

	Cabinet 6th February 2023
	Report from the Corporate Director of Finance and Resources
Budget and Council Tax 2023/24	

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	21 – See list attached
Background Papers:	None
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1.0 Purpose of the Report

- 1.1 The purpose of this report is to set out the Council's budget proposals for 2023/24. It also sets out the results of the consultation, scrutiny and equalities processes. Subject to discussion at the Cabinet meeting these will form the basis of the budget to be agreed at the Full Council meeting of 23 February 2023. 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 Reports on the budget position have been brought to Cabinet throughout the year, most recently in July and November 2022. There is a high level of uncertainty due to high levels of inflation, economic turmoil resulting from war

in Ukraine, the Government's short-term funding settlements, delays in funding reforms, the effects of the cost of living crisis on residents and businesses in the borough and the impact of Brexit. Due to these issues, it was estimated in November 2022 that £28m of savings would be required in 2023/24 and 2024/25, profiled £18m in 2023/24 and £10m in 2024/25.

- 1.3 Brent has delivered total cumulative savings of £196m 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 estimated savings requirement was calculated to ensure that the Council can set a balanced budget in 2023/24 and 2024/25.
- 1.4 However, the provisional local government finance settlement unexpectedly increased core spending power for Brent by 11.2%, including an increase to the 'referendum limit' for Council Tax to 4.99% (where 2% is ring fenced for Adult Social Care). Like last year, the Government's financing assumption is that all Councils would act on this. The decision on Council Tax will be taken by Full Council, but the budget has been constructed on the basis of a 4.99% 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 Brent Connects and other meetings held by the date of despatch of this report. Further details regarding decisions on Council Tax, including support for residents that are financially vulnerable, are set out in section five of this report.
- 1.5 The Mayor of London has announced plans for an increase in his precept of 9.7% (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 6.0%. This equates to £1,924.45 at Band D, or the equivalent of £37.01 per week, and the overall increase equates to £2.10 per week.
- 1.6 The additional resources provided in the provisional local government finance settlement have resulted in a reduction in the savings requirement for 2023/24 and 2024/25 to £21.0m, profiled £13.5m in 2023/24 and £7.5m in 2024/25. This enables the deferral of £4.5m of the savings previously identified for 2023/24 to be deferred to 2024/25. Based on current estimates, this leaves a budget gap of £3m in 2024/25. However, this settlement also deferred many of the spending cuts that the Chancellor of the Exchequer had set out as necessary in his Autumn Statement to return the nation's finances to a sustainable position over the medium term. Therefore, it remains likely that further savings will be required from 2025/26 onwards and this will be kept under review and reported to Cabinet throughout 2023/24. Further details on the changes to the budget development process since the draft budget are set out in sections four and five of this report.
- 1.7 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 and Brexit on residents and businesses in the borough, the war in Ukraine and global inflationary pressures. 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.

1.8 Agreeing the proposals in this report will enable the Council to set a balanced budget in 2023/24 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 being of fundamental importance to Brent and its people:

- Prosperity, Pride and Belonging
- A Cleaner, Greener Future
- Respect and Renewal in Brent
- The Best Start In Life
- A Healthier Brent

1.9 The Council received over 900 responses to the Consultation on the draft Borough Plan. Broadly, people found that the key issues for the borough were reflected within the draft priorities. 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 updating of and adjustments to various technical assumptions the key features of this budget are:

- A Council Tax rise of 4.99% for the Brent element, making a Band D Council Tax of £1,490.31. Additionally, the Council will levy a Council Tax precept currently expected to be £434.14 at Band D on behalf of the GLA. Therefore, the total Council Tax at Band D is expected to be £1,924.45, which is an overall increase of 6.0%.
- New budget savings proposals with an aggregate value of £18m, with £4.5m deferred to 2024/25, 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;
- Summary of the processes taken to develop the budget;
- Update on the 2022/23 revenue budget and review of the key budget assumptions;
- 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);
- The capital programme is set out, along with the associated capital strategy, investment strategy and treasury management strategy; and

Recommendation(s)

Cabinet

- 2.1 Agree to recommend to Full Council an overall 4.99% increase in the Council's element of Council Tax for 2023/24, with 2% as a precept for Adult Social Care and a 2.99% general increase.
- 2.2 Agree to recommend to Full Council the General Fund revenue budget for 2023/24, as summarised in Appendices A and B.
- 2.3 Agree to recommend to Full Council the savings proposals for 2023/24 and deferral of savings to 2024/25 as set out in Appendix C (i).
- 2.4 Note the report from the Budget Scrutiny Task Group in Appendix D.
- 2.5 Agree to recommend to Full Council the HRA budget for 2023/24 and business plan, as set out in section seven and appendix Q of this report.
- 2.6 Agree the HRA rents for council dwellings, tenant service charges and garages, as set out in section seven of this report.
- 2.7 Agree the rents set under the Housing General Fund for Brent Housing PFI and traveller's site pitches and to note the rents for Hillside dwellings as set out in section seven of this report.
- 2.8 Note the Dedicated Schools Grant, as set out in section eight of this report.
- 2.9 Agree to recommend to Full Council 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.
- 2.10 Agree to recommend to Full Council the Capital Strategy, the Investment Strategy, the Treasury Management Strategy and the Minimum Revenue Provision Statement as set out in Appendices G, H, I and J.
- 2.11 Agree to recommend to Full Council the Reserves Strategy and schedule of reserves, as set out in Appendix K.
- 2.12 Agree the action plan to implement CIPFA's Financial Management Code and conduct a Financial Resilience Assessment, as set out in Appendix L.

- 2.13 Agree, and where relevant agree to recommend to Full Council, the schedule of fees and charges for 2023/24, as set out in Appendix M.
- 2.14 Note the results of the budget consultation, as set out in section six and detailed in Appendix N.
- 2.15 Note the advice of the Corporate Director of Governance, as set out in Appendix O.
- 2.16 Note the decision of the Corporate Director of Finance and Resources to continue as part of the Eight Authority Business Rates pool in 2023/24 as set out in Section five of this report.

Full Council

- 2.17 Agree an overall 4.99% increase in the Council's element of Council Tax for 2023/24, with 2% as a precept for Adult Social Care and a 2.99% general increase.
- 2.18 Agree the General Fund revenue budget for 2023/24, as summarised in Appendices A and B.
- 2.19 Agree the savings proposals for 2023/24 and deferral of savings to 2024/25, as set out in Appendix C (i).
- 2.20 Note the report from the Budget Scrutiny Task Group in Appendix D.
- 2.21 Agree the HRA budget and business plan in the overall Council budget for 2023/24 as set out in section seven and appendix Q of this report.
- 2.22 Agree the Dedicated Schools Grant, as set out in section eight of this report.
- 2.23 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.
- 2.24 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.
- 2.25 Agree the Reserves Strategy and schedule of reserves, as set out in Appendix K.
- 2.26 Note the action plan to implement CIPFA's Financial Management Code and conduct a Financial Resilience Assessment, as set out in Appendix L.
- 2.27 Agree the schedule of fees and charges, as set out in Appendix M.
- 2.28 Note the results of the budget consultation, as set out in section six and detailed in Appendix N.

- 2.29 Note the advice of the Corporate Director of Governance, as set out in Appendix O.
- 2.30 Agree the Pay Policy Statement for 2023/24, as set out in Appendix P.

Council Tax recommendations

The GLA will agree its final budget and Council Tax precept at a meeting on the same day as the Full Council meeting of 23 February 2023. The statutory calculation of the total amount of Council Tax under Section 30(2) of the Local Government Finance Act 1992 cannot be carried out until the final GLA precept has been received.

