that is sufficiently robust to maintain the Council's financial sustainability.

5.27 Appendix K sets out the Council's schedule of earmarked reserves, their purpose and a forecast for the use of the reserve. The Council determines, via this report, the use of these reserves for these purposes in the context of the Council's financial regulations and scheme of transfers and virements. In addition, should an overspend arise, it can be set against the general fund balance or the service pressures reserve, which are defined as the Council's generally usable reserves for these purposes. Again, approval of these arrangements are to determine compliance with the Council's financial regulations and scheme of transfers and virements.

5.28 Setting a formal Reserves Strategy and reviewing the current and future level of reserves will set the Council in good stead when it comes to undertaking a Financial Resilience Assessment (FRA) as required by the FM Code. The FRA assesses how effective the Council is at routine financial management, planning and managing capital resources, using performance information effectively, setting clear plans for the delivery of savings and managing reserves. These are all activities that the Council currently undertakes well. The work on the FM code will document this via a formal FRA and will also look to recommending improvements. Progress on this work and revisions and updates to the Reserves Strategy will be periodically reported to Cabinet and the Audit & Standards Advisory Committee.

Approach to budget proposals for 2023/24-2024/25

5.29 As mentioned earlier in the report officers' best estimate of the budget gap between 2023/24-2024/25 is £12m. Nonetheless, the exact gap is inherently uncertain, simply because of the number of variables to be estimated and the difficulty of doing so over longer periods of time. In the current circumstances, with a lack of a clear national policy direction on many aspects of local government finance it is even more difficult to do so.

5.30 The most significant uncertainties within the local government finance system are:

- Ongoing impact of COVID-19: the rise in demand for key services caused by the pandemic - particularly adult social care, public health, homelessness & rough sleeping and children's social care - will continue beyond 2022-23.

- Inflation uncertainty: The ONS reported CPI of 5.1% in December and the Governor of the Bank of England has suggested it may reach 6% in the next few months. The anticipated spike in wholesale gas prices will have direct and indirect cost implications for local authorities, and the rise in national insurance contributions to fund the health and social care reforms is expected to add further costs to supply chains next year. There will be similar pressures on contracts from the rise in the National Living Wage.

- Certainty: Local authorities need certainty over how they will be resourced. Medium-term funding certainty produces robust decision making and more strategic and efficient use of resources. Four single-year Spending Reviews have had a detrimental impact councils' ability to plan for the future.

- Fair Funding Review and reforms to business rates: these reforms have been delayed for many years and are expected to fundamentally change how, and to what level, all Local Authorities are to be funded. This will therefore create shifts in the pattern of funding and so the impact is likely to be substantial but which cannot reliably be forecast.

5.31 The total savings target for 2023/24 and 2024/25 is expected to be £12m, as set out above. The accuracy of this is probably at best +/- 20%, and wider variations are entirely plausible. The actual figure required will not be known until a longer term Spending Review for Local Government is announced, expected in the autumn of 2022.

5.32 The 2023/24 budget proposals will need to be consulted upon by autumn 2022, leading in to a February 2023 budget setting meeting at Council. It is therefore proposed to develop and consult on budget proposals for 2023/24 and 2024/25 after the elections in May 2022.

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 set out 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 were reported to Council in February 2021 when the 2021/22 budget and business plans for 2022/23 were agreed. Since then, the individual EIA reports have been reviewed and remain unchanged and the cumulative EIA has been updated to reflect the proposed increase in Council Tax. This is set out in Appendix C (ii). 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.

Scrutiny

6.2 A Budget Scrutiny Task Group was convened after the Cabinet published the draft budget proposals in December 2021. 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 18 January 2022 as part of the Cabinet's decision making process.

Consultation

6.3 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.

6.4 The Council conducted an extensive consultation process between December 2020 and February 2021 where the savings proposals for 2021/22 and 2022/23 were presented. This included attendance at two virtual Brent Connects meetings where over 200 people attended and an online consultation on the specific budget proposals.

6.5 On 25 January 2022, a further Brent Connects meeting was attended to present the budget proposals for 2022/23, where over 111 people attended. At this event a presentation was delivered by the Leader and Deputy Leader of the Council and supported by officers, followed by a question and answer session.

6.6 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 N contains further information about the results of consultation and sets out a summary of emerging themes and other key findings.

6.7 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 12,500 local businesses, explaining why the views of local businesses were important and how they could have their say.

6.8 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.

6.9 In order to maximise the opportunity for comment the consultation was kept open to 31 January 2021. The comments above, and summarised in Appendix N, 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.

6.10 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 5.9 - 5.12 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 2022/23, 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.

6.11 One of the main aims of the consultation and communications 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 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.

6.12 All of these consultation responses are important. Legally, the results of consultation are something that Members must have due regard to, alongside other relevant considerations, when making decisions.

6.13 Finally, looking ahead to 2023/24 and 2024/25, it is currently estimated that the Council will need to deliver savings of around £12m to balance the budget. It is therefore proposed to develop a consultation strategy that brings together resident and key stakeholder engagement for the forth-coming budget and Borough Plan. The Council wants to ensure there is early community input in to our future financial and strategic priorities.

7.0 Housing Revenue Account (HRA) Budget

7.1 The proposed HRA annual budget for 2022/23 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 2022/23.

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 a snapshot of current average rent levels from occupied properties and the proposed increase of CPI plus 1%, which equates to 4.1% for 2022/23. All new re-lets are charged at Formula rent and new builds are charged at Formula or Affordable rent, updated rent levels are reflected in the current average rent for 21/22, therefore average rent can change depending on time of reporting. The average proposed rent rate for 2022/23 is £4.87 per week (4.1%) higher than the current financial year.

Tenant Rents for 2022/23

Bed Size	Current Average Rent 2021/22	Proposed Average Rent 2022/23 (4.1%)	Proposed v Current Rent
	£	£	£
Bedsits	88.51	92.14	3.63
1	103.95	108.21	4.26
2	120.61	125.55	4.94
3	132.20	137.62	5.42
4	144.61	150.54	5.93
5	156.82	163.24	6.43
6+	176.23	183.46	7.23
Average Rent	**118.74**	**123.61**	**4.87**

7.4 A rent increase of 4.1% is estimated to result in an additional £2.0m of income when compared to 2021/22. This due to national inflation increasing by 2.6% compared to last year, which is a reflection of current economic climate.

7.5 Brent Housing Management provide support to tenants who are struggling to pay their rent. The primary objective is to ensure that tenants have all the support that they can get, rather than pursuing an eviction. Support options include assessing whether the tenant is claiming all the welfare benefits that they are entitled to, assisting them to claim from the Council's resident support fund and arranging a suitable payment plan. After the onset of the COVID-19 pandemic, Brent Housing Management endeavoured to identify vulnerable tenants and have since kept in contact with tenants in order to ensure that they continue to get the required support to sustain their tenancy.

7.6 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 2022/23

7.7 Individual service charge elements are adjusted to bring them in line with the estimated contract costs of providing these services to tenants in 2022/23. The tables below show a snapshot of the current average service charges from occupied properties, compared to proposed rates, this is analysed below for services provided to tenants. The current average can change depending on time of reporting, to reflect re-lets and stock movements such as new additions.

Service charge frozen for 2022/23

7.8 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.

7.9 The cost of maintenance and servicing for the laundry room and TV aerials is forecasted in line with service charges. Therefore, no increases are proposed for this charge for 2022/23.