- 2.31 In relation to the Council Tax for 2023/24 we resolve:

That the following amounts be now calculated as the Council's element by the Council for the year 2023/24 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended:

- (a) £1,061,792,345 being the aggregate of the amount that the Council estimates for the items set out in Section 31A(2) of the Act.
- (b) £910,992,347 being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(3) of the Act.
- (c) £150,799,998 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) £1,490.31 being the amount at (c) above, divided by the amount for the tax base of 101,187, agreed by the General Purposes Committee on the 12 December 2022, 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
£	£	£	£	£	£	£	£
993.54	1,159.13	1,324.72	1,490.31	1,821.49	2,152.67	2,483.85	2,980.62

being the amounts given by multiplying the amount at (d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to

be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- 2.32 That it be noted that for the year 2023/24 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:

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
289.43	337.66	385.90	434.14	530.62	627.09	723.57	868.28

- 2.33 That, if notification of the GLA precept has been received at the time of the Full Council meeting of 23 February 2023, having calculated the aggregate in each case of the amounts at paragraph 2.31(e) and 2.32, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2023/24 for each of the categories of dwellings shown below:

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
1,282.97	1,496.79	1,710.62	1,924.45	2,352.11	2,779.76	3,207.42	3,848.90

- 2.34 That, if notification of the GLA precept has not been received at the time of the Full Council meeting of 23 February 2023, the Council will refer to the Council Tax setting committee, the setting of the Council Tax for the year 2023/24, in accordance with section 67(3) of the Local Government Finance Act 1992.
- 2.35 That, if required, the special Council Tax setting committee meet on 24 February 2023 to allow Council Tax notices to be issued in line with the normal statutory timetable.
- 2.36 That it be noted that the Corporate Director of Finance and Resources has determined that the Council element of the basic amount of Council Tax for 2023/24 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992.

- (a) That the Corporate Director of Finance and Resources 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 Corporate Director of Finance and Resources 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 Corporate Director of Finance and Resources 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 July 2022 Cabinet received a report on the Medium Term Financial Outlook. That report highlighted considerable uncertainty in the economy caused by exceptional factors such as the enduring impact of COVID-19, high levels of inflation, particularly for fuel and energy, labour shortages and rising interest rates and the global impact of war in Ukraine. These macro-economic factors together with local changes to demographics and demand-led pressures combine to create substantial need for growth in the Council's budget. At that time, levels of government funding were uncertain with speculation that nationally funding for local government was unlikely to keep pace with inflationary pressures and locally the effect of the government's "Levelling Up" agenda may be to move funding from London to the rest of the country.
- 3.2 In November 2022, the draft 2023/24 budget was presented, which highlighted that the budget gap between 2023/24 and 2024/25 was estimated at £28m and that due to high level of uncertainty over the economic environment and local government funding the budget setting process was to be restricted to a single year, rather than the two year programme that was previously customary practice. £18m of new savings proposals were presented, which if approved would enable the Council to set a balanced budget for 2023/24.
- 3.3 These savings are in addition to the £196m removed from the Council's budget since 2010 as a result of significant reductions in government funding and the challenges posed by new legislation, at a time when demand for key services is rising and COVID-19 continues to have an impact on the Council's finances and services.
- 3.4 Brent continues to experience levels of unemployment and poverty higher than the rest of London – a trend which has been exacerbated by the COVID-19 pandemic. 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, by June 2022 this had risen to 8.2% - significantly higher than the London average of 5.3%. 36% of people in Brent live in poverty – the second highest level in London – and 30% of residents are estimated to be earning

below the Living Wage. Brent therefore has a large number of vulnerable people who are already financially challenged and who face further deprivations as a result of the cost of living crisis.

- 3.5 The cost of living crisis will have a significant impact on the residents of Brent. The Council is committed to doing what it can to assist those in greatest need, in particular providing support via the Resident Support Fund and the local Council Tax Support scheme. Further details are provided at the end of this section of the report.
- 3.6 Service demand continues to rise due to demographic changes which affect all age groups, with particular pressures on adults' and children's social care and the homelessness budget.
- 3.7 In part as a result of the war in Ukraine causing a spike in energy prices, inflation is running at high levels not seen since the 1980s. Besides rising energy costs, other goods are also experiencing increases in prices, due to factors such as labour shortages, pay rises, logistics issues and a general trend to restore profit margins where previously slumps in demand had suppressed price levels. In September 2022 CPI stood at 10.1% against a Bank of England target of 2%. RPI, which is often used as the basis for indexation in contracts, was at 12.6%.
- 3.8 In December 2022, CPI stood at 10.5%, down from a peak of 11.1% in October 2022. The Bank of England expects inflation to fall sharply from the middle of 2023 as the price of energy will not continue to rise as quickly and due to a fall in demand for goods and services. However, it currently remains significantly above the Bank of England's inflation target of 2% and is likely to remain high throughout much of 2023.
- 3.8 Having remained at 1% or less since February 2009, interest rates began rising in June 2022. Initially this was in response to rising inflation with the Bank of England using rises in borrowing costs as a means to stifle demand in the economy. More recently, the run on the pound and the potential collapse of some private sector pension schemes have prompted significant increases in the costs of government borrowing with gilt yields reaching their highest level since 2008. For the Council, this translates into higher costs of borrowing which in turn is having an adverse impact on the capital programme.
- 3.9 Over the course of 2022 the country has had three Prime Ministers and four Chancellors of the Exchequer. The political uncertainty and indecision caused by these changes has been exacerbated by policy decisions such as the September mini-budget which found so little favour with the financial markets that it led to a run on the pound, substantial hikes in gilt prices and the intervention of the bank of England to prevent the collapse of the pensions market. As 2022 drew to a close, some much needed calm was restored to the political situation. For local government the Autumn Statement provided much needed additional cash for social care, though not as much as the LGA amongst others had identified as needed. It also deferred the implementation of the cap on care costs, meaning that the timing of the implementation of the proposed care reforms is now unclear.

Local Government Finance Settlement

- 3.10 On 19 December 2022, Michael Gove issued the provisional 2023/24 Local Government Finance settlement.
- 3.11 Whilst the 2022 Autumn Statement covered three years, the provisional Local Government Finance Settlement is for one year only, the fifth one-year settlement in a row. Clearly, this is not helpful for medium term financial planning. The Autumn Statement is backloaded, with substantial cuts in public sector funding which are required to balance the books scheduled for 2025/26 (i.e., after the next general election). It is therefore important to realise that whilst the funding for 2023/24 and the indicative figures for 2024/25 are better than anticipated, in the medium term it would appear that very substantial cuts in government funding could be on the horizon. It is therefore prudent to plan for this now and take action that will put the Council in as strong a position as possible to deal with future funding reductions.
- 3.12 In summary, the provisional settlement confirms the additional care funding announced in the Autumn Statement. This was announced too late for inclusion in the Draft Budget presented to Cabinet on 14 November 2022. Whilst the settlement provided additional funding that was not forecast in the MTFS, additional pressures have emerged since the MTFS was last reported to members. It is also worth noting that some of the additional funding is one-off (New Homes Bonus) and other elements are ringfenced to particular service areas (social Care). Taking these factors into account, the overall picture presented by the MTFS remains largely unchanged, although the additional funding will enable £4.5m of the savings identified for 2023/24 to be deferred into the following year.
- 3.13 Further details of the technical elements of the settlement and the impact on the 2023/24 budget are set out in section five of this report.
- 3.14 Overall, the headline announcement is that core spending power for Brent will increase by 11.2% in 2023/24. However, this assumes that the Council will increase Council Tax by the maximum amount allowable of 4.99% without triggering a referendum – a two percent increase in the previous limit (1% Council Tax and 1% Adult Social Care Precept). Some of the funding allocation formulae use measures of deprivation and Brent has the second highest level of deprivation in London. Therefore, Brent received a proportionately higher increase in core spending power. As RPI in September 2022 was 12.6%, it is arguable that an 11.2% increase in core spending power actually represents a real terms cut in funding.
- 3.15 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 as demand for children's social care services is still increasing. Uncertainty over the timing of the adult social care reforms adds a further financial risk. Therefore, Brent, like all Local Authorities, will need to make significant savings over the next few years to

deliver balanced budgets. The provisional settlement and Autumn Statement provide figures on additional social care grants for the next two years, but it is unclear what happens after that.

- 3.16 The government has decided to continue with the Services Grant, first introduced last year. The MTFS assumed that the 2022/23 Services Grant would be redirected away from London as part of the government's Levelling Up agenda and that Brent would therefore receive reduced funding. In fact, this has not happened, but the NIC clawback and the redirection of funding to supporting families grant have taken its place. The Settlement abolishes the Lower Tier Services grant and uses its resources to provide a minimum funding increase guarantee – no London Borough receives any funding from this grant. The reallocation of the Lower Tier Services Grant was not anticipated.
- 3.17 The Autumn Statement announced the deferment of the implementation of the cap on care charges part of adult social care funding reforms for two years. The Settlement reallocates the funding made available for the preparatory work to provide funding for additional care placements. There is speculation whether this will ever be implemented – the revised date is after the next general election. If implementation does recommence in 2025/26, there is a potential financial risk if these funds have been used to fund additional ongoing placements, when the funds revert to funding the introduction of the care cap. The settlement also includes a new Adult Social Care grant which is ringfenced to funding hospital discharges.
- 3.18 Whilst the increase in core spending power is greater than expected, some of the increase depends on Brent residents paying 4.99% more Council Tax in the midst of the cost of living crisis and a substantial part of it is targeted at additional social care expenditure. The additional funding available to support existing services is less than inflation and therefore amounts to a real terms cut.