Service	No. of Properties	Average Charge 2021-22	Recommended Average Charge 2022-23	Estimated Increase / (Decrease)
		(£/Week)	(£/Week)	%
Grounds Maintenance	4,705	1.33	1.33	0.00%
Laundry	25	2.59	2.59	0.00%
TV Aerial	3,273	0.74	0.74	0.00%

Service charge increases for 2022/23

7.10 The estate cleaning service was transferred in-house in 2019/20, with a commitment to pay staff at the London Living Wage before being integrated into LGPS pay scales. The cost of bringing the service in-house and the associated costs for vehicles, machinery and material is projected to be under recovered by £0.1m. The proposed increase of £0.29 per week in 2022/23 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.

7.11 The concierge service charge is currently £10.68 per week on average. An increase of £0.44 is estimated to result in a break-even position for 2022/23.This service will be re-procured in 2022/23 to ensure that the best value for money is being achieved.

7.12 The helpline monitoring service charge is currently £1.67 per week on average. An increase of £0.07 per week is estimated to result in a break-even position for 2022/23.

7.13 Unmetered communal lighting, heating and hot water charges are adjusted annually in line with the forecasted energy supplier inflations for 2022/23, reflecting increased global wholesale price of energy. The bulk energy contract is due for renewal during 2022/23.

Service	No. of Properties	Current Average Charge 2021-22	Estimated Average Charge 2022-23	Recommended Increase / (Decrease)
		(£/Week)	(£/Week)	%
Estate Caretaking	4,394	7.19	7.48	4.10%
Concierge	471	10.68	11.12	4.10%
Helpline Monitoring	50	1.67	1.74	4.10%
Communal Lighting	5,194	1.59	1.88	18.10%
Communal Heating	388	9.08	11.87	30.70%
Communal Hot Water	19	2.59	3.39	30.70%

<u>District Heat Network</u>

7.14 Unity Place in South Kilburn hosts the energy centre for the local district heat network for metered billing. It currently supplies heat and hot water to 235 properties and tenants are billed based on actual usage. The district energy contract is on a two-year fixed rate. It is separate to the bulk housing energy contract and is due for renewal in 2022/23. The current tariff is £0.03 p/kWh and a standing charge is £0.38 per day. Based on current energy market prices, the 2022/23 tariff is estimated to be £0.04p/kWh with a standing charge of £0.44 per day, in order to recover costs.

Service	No. of Properties	Current Charge per kWh 2021-22	Estimated Charge per kWh 2022-23	Recommended Increase / (Decrease)
		(£p/kWh)	(£p/kWh)	%
Heating Tariff	235	0.03	0.04	55%
Standing Charge	235	0.38	0.44	16%

Brent Supported Living

7.15 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 previous 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.

7.16 The table below compares the current gross rent levels (including service charges) for these homes against the proposed increase of CPI+1 (4.1%) for 2022/23. This equates to an increase of £12.23 per week when compared to the current financial year.

Current Gross Rent 2021/22	Proposed Gross Rent 2022/23 (4.1%)	Proposed v Current Rent
(£/Week)	(£/Week)	(£/Week)
298.25	310.48	12.23

Garage Rent for 2022/23

7.17 HRA currently has 277 occupied garages with an estimated annual income of £0.2m for 2021/22, consistent with previous year. Cabinet approved a standard rate of pricing during last year budget setting, along with a three-year phased increase for existing occupancies (2022/23 will be year 2).

7.18 The table below shows the current standard rate and the proposed uplift of CPI +1 (4.1%) for all re-lets.

Garage Charge (Net)	Current Standard Rate 2021/22	Proposed Standard Rate 2022/23 (4.1%)
	(£/Week)	(£/Week)
LBB Tenants & Leaseholder	15.00	15.62
LBB Resident	20.00	20.82
Non - Resident	25.00	26.03

HRA Forecast Outturn 2021/22

7.19 The overall forecast for the HRA is a break-even position for 2021/22. This is a net result of a £0.2m overspend being mitigated by a £0.2m underspend. The individual variances consist of:

- £0.2m additional costs over budget related to disrepair claims and placing tenants in emergency accommodation
- £0.2m in-year underspend on staffing costs due to vacancies