Cost of living crisis

- 3.19 Since late 2021, the UK has experienced a rise in the cost of living for individuals and businesses. For many Brent residents, this means having to make difficult decisions on how they spend their income, which can have a negative impact on their standard of living.
- 3.20 The December 2022 attitudes survey by YouGov for the GLA found 50% of Londoners surveyed were going without basic needs, struggling to make ends meet or just about managing with their financial situation, with 32% buying less food and essentials to manage their living costs. Of those surveyed, the groups that were most likely to face these challenges included Black and Asian Londoners, social renters (from housing association or Council), and those whose daily activities were considerably limited by health problems or disabilities. These findings align with the Council's Resident's Attitudes Survey, conducted in 2021 to inform the Borough Plan, which at that time found almost a quarter of residents said their financial situation had got worse.

- 3.21 The Council has a number of initiatives aimed at supporting residents who may be struggling and enabling Brent and partner organisations to best respond to local needs. These include:

Financial support

- The **Brent Resident Support Fund (RSF)** has been in place since August 2020. In the period August 2020 to January 2023, RSF has supported 6,940 households with a total of £12.2 million. The support provided is for help with the cost of living. This can include, but is not limited to, household bills, arrears in rent, mortgage, Council Tax, food, fuel, digital equipment and emergency funds. Urgent assistance is provided when residents are at risk of losing their home and when an application to the RSF is unsuccessful, the applicant is referred to a credit union for help with an interest-free loan.
- Further support is provided through signposting to other internal (e.g. Brent Hubs) and external (e.g. Citizens Advice) services. The Council and key partners are also trialling a subsidiary of the RSF, a Crisis Response Fund, to provide rapid financial aid for residents facing emergencies. The trial began in December 2022.
- During 2022/23 Brent has also supported 94,000 households with a £150 rebate, funded from government grants, to help with the cost of energy bills.
- **Council Tax Support (CTS)**: 27,495 households are supported through CTS of which 18,923 are working age and 8,572 are pension age. Pension age residents are entitled to full Council Tax support depending on their income, savings and household composition. The total support given to households is around £32m per annum.
- A new training programme to upskill front-line staff began in January 2023. The programme aims to enable more effective and earlier interventions by Brent and partner staff and to increase capacity for money and debt support in the borough. A CoL Practitioners Network has also been developed and recently expanded to include external partners to share learning and improve access to existing support.
- In addition, a pilot programme to increase capacity for specialist debt advice is being developed, this will include more capacity to issue debt relief orders where appropriate. The pilot will look at the benefits of providing this advice to RSF applicants who are seeking support to deal with debt to help them to avoid going back into debt in future.

Food and energy support

- **Brent Hubs** work with residents who find it difficult to access the support they need through mainstream services. This includes issuing vouchers to residents in need of urgent food and fuel support, as well as making

referrals to food aid agencies and support schemes for utility costs. Since January 2021, over 8,115 residents have accessed Hub services. Over the same period, the Hubs provided food and fuel vouchers.

- The most common needs which residents present with at the Hubs are food and fuel support (25%), housing costs (18%), homelessness (11%), form filling – such as RSF applications - (16%), debt and money (7%), welfare benefits (7%), and other, for example, employment, general support, immigration etc.(16%).
- The Government's **Household Support Fund (HSF)** has been used to provide support to Brent households with the cost of food and fuel in the form of food and fuel vouchers, grants, and financial support to food aid organisations. The HSF is a follow-on fund from the previous COVID-19 Winter Support Fund and COVID-19 Local Support Funds, which had been in place since December 2020.
- The Council is testing the delivery of a new food aid and support model in partnership with Suфра NW London. The Community Shop and Kitchen will be trialled over a 6-month period at Bridge Park Leisure Centre, commencing in January 2023. The model will give members a host of benefits including weekly food shopping, hot meals, access to themed support workshops and other social and wellbeing activities.

4.0 Budget Development Process 2023/24

4.1 The budget development process for the Council to set its budget and council tax for 2023/24 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 14 November 2022;
- The publication of a detailed list of savings proposals at Cabinet in November 2022 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 virtual Brent Connects meetings;
- 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 or other direct representations; and
- Conducting individual equality impact assessments (Appendix C (ii)) on the budget proposals and a cumulative equality impact assessment (Appendix C (iii)) on the overall budget in order to ensure that the consequences of the budget proposals 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 and Review of Key Budget Assumptions

5.1 The provisional 2023/24 Local Government Finance Settlement (pLGFS) was announced on 19 December 2022 and provided details of the core funding allocations for local authorities in 2023/24. The pLGFS is another one-year settlement, which does not help medium term planning, but there is sufficient information to produce a high-level forecast of government funding in 2024/25. The settlement confirmed the funding announced in the Autumn Statement and the Local government finance policy statement 2023-24 to 2024-25. 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 RSG for 2023/24 is £28.97m an increase of 12.2% from the 2022/23 level. Some of this increase results from the government rolling into RSG a number of grants that were previously allocated separately. If these are stripped out, the increase is 10.1%, in line with the September CPI inflation figure.

5.3 On social care funding, as announced in the Autumn Statement 2022, the provisional settlement sets out the proposed amounts and allocation methodologies. For Brent, this includes £13.3m Improved Better Care Fund – fixed at its 2022/23 level and £22.34m Social Care Grant – an increase of £8.6m. The ASC precept has increased from 1% to 2% - this is intended to provide £2.8m of recurring funding for social care.

5.4 The Market Sustainability and Fair Cost of Care Fund (£0.91m in 2022/23) has been replaced by a new Adult Social Care Market Sustainability and improvement Fund. Brent's allocation is £3.14m – a £2.23m increase. This 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 The settlement introduces a new Adult Social Care Discharge Grant – Brent's allocation is £1.87m. This is intended to support the discharge of patients from hospital into social care. It is understood that this grant is ringfenced for use on interventions that best enable the discharge of patients from hospital to the most appropriate location for their ongoing care.
- 5.6 The government has decided to continue to allocate Services Grant, but has deducted from this the additional funding for the increase in employer's National Insurance Contribution for the social care levy, which is not going ahead. An amount has also been removed to provide additional resources for supporting families grant. Brent may receive some additional grant in this area, but it is unclear whether this will be more or less than the amount top sliced from the Services Grant. Brent's allocation is £3.43m - a reduction of £2.7m from the 2022/23 amount.
- 5.7 New Homes Bonus for 2023/24 is £7.91m – an increase of £4.8m. This is the highest amount in England. The large allocation results from a number of property completions, delayed due to the pandemic, taking place in 2022/23. This is one-off funding. The government has not indicated whether there will be a future allocation; instead, stating that this will be decided in the settlement for 2024/25. 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.
- 5.8 At the date of despatch of this report, allocations for the Public Health Grant had not been announced. While no allocations have been published, it is inferred from the Spending Review statement that the grants will rise by inflation. Last year's allocation was £22.9m.
- 5.9 The Council had been expecting a reduction in Homelessness Prevention Grant as the government undertook a consultation during 2022 on new allocation methodologies. Either of the two options proposed would have reduced Brent's allocation. In fact, the allocation for 2023/24 is £7.3m – an increase of £0.2m on the 2022/23 level. For 2024/25 the government has allocated Brent £7.6m – a further £0.3m increase.

Council Tax

- 5.10 The settlement confirmed that Local Authorities will be able to increase Council Tax by up to 2.99% without a local referendum. In addition, local authorities will be able to levy a 2% adult social care precept.
- 5.11 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 2023/24 and beyond. Taking into account the unprecedented pressures within social care and the financial position in the round, the recommendation of this report is that the budget should be constructed on the basis of a Council Tax increase of 4.99% in 2023/24.

- 5.12 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 £32m of support for around 28,000 households who are financially vulnerable. This support will be supplemented in 2023/24 from the Government's £100m Council Tax Support Fund, which will enable Brent to reduce bills for Council Tax Support claimants by up to a further £25. 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 and the cost of living crisis.
- 5.13 Since the draft budget was presented to Cabinet in November 2022, a review of collection rates was undertaken as part of the calculation of the Council Tax Base for 2023/24, agreed at General Purposes Committee on 12 December 2022. This review determined that the long term collection rate was still below the Medium Term Financial Strategy target rate of 97.5%, from which the target had been reduced in 2022/23, and that the cost of living crisis is likely to continue to have an impact on collection of Council Tax. The decision was therefore taken to keep the collection rate target at 97.0% for 2023/24. However, this reduction in assumed collection is offset by a higher than expected rate of growth in the tax base driven by ambitious targets for housebuilding in the borough, as set out in the Brent Local Plan. All other budget assumptions for Council Tax remain unchanged to those presented as part of the draft budget.
- 5.14 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. At the date of despatch of this report, the Mayor has proposed to increase the GLA precept by 9.7% to £434.14 per Band D property in the 32 London Boroughs. The increase includes a bespoke additional £20 requested by the Mayor of London, and approved by Central Government, to fund TfL services. This would mean that the overall Council Tax would increase by 6.0%.
- 5.15 These figures are subject to change following the consultation process and confirmation of London Boroughs' tax bases. The final GLA budget will be considered by the London Assembly on 23 February 2023. As the GLA's budget will be considered on the same day as the Council considers its budget and Council Tax, a Council Tax setting committee has been established to finalise the overall Council Tax setting process if the GLA precept is not received in time for the Full Council meeting.

Business Rates

- 5.16 In the Provisional Local Government Finance Settlement, the Baseline Funding Level was increased by 3.7% to £91.6m.
- 5.17 Each year the business rates multiplier should increase by CPI, which was 10.1% in September 2022. As in previous years, Central Government decided to freeze the multiplier to protect businesses from the impact of this inflation. In 2023/24 the Government will once again provide an additional grant to compensate for the income lost due to the under-indexation of the multiplier both in 2023/24 and for previous years. This takes the total funding received by Brent under the business rates retention system to £107.2m, a 10.1% increase on 2022/23.
- 5.18 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 2023/24 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. However, it should be noted that the benefits of the pooling arrangement will not be recognised in 2023/24 as the final calculation can only be made once the statutory NNDR3 returns for all eight authorities have been audited. Final settlement of the pooling benefits will therefore be received in 2024/25 at the earliest.
- 5.19 From 1 April 2023, liabilities for business rates will be based on the rateable value of the property at 1 April 2021. This revaluation is the first to take place since 2017 and will result in either an increase or decrease to the business rates bills for individual businesses relative to the change in the open market annual rental value of the property between 2015 and 2021. The sector with the largest increase in rateable value overall in Brent is the industrial sector, with smaller increases overall for retail, offices and others. However, within each sector, some rateable values will increase, while others will decrease.
- 5.20 Bills will also take into account any reliefs that a property is eligible for, e.g. small business rates relief, ensuring that individual businesses are not disproportionately affected by changes to their rateable value.
- 5.21 Under the business rates retention system, the revaluation will have a nil impact on the funding received by the Council. The Council receives a top up to bring its business rates income in line with the Baseline Funding Level (BFL). If the amount of retained business rates rises as a result of the revaluation, the top up amount will fall to keep the Council at the BLF figure. Other authorities pay a levy, as their retained business rates would otherwise be over their BFL. In their case, the levy will change to maintain funding at the BLF value. Therefore, the revaluation will have an impact on the balance of top-ups and levies within

the Eight Authority Business Rates Pool. For technical reasons, this could result in an increase or decrease to the benefit that is generated from the pooling arrangement.

- 5.22 Financial modelling on the impact of the revaluation on the pool has been undertaken, which has determined that there is a financial incentive for all boroughs to continue in the pool. In accordance with the authority delegated to the Corporate Director of Finance and Resources, the decision has been taken for Brent to continue in the Eight Authority Business Rates Pool. The financial benefits of the pooling arrangement, once confirmed, will be brought forward in a subsequent budget setting round.
- 5.23 The City of London will act as lead authority and during 2023/24 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

Brent Pension Fund employer contributions

- 5.24 The Brent Pension Fund is currently in the process of finalising the triannual valuation and analysis of the Council's contribution rate has been completed. The results of this exercise were presented to the Pension Sub-committee in October 2022 and it was agreed that the Council's contribution rate can be reduced by 1.5% per year over the next three years from 2023/24. This reduction also applies to the Council's schools and most academy schools in the borough. The reason for this is due to a significant improvement in the funding level of the pension fund, arising from better than expected investment returns.
- 5.25 However, the exact size of the saving is uncertain and will depend on the level of pensionable pay for employees in the pension scheme and the pay award. The pay award for 2022/23 agreed in November 2022 is for a fixed increase which averages 6.5%; the pay award for 2023/24 has yet to be agreed. If the pay award for 2023/24 is around the same level as 2022/23, the additional cost would negate the savings from lower contribution rates. A further reduction in the contribution rate of 1.5% would occur in 2024/25 and again in 2025/26. As the pay award for future years is unknown, it is not possible to estimate if further savings can be achieved from reduced contribution rates. This will be assessed every year as part of the budget setting process and if savings can be realised they will be incorporated into the MTFS to support the overall budget.

Departmental pressures

- 5.26 The Draft Budget report presented to Cabinet in November 2022 highlighted that 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 and meeting the cost of providing existing services for a growing population. As the two areas most

affected by the changes in demography and increasing contractual costs, the Adult Social Care and Children’s and Young People’s departments undertook scenario and sensitivity analysis of the effects of different levels of inflation and demographic change. This determined a central case (that is a position between possible best and worst cases), which has been used as the basis of the contract inflation and demographic changes in these areas. A summary of these growth and cost pressures presented in November are shown in Table 1 below.

Table 1: Growth / Cost Pressures (Draft Budget, November 2022)

GROWTH SUMMARY	2023/24
Demographics	
- ASC	3.73
- CYP	1.47
- Other Departments	1.30
Sub-total	6.50
Inflation	
- ASC	7.76
- CYP	3.06
- Contracts	3.83
Sub-total	14.65
Pay	6.50
Other (E.g. Public Health Grant inflation)	0.70
	28.35

5.27 Since the Draft Budget Report presented to Cabinet in November, further work has been done to identify inflationary and service pressures on the 2023/24 budget.

- The rising demand in CYP for placements was reported in the Q2 Financial Report and the position had further deteriorated by Q3. This issue is unlikely to be resolved in the short term by management action and therefore further growth is required.
- London Councils has provided forecasts for concessionary fares (Freedom Pass), which shows a substantial uptick over the next two years. If that is the case, growth in this budget is unavoidable.
- Part of the additional government social care funding is ringfenced to support hospital discharges. The Council therefore needs to incorporate this expenditure into its budget.
- The Residents Support Fund has proven to be a highly effective means to support vulnerable people experiencing financial difficulty. Providing a further £3m tranche of funding in 2023/24 is considered reasonable given the ongoing cost of living crisis.
- In addition, the Council is aware that many families experiencing poverty as a result of the cost of living crisis are unable to access Free School Meals

for their child/children. As a result, a further £1m of funding will be made available under the Council's new 'Family Food Fund' to support families with food poverty.

- Increased costs of borrowing caused by rising interest rates and the rise in gilt rates as a result of the mini-budget mean that additional funding is required to service the capital programme financing requirement.
- Inflationary pressures are expected to be higher than anticipated in the November Budget Report, particularly in children's and adults' social care.
- The 2022/23 pay award was higher than budgeted in part due to the use of a fixed amount pay increase which proved high cost to Brent once London weighting was added to the base amount. The ongoing pay budget needs to be increased to reflect this. Also, it would be advisable to increase the pay award provision in case a further fixed amount pay award is agreed for 2023/24 as this is more costly to Brent than a percentage increase. Additional provision is also needed for the 2024/25 pay award.
- Economic uncertainty is very high and in consequence it is prudent to build up a contingency budget to deal with unexpected cost pressures. The previous contingency was exhausted by the 2022/23 pay award.
- Provision has been built in to allow for the deferral of savings across years of up to £4.5m of the existing £18m package of 2023/24 savings.