7.20 Since the early 2000s, a large number of councils in London, including Brent, entered into agreements with water companies to collect payments from their social housing tenants towards the water and sewerage charges. The councils were operating under the assumption that they were entitled to a discount from the water providers when they bought the water rates, on the basis that they were acting as their agent in collecting the water rates. The discount was to cover for bad debts, void loss and commission. However, following court rulings involving Southwark and Kingston-Upon-Thames, it was ruled that the Councils were providing these water collection services as a 'water reseller', and not as an 'agent' of the water companies, as initially assumed. This means that the councils were only allowed to levy a small administration charge on top of the amount charged by the water undertaker, and therefore, councils were deemed to have overcharged their tenants for water and sewerage.

7.21 Brent had similar agreements with regional water companies, where the discounts received were re-invested in the HRA towards providing a landlord service such as repairs. Following Cabinet decision to refund Brent Council tenants, refunds were applied in December 2021 to tenant rent accounts totalling £7.1m, this is funded through reductions in revenue contributions towards capital works.

7.23 Refunds are applied to each tenants rent accounts to offset against any unpaid rents. Tenant rent accounts that result in overpayments after the refund is applied will have the option to claim the overpaid balance into their bank accounts, or leave the balance in their rent account to pay weekly rent due.

7.24 Letters from the Post Office are being issued to all current tenants who have an overpayment on their account. Tenants can take this letter with its unique barcode, to any Post Office within three months of the date on letter, to receive payment into personal bank account. Former tenants have a two-year period to contact Brent Housing Management and claim any refunds for overpayments.

HRA Budget 2022/23

7.25 The proposed budget for 2022/23 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 4.1% (CPI+1) on current stock	(2.0)
Service charge uplifts to reflect cost incurred	(0.1)
Reduction in service charges for major works in line with profiled works completed	0.5
Growth	
Pay and operational cost inflation	0.4
Repairs contract inflation	0.5
Cyclical maintenance of fire safety monitoring devices	0.3
Disrepair and associated temporary accommodation	0.2
Increased major voids	0.1
Increased volume of waste removal through in-house caretakers	0.2
Communal utility supplier inflation	0.2
Leaseholders insurance contract inflation	0.1
Council tax uplift on voids	0.1
Savings Target	
Efficiency savings across housing management	(0.2)
Efficiency savings across repairs and maintenance	(0.3)
Total Net Movement	**0.0**

7.26 The proposed 2022/23 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 2021/22 v Draft Budgets for 2022/23

HRA Budget 2020/21 v Draft Budgets 2021/22	**(1) Final Budgets 2021/22**	**(2) Draft Budgets 2022/23**	**(2-1) Variance**	**Variance Explanation (2-1)**
Description	**£'000**	**£'000**	**£'000**	
Rents and Service Charge	(50.8)	(52.8)	(2.0)	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)	(2.7)	(0.1)	Uplift to reflect increased cost of rechargeable services
Major Works and Other Contribution Towards Expenditure	(2.0)	(1.5)	0.5	Service charge reduction based on profiled major works completion
Total Income	**(55.9)**	**(57.5)**	**(1.6)**	
Repairs and Maintenance	12.6	13.6	1.0	repairs contract uplifts, provision for cyclical maintenance, disrepairs and voids offset by efficiency savings target
Supervision and Management	12.0	12.2	0.2	operational cost inflations offset by efficiency savings target
Special Services	4.7	4.9	0.2	communal utility supplier inflation
Rent and Rates and Others Charges	1.2	1.4	0.2	Council tax and insurance contract inflation
Depreciation of Fixed Assets	15.5	15.5	0.0	
Bad or Doubtful Debts	0.7	0.7	0.0	
Capital Financing and Debt Management	9.2	9.2	0.0	
Total Expenditure	**55.9**	**57.5**	**1.6**	
(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 2022/23 and 2023/24

7.27 Planned works include refurbishments such as new roofs, windows, lifts, kitchens, bathrooms, heating systems and planned fire safety works.