5.28 A summary of the overall growth and cost pressures are shown in Table 2 below.

Table 2: Growth / Cost Pressures (Final Budget, February 2023)

GROWTH SUMMARY	2023/24
Demographics	
- ASC	3.73
- CYP	3.97
- Other Departments	1.30
Sub-total	9.00
Inflation	
- ASC	9.71
- CYP	3.86
- Contracts	4.08
Sub-total	17.65
Pay	8.50
Service Changes	13.80
	48.95

5.29 The following sections provide commentary on the service pressures and other challenges faced by each department.

Summary of Service Area pressures:

Adult Social Care and Health

5.30 Within Adult Social Care a key area of uncertainty for 2023/24 was the fair cost of care and social care reforms. The reforms were due to be implemented from October 2023. However, at the Autumn Statement, delivered in November 2022, it was announced that they would be delayed for two years to October 2025. Whilst the reforms have been delayed, the sector must still work to ensure sustainable rates for care are paid with fair cost of care funding from the Government continuing for the next two years.

5.31 Ongoing financial government support and market sustainability are an uncertainty, particularly with the ongoing cost of living crisis and inflationary pressures being faced by the department. These are highly likely to have an impact on spot placement requests from providers who are looking to recover some of the additional costs they are incurring.

5.32 There were previous concerns around Hospital Discharge (D2A) funding ending in 2022/23. However, as was stated in 3.17 the Autumn Statement confirmed that hospital discharge funding will continue. Going forward It will be distributed as a ringfenced part of the Better Care Fund. The government will set out further details on the conditions of this funding in due course, with the funding intended to support improvements to adult social care and in particular to address discharge delays.

- 5.33 The growth set out in Table 2 is primarily based on taking the central case following a series of scenario analyses and sensitivity analyses on various budget assumptions. Specifically, they arise from demographic pressures which have been calculated by extrapolating trends over recent years and inflation where upward pressures on contract values and spot purchase prices have been used to calculate the future indexation requirement. At this stage of the budget setting process this growth is deemed as reasonable to contain the financial pressures expected in 2023/24.

Children and Young People (CYP) General Fund

- 5.34 There continues to be increased spend in the General Fund of the CYP department due to the impact of rising demand for placements and high inflationary cost increases, risk of loss of health contributions and the reliance on agency Social Work staff due to recruitment and retention challenges.
- 5.35 Across the CYP department, there has been an increase in the number of children and young people receiving support. This increased demand for services follows from a 13.1% rise in the cumulative rate of referrals for social care services in October 2022 through the Brent Family Front Door (BFFD) compared to October 2021. As a result, since the end of the last financial year, there has been a 3.2% rise in the number of cases. The number of cases increased from 2,878 in October 2021 to 2,969 in October 2022. Caseloads are exceeding the budgeted level of c2,500 by 18.8%. Alongside the increase in overall caseloads, which is also in line with national trends, there has been an increase in complex cases, evidenced by an increase in children subject of a Child Protection Plan with the number in August 2022 of 413 being the highest in the last 10 years in Brent.
- 5.36 After a period of relative stability in the Looked After Children (LAC) population at between 280 and 300 children before the COVID-19 pandemic, in 2022/23, the LAC numbers have averaged 337. The Unaccompanied Asylum-Seeking Children (UASC) currently represents 16.9% of the LAC population. Although grant funding is received from the Home Office to mitigate the costs, pressures arise, as the funding is not sufficient to cover costs such as specialist age assessment social workers, legal costs, additional personal advisors to manage cases, and increased subsistence costs. In addition, a larger cohort of UASC are older and when they turn 18 years, the funding reduces significantly from £143 per day to £38.57 per day.
- 5.37 The average weekly cost of a residential placement is £4,935, which is £535 higher than the 2021/22 average. The impact of inflation is likely to see the weekly costs increase further in 2023/24. In 2022/23, six residential placements with complex needs weekly costs, ranged from £7,300 to £13,000 and the local authority has recently placed a child in a placement at £20,000 per week. These costs reflect the challenging placements market, which is a national issue and is causing significant budgetary pressures. Due to the current economic climate, inflationary pressures are expected to be passed onto the service by providers.

- 5.38 Health contributions from the Integrated Care Partnership mitigates some of the placement cost pressures and pressures on support for children with disabilities. With the implementation of the North West London Integrated Care System (ICS), a review of health contributions is taking place which for some is resulting in decisions that they no longer meet thresholds. Brent is not isolated in this issue and Directors of Children Services (DCSs) from LAs across the ICS footprint have collectively escalated their concerns to the ICS about the impact on local authorities. Through the Joint Funding Panel, the CYP department will continue to challenge decisions and consideration will be given to appropriate legal redress if a satisfactory outcome cannot be achieved.
- 5.39 Within the Localities, Looked After Children, and Permanency (LAC&P) services, there are challenges regarding the recruitment and retention of skilled and experienced social work staff with the services relying on agency staff whose costs are more expensive than permanent staff. Across the Localities team, agency staff occupy 44% of the establishment. If demand in cases continues to grow, this could create an added pressure in these areas. The department continues to face pressures from the national challenge for the recruitment and retention of social workers, leading to a reliance on agency staff. A shortage of social workers and other case holding staff, which has further been exacerbated by the impact of the pandemic and rising demand, is an acknowledged national issue, which requires a coordinated regional approach over the medium term. CYP management will continue to take steps to improve the recruitment and retention of social workers.

Communities and Regeneration

Communities

- 5.40 Brent is mandated to accept Homelessness applications from newly arrived Ukrainian refugees. The Communities service receives a grant from the Department for Levelling Up, Housing & Communities to fund the support provided to the guests and their sponsors. It was announced in December 2022 that the second-year funding, commencing on 1st January 2023, will reduce from £10.5k per new guest to £5.9k. This will result in pressures on the Communities budget as there will be less funding for the service to provide the same level of support and reduce the level of resources distributed to other departments.
- 5.41 Following COVID-19, residents are now more aware of the support available for them which has led to an increase in demand for critical services delivered by our Voluntary and Community Sector partners, for example Independent Advice and Guidance services. In addition to this, the cost of living crisis is expected to cause further increase to demand.
- 5.42 Similarly, the impact of COVID-19 has led to additional learning and understanding of how community organisations can be supported to deliver vital services, which has led to an increase in funding applications that are administered by the teams. The service is working on plans for how this demand can be managed within existing resources.

Regeneration

- 5.43 Within Regeneration there is some uncertainty on the Planning income that can be expected to be collected in future years. Income is currently lower than in past years, which is likely to relate to ongoing inflationary pressures and challenging legislative changes around fire safety, materials and staffing shortages. The market is demonstrating some nervousness in property and land investment decisions and there is less appetite for developments of all sizes. There is the potential that this could impact the income received for years to come.

Resident Services

Demographics

- 5.44 Environmental Services generate a large proportion of the Council's income through fees and charges. A decrease in the level of income received due to a slow recovery following the pandemic or decreased demand for services due to the cost of living crisis, could put a pressure on the service's budgets.
- 5.45 For instance, within the Parking service, whilst there is a slight increase in the number of resident permits sold as people work from home, there is a decline in the number of business permits purchased, as well as a reduction in revenue from car parks and on street parking. A reduction in penalty charge notices, and a loss of income as a result, is also likely due to people less likely to take a risk of non-compliance.
- 5.46 The Heathy Streets and Parking budget is reliant on TfL LIP (Local Implementation Plan) funding, which has been significantly reduced due to severe financial pressures on TfL. TfL have negotiated a funding settlement for 18 months and Brent's allocation has reduced by £1m for 2022/23. The budget pressure for 2023/24 and future years will depend on funding available for the programme. The service is restructuring to align with future resource requirements in early 2023.
- 5.47 The current volatility in the energy markets mean significant uncertainties in this area. Brent is on a forward purchase contract, whereby a lot of energy for the current year was bought months ago when prices were lower. However, a £2m budgetary pressure is still anticipated in 2022/23, rising to £4.6m in 2023/24. The average delivered energy price change last supply year versus current supply year shows approximately 76% increase for electricity and circa 204% increase for gas. It is hoped that prices will come down in 2023/24, however this is hard to predict. It is also known that public sector organisations are not eligible for support through the Government's proposed Business Energy Bill Relief Scheme. The Council is currently completing significant energy efficiency works, using a Government grant, across Brent's estate, which is expected to alleviate some of the pressures.