7.28 The Asset Management Strategy (AMS) and budget availability are required to be closely aligned. Planned improvement works on existing homes in 2022/23 consists of a baseline budget of £15m. The baseline budget includes £0.4m earmarked towards various estate improvement schemes identified in consultation with residents, such as improving security on estates.

7.29 To ensure the efficient delivery of the multi-year capital programme, it is considered prudent to allocate an indicative 2023/24 major works capital budget, which is estimated to be £15m, in line with projected affordability in the HRA business plan. In total, this results in a £30m investment in existing Council homes over the next two years.

7.30 The updated Asset Management Strategy report to Council will be setting out options for further level of capital investment identified for high rise blocks and kitchen and bathroom refurbishments, with a view to achieve long-term revenue savings as result. Budget implications will be updated once five-year programme is approved.

New Council Homes Programme 2022/23

7.31 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. Brent has committed to an ambitious strategic housing target to deliver 5,000 new affordable homes over the five-year period between 2019 - 2024. The 5,000 new affordable homes includes the provision of 1,000 to be delivered directly by the Council by the 31st March 2024. As of November 2021, 563 homes have already been delivered, with more in pipeline. The forecast capital investment on acquisitions and building new council homes in 2021/22 is £47.9m, with a capital budget in 2022/23 set at £32.1m.

<u>Housing General Fund</u>

Hillside Rent Setting

7.32 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.

7.33 The table below sets out the rent levels for 2021/22, with an average increase of £5.18 per week for 2022/23.

	Weekly Rent 2021/22 (£)	**Weekly Rent 2022/23 (£)**	**Increase (£)**	**Increase (%)**
1 Bed Flat	103.56	£107.81	£4.25	4.1%
2 Bed Flat	122.60	£127.63	£5.03	4.1%
1 S/croft Elders	103.56	£107.81	£4.25	4.1%
2 S/croft Elders	122.60	£127.63	£5.03	4.1%
2 Bed House	133.16	£138.62	£5.46	4.1%
3 Bed House	145.94	£151.92	£5.98	4.1%
4+ Bed House	153.63	£159.93	£6.30	4.1%

7.34 Hillside are also responsible for setting service charges across the stock, including those retained by the council. The average service charge per week for 2022/23 is set at £7.09 per week, an increase of £0.28 from the 2021/22 average, based on an uplift of 4.1% (CPI + 1%).

Housing Private Finance Initiative (PFI)

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

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

Travellers' Site Pitch Rent

7.37 The current weekly pitch rent is £150.26. It is proposed to increase this by CPI + 1% (4.1%) to £156.42 for 2022/23. Travellers' site pitch rent 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 16 December 2021, and the proposed budget, as described below, will be presented to the Schools Forum for endorsement on 20 January 2022. The main Schools Block funding which supports mainstream schools has been confirmed at £249.7m. This represents a comparable increase to 2021/22 of £2.0m (0.8%). The overall increase of 0.8% represents Brent's share of a national minimum increase of 2% in per pupil funding, with an increase in the number of secondary phase pupils. The number of primary phase pupils funded in the formula has reduced by 2% compared to last year, and the overall mainstream pupil numbers in Brent reduced from 41,641 to 41,249.

8.2 Following consultation with Schools and Schools Forum endorsement, the Free Schools Meals (FSM) funding factor was introduced to the local funding formula with a 10% adjustment to last year's local formula rates, in order to commence a gradual move towards the National Funding Formula which is set to become compulsory from 2023/24. The Age-Weighted Pupil Unit (AWPU) element has been applied at last year's rates and the Minimum Funding Guarantee (MFG) has been applied to mitigate against any losses schools may face as a result of these changes.

8.3 All schools will receive a minimum 1.5% 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 pupils with Special Educational Needs or Disability (SEND). This was recommended as a measure to continue to address the increasing demand for SEND provision.