Environment contracts

- 5.48 Growth has been built into the MTFS to help alleviate some of the pressures associated with contract indexation within the Environmental Services department, however this continues to present a significant budget risk. Growth for Housing and Leisure services Private Finance Initiative contracts is also included in the MTFS for 2023/24. Contracts are often linked to indices such as CPI or RPI and services are contractually obliged to reflect any fluctuations in annual contract payments.

Temporary accommodation

- 5.49 As the cost of living crisis deepens, with energy costs and day to day expenditure increasing, there has been a rise in homelessness applications, resulting in an increased use of temporary accommodation. In addition, the current economic climate could also have an impact on the rent collection rates and result in an increase in rent arrears.
- 5.50 In addition, the affordable Private Rented Sector has contracted, which means there is a lack of supply to move households on from temporary accommodation, which will put further pressures on the budget. Although, the opening of Anansi and Knowles house has alleviated this pressure to some extent, both schemes are now full and silted up due to the lack of move on accommodation available.

Overall summary of the budget position

- 5.51 The main general fund revenue budget for 2023/24 is set out in detail in Appendices A and B. The budget includes £48.9m of growth items and £13.5m of savings. Provided that the key assumptions set out in this report hold true then expenditure in 2023/24 should be contained within budget. The overall revenue budget is set out in the table below.

Table 3: Net Revenue Budget

REVENUE BUDGET	2023/24
	£m
Service Area Budgets	
Adult Social Care and Health	137.3
Children and Young People	70.1
Communities and Regeneration	5.3
Finance and Resources	11.8
Resident Services	73.8
Governance	13.7
Total Service Area Budgets	312.1
Central Budgets	46.3
Total Budget Requirement	358.4
Funding	
Business Rates	(107.2)
Government Grants	(100.4)
Council Tax	(150.8)
Total Funding	(358.4)

Adequacy of reserves

- 5.52 As part of the implementation of CIPFA's Financial Management Code, the Council reviewed its approach to reserves. It produced a Reserves Strategy, set out in Appendix K (i), which defines 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.
- 5.53 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.
- 5.54 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.
- 5.55 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.

- 5.56 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, in Appendix K (i). It is the opinion of the Corporate Director of Finance and Resources, 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.
- 5.57 Appendix K (ii) 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.
- 5.58 Some local authorities may propose to balance their 2023/24 budget using reserves, thus reducing the savings requirement. However, in order to ensure that the Council's budget is sustainable in the long term, it is not considered appropriate at this time to use the reserves in this way, as they are required for the reasons set out above and in Appendix K. Therefore, the Council is not proposing to balance the 2023/24 budget using reserves.

Robustness of estimates

- 5.59 Section 25 of the Local Government Act 2003 requires the Section 151 officer to report to Council on the robustness of the estimates made for the purposes of the calculations included in the budget. The Council has used a variety techniques to ensure that the estimates made in setting the budget are robust. These include revised forecasts of the resources available to the Council, which sets the financial envelope in which the Council has to operate, and identification of areas subject to significant demand and cost pressures. Sensitivity analysis has been used to ascertain the impact of changes to demographics and the level of inflation. A middle case scenario has been used which is the anticipated most likely outcome to determine any growth

requirements in these areas. Departmental bids for growth and corporate provisions for cost pressures such as the pay award have been subject to challenge. The culmination of this work is the identification of the budget gap which will be bridged by savings, which themselves have been subject to challenge by CMT and members. Finally, the impact of the Local Government Finance Settlement has been reviewed to ensure that the estimates made in the budget remain robust and appropriate.

Financial Management Code – Financial Resilience Assessment

- 5.60 CIPFA recommends that local authorities undertake a Financial Resilience Assessment (FRA) each year. The FRA builds on the one-year assessments required under section 25 of the Local Government Act 2003 of the robustness of the estimates used in the budget calculations and the robustness of the proposed levels of financial reserves.
- 5.61 The Financial Management Code states that “Effective governance and financial management is focused on ensuring that the authority is able to operate sustainably in the long term. This means that the authority needs to look beyond the limited time horizons of its funding arrangements and to consider the longer-term financing of its operations and activities.”
- 5.62 The Financial Resilience Assessment considers long-term financial stability. It does so by considering warning signs such as the symptoms of financial stress and reviewing how effectively the authority manages its finances. This includes explicit consideration of capital resources, reserves, savings plans and the use of performance information.
- 5.63 The Council intends to use the information in this budget report as the starting point of its Financial Resilience Assessment. This will be a desktop exercise to tease out and address any issue with financial sustainability. The initial assessment is that the Council needs to focus on longer term planning given current uncertainties and anticipated problems on the horizon. Further details of the methodology are set out in Appendix L.

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. This EIA report is set out in Appendix C alongside the actual proposal. In summary, it has been concluded that all of the proposals are considered reasonable and have shown due regard to the Public Sector Equality Duty.

Scrutiny

- 6.2 A Budget Scrutiny Task Group was convened after the Cabinet published the draft budget proposals in November 2022. The task group, made up of 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 agreed by the Resources & Public Realm scrutiny committee on 24 January 2023 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 November 2022 and January 2023 where the budget proposals for 2023/24 were presented. This included attendance at all five Brent Connects events and an online consultation on the specific budget proposals.
- 6.5 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.
- 6.6 There are various 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, the Chamber of Commerce, and town centre business associations. The consultation on the budget was published in a newsletter that is sent to a large number of Brent businesses, explaining why the views of local businesses were important and how they could have their say.
- 6.7 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.

- 6.8 In order to maximise the opportunity for comment the consultation was kept open to 31 January 2023. 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.
- 6.9 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 5.10 - 5.15 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 the significant inflationary pressures expected in 2023/24, in particular for the provision of social care, 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 £32m of support for around 28,000 households who are financially vulnerable.
- 6.10 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.

7.0 Housing Revenue Account (HRA) Budget

- 7.1 The proposed HRA annual budget for 2023/24 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 2023/24.
- 7.2 The HRA budget is set each year in the context of the 30-year business plan (included in Appendix Q). The business plan is reviewed annually allowing for horizon scanning and the identification and mitigation of risks in the short, medium and long term. Early identification of risks enables planning and implementation of mitigations to ensure the HRA can continue to remain financially secure and deliver on its commitments to:
- Expand and accelerate the development of new council homes
 - Continue to maintain and improve existing council homes; and

- Transformation and continuous improvement of front line services to tenants and leaseholders

7.3 After four consecutive years of rent reductions, between 2016/17 to 2019/20, the Government 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. In light of exceptional inflation levels, government has amended its rent setting policy to allow for up to 7% rent inflation in 2023/24, compared to 11.1% if CPI plus 1% was applied. There will be a reversion to the previous rent setting arrangements from 2024/25.

7.4 The table below shows a snapshot of current average rent levels from occupied properties and the proposed increase of 7% for 2023/24. All new re-lets are charged at Formula rent and new builds are charged at Formula or London Affordable rent (LAR). Updated rent levels are reflected in the current average rent for 2022/23, the average rent can change depending on time of reporting. The average proposed rent rate for 2023/24 is £8.72 per week (7%) higher than the current financial year.

Tenant Rents for 2023/24

Table 4: Rents

Bed Size	Current Average Rent pw 2022/23	Proposed Average Rent pw 2023/24 (7%)	Proposed v Current Rent
	£	£	£
Bedsits	92.05	98.49	6.44
1	109.43	117.09	7.66
2	126.85	135.72	8.87
3	138.38	148.06	9.68
4	149.83	160.31	10.48
5	161.90	173.23	11.33
6+	170.08	181.98	11.90
Average rent	124.70	133.42	8.72

7.5 A rent increase of 7% is estimated to result in additional £3.5m of income when compared to 2022/23. This is estimated to be £2m less income compared to previous policy of CPI plus 1% (11.1%). In real terms, this will be the third biggest annual reduction in social housing rents since the introduction of rent restructuring two decades ago. Like most other housing providers, difficult decisions will need to be made to reduce costs in order to close the gap between rental income and increasing cost of service delivery. Brent Housing Management services have identified a target of £3m cost reduction detailed further in this report.

7.6 For tenants in receipt of housing support to help pay their rent, the cost of a rent increase will be met by their housing benefit or the housing element of universal credit, unless the level of support is reduced by factors that may apply to individual circumstances such as benefit cap. 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 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.

7.7 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 2023/24

7.8 Individual service charge elements are adjusted to bring them in line with the estimated contract costs of providing these services to tenants in 2023/24. 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 2023/24

7.9 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.

7.10 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 2023/24.

Table 5: Service Charges (i)

Service	No. of Properties	Current Average Charge 2022-23	Estimated Average Charge 2023-24	Estimated Increase / (Decrease)
		(£/Week)	(£/Week)	%
Grounds Maintenance	4,813	1.31	1.31	0.00%
Laundry	25	2.59	2.59	0.00%
TV Aerial	3,206	0.73	0.73	0.00%

Service charge increases for 2023/24

- 7.11 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 in 2023/24. The proposed increase of £0.52 per week in 2023/24 will not fully offset this, and therefore a phased approach to cost recovery has been modelled to allow service charges to increase over a four-year period, whilst balancing in-year budget shortfalls at the same time.
- 7.12 The concierge service charge is currently £10.55 per week on average. An increase of £1.17 is estimated to contribute towards inflationary cost pressures.
- 7.13 The helpline monitoring service charge is currently £1.74 per week on average. An increase of £0.19 per week is estimated to result in a break-even position for 2023/24.
- 7.14 Unmetered communal lighting, heating and hot water charges are adjusted annually in line with the forecasted energy supplier inflations for 2023/24, reflecting increased price of energy. The past year has experienced unprecedented price movement and volatility within wholesale gas and electricity prices. The projected overall cost to the HRA for energy is estimated to increase budget requirements by £1.8m in 2023/24. Cost on communal lighting is forecasted at 73% inflation on current levels, this is reflected in the proposed service charge uplift, resulting in an increase of £1.39. Although gas prices are currently projected to increase by 226%, the Council is proposing a cap for communal heating and hot water at 100%, with a view to catch up with overall energy costs over the next 4 years, in order to spread the cost for tenants. This will result in an increase of £11.85 for heating and £3.38 for hot water.

Table 6: Service Charges (ii)

Service	No. of Properties	Current Average Charge 2022-23	Estimated Average Charge 2023-24	Increase / (Decrease)
		(£/Week)	(£/Week)	%
Estate Caretaking	4,502	7.40	7.92	7%
Concierge	406	10.55	11.72	11%
Helpline Monitoring	52	1.74	1.93	11%
Communal Lighting	5,291	1.91	3.30	73%
Communal Heating	363	11.85	23.70	100%
Communal Hot Water	19	3.38	6.76	100%

District Heat Network

- 7.15 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 fuel contract has been renewed from 1 October 2022 to a two-year variable rate until 30 September 2024. Based on the projected fuel contract rates in the current energy market, heat tariff for 2023/24 is estimated to be a variable element of £0.12 p/kWh and a standing charge of £0.55 per day, in order to recover costs.

Table 7: Heating

Service	No. of Properties	Estimated Charge per kWh 2022-23	Estimated Charge per kWh 2023-24	Recommended Increase / (Decrease)
		(£p/kWh)	(£p/kWh)	%
Heating Tariff	235	0.04	0.12	196%
Standing Charge	235	0.44	0.55	26%

Brent Supported Living

- 7.16 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.
- 7.17 The table below compares the current gross rent levels (including service charges) for these homes against the proposed increase of 7% for 2023/24. This equates to an increase of £21.73 per week when compared to the current financial year.

Table 8: Gross Rent

Current Gross Rent 2022/23	Proposed Gross Rent 2023/24 (7%)	Proposed v Current Rent
(£/Week)	(£/Week)	(£/Week)
310.48	332.21	21.73

Garage Rent for 2023/24

- 7.18 HRA currently has 243 occupied garages with an estimated annual income of £0.2m for 2022/23, consistent with previous year. Cabinet approved a standard

rate of pricing during budget setting in 2021/22, along with a three-year phased increase for existing occupancies that are below the standard rates (2023/24 will be year 3).

- 7.19 The table below shows the current standard rate and the proposed uplift of CPI +1 (11.1%) for garage rents.

Table 9: Garage Rents

Garage Charge (Net)	Current Standard Rate 2022/23 (£/Week)	Proposed Standard Rate 2023/24 (11.1%) (£/Week)
LBB Tenants & Leaseholder	15.62	17.35
LBB Resident	20.82	23.13
Non – Resident	26.03	28.92

HRA Budget 2023/24

- 7.20 The proposed budget for 2023/24 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.

Table 10: HRA budget 2023/24

Technical Adjustments	£m
Rent Increase of 7% on current stock	(3.5)
Service charge uplifts to reflect cost incurred	(1.0)
Reduction in service charges for major works in line with profiled works completed	0.4
Growth	
Pay and operational cost inflation budget gap 22-23	0.4
Pay and operational cost inflation 23-24	0.7
Repairs contract inflation	1.6
Disrepair and associated temporary accommodation	0.3
Increased void repair cost	1.5
Estate caretaking services cost inflation	0.2
Communal utility supplier inflation	1.8
Leaseholder insurance contract inflation	0.1
Bad debt provision	0.5
Savings Target	
Review void standards and active interventions to reduce costs	(1.2)
Reduction in staffing	(0.9)
Reduction in support services after adjusting for commercial income	(0.3)
Reduction in costs associated with contracts and external provider spend	(0.7)
Total Net Movement	0.0

- 7.21 As mentioned above, due to a rent rise limitation, 2023/24 budget includes a £3m savings target, in addition to annual saving targets that are already incorporated into medium-term financial plans.
- 7.22 In order to reduce costs associated with expenditure on void properties, closer monitoring of void specifications is now in place. This is anticipated to reduce the number of major voids which have both higher specifications and longer turnaround times. Quicker turnaround times are expected to reduce the void rent loss and Council Tax liability periods. This is expected to generate a £1.2m saving.
- 7.23 An estimated saving of £0.8m is anticipated to be achieved by a reduction in staff. The vast majority can be achieved through the loss of posts that have been difficult to recruit to in Property Services and are currently vacant. The remainder would be achieved through rationalising posts where there are multiple full time employees.

- 7.24 A £0.3m saving is anticipated as a result of general efficiencies and a reduced expenditure associated with support services.
- 7.25 The HRA is carrying out an exercise to assess exclusions within the responsive repairs contract which are not included in the price per property schedule and are therefore higher cost to the HRA. This helps to ensure value for money and reduce duplication for works. The Tenant Management Organisations are now being reviewed to bring their management fees in line with the current HRA position which will result in a small saving plus recouping costs incurred by the Council such as repairs which fall under the TMO's responsibility to cover. This is expected to generate a £0.7m saving.
- 7.26 The proposed 2023/24 HRA budget summarised in a table below ensures a break-even balance at year end. The opening reserve balance has reduced by £0.9m compared to last year, due to partially funding a provision in 2021/22 for identified capital works to the Granville New Homes blocks that have transferred to the HRA from First Wave Housing on 1st April 2022. HRA reserves were used to cover the timing difference and the provision will be released when works commence, returning the HRA reserves to previous value.

Table 11: HRA Budget 2022/23 v Draft Budgets for 2023/24

HRA Budget 2022/23 v Draft Budgets 2023/24	(1) Budgets 2022/23	(2) Draft Budgets 2023/24	(2-1) Variance	Variance Explanation (2-1)
Description	£'000	£'000	£'000	
Rents and Service Charge	(52.8)	(57.0)	(4.2)	Tenant rents and service charges offset by rent loss through voids and RTB sales
Non-Dwelling Rents	(0.5)	(0.2)	0.3	commercial income offset against savings in support services
Leaseholders' Charge for Services and Facilities	(2.7)	(2.9)	(0.2)	Uplift to reflect increased cost of rechargeable services
Major Works and Other Contribution Towards Expenditure	(1.5)	(1.1)	0.4	Service charge reduction based on profiled major works completion
Total Income	(57.5)	(61.2)	(3.7)	
Repairs and Maintenance	13.6	15.0	1.4	repairs contract uplifts, provision for disrepairs and voids offset by efficiency savings