8.4 Following the 2021 Spending Review, the government has announced that it will provide a Schools Supplementary Grant of £1.2bn, in addition to the Schools Block DSG for mainstream schools. The grant will be provided to fund the 1.25% Health and Social Care Levy (increased National Insurance Contributions) effective from 2022/23 and wider cost pressures as defined by the Department for Education. Maintained nursery schools funded from the Early Years Block of the DSG will also receive an element of this grant. Brent is estimated to receive £6.9m of this grant and school-level allocations will be published in Spring 2022.

8.5 The allocation for the High Needs Block has been announced at £71.9m. This is £5.5m more than received in 2021/22 and represents an 8.3% increase compared to a 12% increase nationally. The government has also announced an additional £325m in 2022/23 for Special schools and other providers funded from the High Needs Block, through a top up to the High Needs Block of the DSG. Brent is estimated to receive an additional £2.9m of this grant.

8.6 Like most authorities Brent is facing substantial pressures on the High Needs Block and is currently in deficit of £10.5m carried forward from 2020/21. Coupled with an in year forecast pressure of £5.4m, this deficit at the end of

2021/22 is forecast to be £15.9m. The £5.5m additional funding and the £2.9m top up funding, together with the proposed £1.2m Schools Block transfer will be allocated against these pressures across the High Needs Block budget for 2022/23, in consultation with the Schools Forum High Needs sub group. The increase in allocation is not sufficient to fund increasing demand as well as 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.

8.7 The Early Years Block funding was announced at £22.0m, a decrease of £1.4m (6.1%) compared to 2021/22. Although there are marginal increases to the hourly funding rate allocations for 2 year olds and 3 and 4 year olds, the overall decrease is as a result of the drop in the number of children requiring early years provision, following the repeated lockdowns from March 2020, as a result of the Covid-19 pandemic.

8.8 The Central Schools Services Block funding is allocated to local authorities to carry out central functions on behalf of pupils in maintained schools and academies. The Central Block funding is split into two elements: funding for ongoing responsibilities and funding for historic pension costs for centrally employed teachers. The Central School Services Block income was confirmed at £2.1m, a decrease across both elements of £155k compared to 2021/22. This brings the total 2022/23 core DSG allocation for Brent to £345.7m.

9.0 Pay Policy Statement 2022/23

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 2021/22 and so there are no proposed changes to the statement related to the guidance. The Draft Pay Policy Statement, attached as Appendix P, 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 withdrawal of the statutory cap on payments made by the Council to staff exiting the Council by the Restriction of Public Sector Exit Payments Regulations 2020.

10.0 Capital Programme Budget 2022/23 – 2026/27

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 financial planning (MTFP) period and beyond.

10.3 The Capital and Investment Strategies (Appendix G & H) provide further details on the overall capital strategy, which sets out how capital investment supports the delivery of the Council's objectives. It sets out the main objectives for the Council over the Medium Term Financial Plan (MTFP) period 2022/23 – 2026/27.

10.4 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.

10.5 The Capital Programme schemes which are funded using a combination of external grants and borrowing will only be undertaken once the external funding is secure; amounts of council borrowing shown are indicative. Appendix E shows the Council will require c£410m of borrowing over the 5 year period to fund the Capital Programme of which the interest costs will be charged to the revenue capital financing budget.

10.6 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 £15m which includes contributions to CCG towards the fit out cost of 3 medical centres, funding for the College of North West London for a new facility in Wembley and the new Morland Gardens educational facility.

10.7 The Council has embarked on an extensive Capital Programme to invest c£709m over 5 years, 2022/23 to 2026/27. 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 2021 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 £420m for 22 projects. The pipeline provision has not been included in the Capital Programme set out in Table 1 and Appendix E but are shown as a separate summary in Appendix F.

10.8 A summary of Capital Programme arranged according to portfolio for the 5 year period 2022/23 to 2026/27 is set out in Table 1. The detailed Capital Programme and financing is set out in Appendix E.

10.9 The 2021/22 current revised budget is £220m. The revised budget is subject to change as new schemes are approved prior to Council in February 2022. Any budget changes post the Quarter 3 monitoring report will be updated in 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 from the lockdown and social distancing measures implemented. Council officers have undertaken and will continue to undertake risk assessment regularly to evaluate and report the impact on our capital programme delivery, and take appropriate mitigating actions to reduce any long term impact.

Table 1 – Summary Capital Programme

Portfolio	BOARD (PROGRAMME)	2021/22 (Revised Budget) £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m	TOTAL 2022/23 to 2026/27 £m
Resources: Cllr Margaret McLennan	Corporate Landlord	18.985	5.912	53.333	22.600	-	-	**81.845**
Regeneration, Property & Planning: Cllr Shama Tatler	South Kilburn	15.288	22.476	10.445	9.892	2.780	11.522	**236.250**
	Regeneration	11.758	48.399	66.996	63.740	-	-	
St Raphael's: Cllr Shama Tatler	St Raphael's	2.570	2.205	-	-	-	-	**16.870**
Regeneration, Property & Planning: Cllr Shama Tatler	Public Realm	23.144	6.875	5.645	2.145	-	-	
Public Health, Culture & Leisure: Cllr Neil Nerva	Public Realm	0.472	-	-	-	-	-	**17.120**
Environment: Cllr Krupa Sheth	Public Realm	1.641	5.064	3.056	3.000	6.000	-	
Schools, Employment & Skills: Cllr Tom Stephens	Schools	10.755	10.524	24.100	14.000	-	-	**48.624**
Housing & Welfare Reform: Cllr Eleanor Southwood	Housing GF	35.295	71.410	19.597	55.172	4.548	-	**290.205**
	HRA	58.521	47.067	35.000	19.064	-	-	
	i4B – Phase 1 & 2	24.395	19.750	18.597	-	-	-	
Adult Social Care: Cllr Harbi Farah	NAIL	16.817	13.147	4.725	0.300	-	-	**18.172**
	Total	**219.639**	**252.828**	**241.494**	**189.913**	**13.328**	**11.522**	**709.086**

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 Table 1 above currently excludes slippage from the 2021/22 Capital Programme. Estimated slippage and re-profiled projects are detailed in the quarter 3 capital monitoring report to Cabinet in January 2022. The potential slippage from 2022/23 will be reviewed at the end of the financial year and reported to Cabinet in July 2022.

10.13 There are a number of key projects supported in the 2022/23 – 2026/27 Capital Programme, including:

Corporate Landlord

Oracle Cloud - Phase 2

10.14 The next phase of the Oracle project approved in September 2021 allows for a further £2.5m of expenditure to deliver the Finance Transformation, Oracle Service Management and Human Capital Management services possible within the Oracle Cloud system.

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. With over 512 homes currently on site and a further c626 homes going to planning this year.

10.17 The planned expenditure from 2022/23 over 5 years is £48.9m 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

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.

10.19 Harlesden Gateway High Streets Heritage Action Zone

In August 2020, Cabinet approved the investment for this 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.

10.20 Wembley Housing Zones **(NEW)**

In August 2021, Cabinet approved the investment of a total of £133m, being £3.3m from Greater London Authority funding, £86.6m from capital receipts and the remained from prudential borrowing. This scheme allows for council-led mixed use regeneration of the eastern end of Wembley High Road within the Wembley Housing Zone.

Public Realm

10.21 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.

Highways and Infrastructure **(NEW)**

10.22 The Highways Capital Scheme Programme includes an investment of £4.5m to maintain carriageways and structures.

Integrated Street Cleansing & Waste Contract Fleet **(NEW)**

10.23 In August 2021 Cabinet provisionally approved £15m to finance both the fleet required to deliver the Integrated Street Cleansing & Waste Contract and the fleet required to deliver grounds maintenance.

10.24 The Council receives a fixed block of capital funding annually from TfL. £2.1m 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 2022/23 and for future years. A provisional sum of £6.4m (£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. Tfl's financial situation could also reduce future funding.

Parks Improvement Programme **(NEW)**

10.25 The Parks Service has been awarded £1.43m to invest and improve various areas of aging infrastructure across the borough's parks; including pathways and playgrounds. They are also seeking to install a number of new welcome notice boards with improved maps of each location, wildflower meadow information boards and to make infrastructure improvements to allotments with new fencing, pathways and new sustainable toilets.

Schools

Special Educational Needs and Disabilities (SEND) Schools **(NEW)**

10.26 A £44.2m investment has been approved in order to provide 427 additional school places for the growing number of children in the borough with SEND. The Council has statutory responsibilities in relation to children and young people with special educational needs and disabilities (SEND), that require the Council to ensure that there is suitable provision to meet their needs.

10.27 The Programme is proposed to meet this demand via a number of work-streams, including construction of a new build SEND School, Additionally Resourced Provision (ARP), expansion of existing SEND schools and capital improvement projects.

Schools Capital Improvement

10.28 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.

10.29 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.

10.30 The approved 2018 – 2023 AMP Programme includes over 100 school condition improvement projects across the 39 schools and a sum of £1.7m remaining in 2022/23.

Housing Programme (NEW)

10.31 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.

10.32 The Council received a further allocation of £111m from the Greater London Authority's Affordable Homes Programme 2021-26 following the bidding process with the objective of delivering a further 701 homes in addition to the existing programme by 2028.

General Fund Housing

10.33 Continued investment of £124m in mixed development and sites' feasibility and will deliver 586 homes for General Fund. Where GLA grant is utilised the properties will transfer to HRA upon completion of the scheme. An investment of £109m is planned in NAIL (Adult Supported Living) over 4 years to deliver 129 homes and investment of £20m for strategic priorities.

i4B Holdings

10.34 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 purchases programme.

10.35 Current plans include provision of 60 street properties annually to increase the Council's temporary accommodation provision and identification of new build opportunities. The programme includes expenditure of c£43m during 2022/23 and 2023/24.

New Council Homes Programme (HRA)

10.36 Continued investment of £75.4m in the New Council Homes Programme is planned including sites feasibility over the next 4 years.

RTB Affordable Housing

10.37 The Council retains capital receipts from Right-to-Buy (RTB) sales after deducting debt repayment and other costs. The Council has 3 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.

10.38 The Council is required to spend £14.4m within 3 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 3 years (2021/22 to 2023/24) for affordable housing provision in the borough and property acquisition.

Acquisition of Affordable Homes in Alperton

10.39 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.

Major Repairs & Maintenance of council stock

10.40 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.

10.41 The Council continues to invest in repairs, maintenance and improvement works in order to maximise the life of the assets. The HRA Capital Programme shows planned expenditure of £15m for 2022/23.

Statutory Capital & Treasury Reports

10.42 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.

10.43 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.

10.44 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.

11.0 Financial Implications

11.1 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.

11.2 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 2022/23 budget.

11.3 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.

11.4 In addition to the risk of delivery of the savings programme, there remains considerable uncertainty on the future of Local Government funding from 2023/24. 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.

11.5 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 2022/23.

11.6 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.

12.0 Legal Implications

12.1 These are set out in Appendix O.

13.0 Equality Implications

13.1 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.

14.0 Consultation with Ward Members and Stakeholders

14.1 Section six of this report provides more details of the statutory consultation process with regards to setting the 2022/23 budget.

15.0 Human Resources

15.1 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 as a result of the voluntary redundancy scheme that took place in 2021.

15.2 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.

Report sign off:

Minesh Patel
Director of Finance