Supervision and Management	12.2	11.9	(0.3)	operational cost inflations offset by savings in management and support services
Special Services	4.9	6.9	2.0	caretaking and communal utility supplier inflation
Rent and Rates and Other Charges	1.4	1.5	0.1	council tax and insurance contract inflation
Depreciation of Fixed Assets	15.5	15.5	0.0	
Bad or Doubtful Debts	0.7	1.2	0.5	Provisions for non-payments
Capital Financing and Debt Management	9.2	9.2	(0.0)	
Total Expenditure	57.5	61.2	3.7	
(Surplus)/or Deficit for the Year on HRA	0.0	0.0	0.0	
Housing Revenue Account brought forward	(0.4)	(0.4)	0.0	
(Surplus)/or Deficit on HRA	0.0	0.0	0.0	
Closing balance	(0.4)	(0.4)	0.0	

HRA Stock Improvement and Major Works Budgets 2023/24 and 2024/25

- 7.27 Planned works include refurbishments such as new roofs, windows, lifts, kitchens, bathrooms, heating systems and planned fire safety works. Major works relate to extensive refurbishment programmes, such as the planned major refurbishment of four high rise blocks.
- 7.28 The Council Housing Asset Management Strategy (AMS) 2022-2026 sets out a vision for responsive repairs, investment, reform and improvement of the stock and its performance. The AMS consists of a 5-year budget requirement totalling £80.8m and has outlined requirements to increase investment in tower blocks over the next two years. The overall major works programme budget has been set at £19.1m for 2023/24 and £29.8m for 2024/25. Increased budget requirements are projected to require borrowing to cover funding shortfalls in the capital programme, this is estimated to result in the need to reduce cost by an average £0.5m to fund cost of borrowing.

New Council Homes Programme 2023/24

- 7.29 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. The Council has an ongoing commitment to deliver 5000 new affordable home in the borough by 31 March 2024, this includes the provision 1,000 to be delivered directly by the Council. As of November 2022, 684 new homes have been delivered. Due to the ongoing need for affordable housing in Brent, the Council has committed to directly deliver an additional target of 700 new affordable homes by 31 March 2028 and was awarded £111m of grant funding from Greater London Authority (GLA). The forecast capital investment on acquisitions and building new council homes in 2022/23 is £55m, with a capital budget in 2023/24 set at £140.2m.

Housing General Fund

Hillside Rent Setting

- 7.30 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.
- 7.31 The table below sets out the rent levels for 2022/23, with an average increase of £9.21 per week for 2023/24.

Table 12: Average Rent Increase

	Weekly Rent 2022/23 (£)	Weekly Rent 2023/24 (£)	Increase (£)	Increase (%)
1 Bed Flat	£107.81	£115.35	£7.54	7%
2 Bed Flat	£127.63	£136.56	£8.93	7%
1 S/croft Elders	£107.81	£115.35	£7.54	7%
2 S/croft Elders	£127.63	£136.56	£8.93	7%
2 Bed House	£138.62	£148.32	£9.70	7%
3 Bed House	£151.92	£162.55	£10.63	7%
4+ Bed House	£159.93	£171.12	£11.19	7%

- 7.32 Hillside are also responsible for setting service charges across the stock, including those retained by the Council. The average service charge per week

for 2023/24 is set at £7.58 per week, an increase of £0.49 from the 2022/23 average, based on an uplift of 7%.

Housing Private Finance Initiative (PFI)

- 7.33 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, Discounted Market Rent and Affordable Rent properties, which are up to 80% of market rates and are capped at the London Affordable Rent (LAR) set by the GLA. 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.
- 7.34 Throughout the conversion programme it has been identified that households cannot afford to maintain tenancies that exceed LHA and whilst a small number of tenancies remain lower than this threshold, the proposal is to hold the rents at the current levels, with no increase for the coming year. This is to ensure that there is a consistent approach to rent changes across the portfolio and also takes into consideration lack of affordability for households living in PFI properties.

Travellers' Site Pitch Rent

- 7.35 The current weekly pitch rent is £156.42. It is proposed to increase this by 7% to £167.37 for 2023/24. Travellers' site pitch rent is estimated to generate an annual income of £0.25m.

8.0 Schools Revenue Budget

- 8.1. The final DSG allocations were announced on 16 December 2022 and the proposed budget was presented to the Schools' Forum for endorsement on 19 January 2023. Following the announcement made by the government in the Autumn Statement to invest an additional £2.3 billion in schools for 2023/24 and 2024/25, the Schools Block which supports mainstream schools, has a confirmed allocation of £270 million (of which £9 million will be allocated as a separate grant), representing an increase from the 1.2% (announced in July 2022) to 5.3%. This equates to an overall increase of £14 million compared to 2022/23. This increase is lower than the national percentage increase of 6.3% but slightly higher than the average of 5.2% for local authorities in London. The London position is driven by a decline in pupil numbers according to the dataset underpinning the notional National Funding Formula (NFF). As in previous years, the Council will continue to set a local funding formula for mainstream schools in 2023/24, although the total funding available will be determined by the NFF.
- 8.2. In March 2022, the government confirmed its commitment to introduce the direct NFF. Local authorities will be required, from 2023/24, to move their local funding formula factors by 10% towards the NFF factors and must use all and only the NFF funding formula factors to calculate schools' budget allocations.

The implications to Brent schools were presented to Schools Forum in June 2022.

- 8.3. The government recently completed a consultation on the detail of the implementation of the direct NFF. The consultation included proposals for how funding for schools experiencing significant growth in pupil numbers or falling rolls could operate under the direct NFF and more importantly, the determination of SEN notional budgets for mainstream schools' and disability support within the direct NFF allocations. Results of the consultation will be published by the end of the financial year.
- 8.4. The number of Brent schools experiencing difficulties in 2022/23 has increased with 67% projecting an in-year deficit. 23% of these schools' plan to use over 50% of reserves to balance their budgets in 2022/23. Schools are feeling the impact of rising inflationary costs, including increases in energy prices alongside teachers' pay increasing by 5% in 2022/23 and starting salaries rising by 8.9% to £30k. A number of Brent schools are also experiencing falling rolls and as a result have had significant reductions in funding. This is requiring schools to make strategic decisions to mitigate the impact of this, including the consideration of staffing restructures. Alongside measures to support schools, such as capping admission numbers, the Local Authority has established a School Place Planning Working Group to review the sustainability of provision in primary planning areas.
- 8.5. The High Needs block (HNB) of the DSG allocation will be £82 million, a 10% (£7 million) increase in 2023/24 compared to 2022/23. Following the autumn statement, funding increased from the previously announced position for 2023/24 of 5% to 10%. This is the same as the London average but slightly lower than the national average increase of 11%, due to reductions in pupil numbers.
- 8.6. Pressures against the HNB remain, due to increased demand for Education Health and Care Plans (EHCPs) which remains a regional and national issue. Despite the additional funds, the demand pressures continue to grow and to set a balanced DSG budget in 2023/24 the local authority will request, via the Schools' Forum, a 0.5% transfer from the Schools Block. The pressure in the HNB has led to there being a £15.1 million deficit in the DSG carried forward from 2021/22 and further pressures in 2022/23 will increase the deficit position. The statutory override which was put in place to enable local authorities to hold deficit balances was due to end in 2022/23, however, this has now been extended for a further three years.
- 8.7. The DfE requires local authorities with an overall DSG deficit to have a Management Plan to recover the deficit over a number of financial years. The Schools Forum have been presented with actions being taken to manage demand, improve sufficiency of places and financial management to recover the deficit in the medium to long term. These include establishing more SEND provision in the borough including building a new special school and developing new Additionally Resourced Provisions (ARPs) as part of the School Place Planning Strategy 2019-23 Refresh paper agreed at Cabinet in November

2021. In addition, ensuring there is full cost recovery from other local authorities that place pupils in Brent special schools including administration and other specific costs; efficiencies through commissioning arrangements and continued central government lobbying.

- 8.8. Brent is part of the newly introduced DfE programme called Delivering Better Value (DBV) in SEND to provide dedicated support and funding to help local authorities reform their high needs systems. The DBV programme has made a provision of £85m over 3 years from 2022/23 to support a wider group of LAs with smaller DSG deficits. Brent is in the first tranche of 20 local authorities the DfE is working with. The expected outcomes include a comprehensive diagnostic to identify root cause cost drivers and mitigating solutions or reforms and support in developing a quality assured Management Plan and the opportunity to bid for a £1 million grant to deliver the actions in the Management Plan. The aim of the DBV programme is not to address the historic deficit but to support Brent to return to an in-year balance whilst delivering high-quality services. Any efficiencies that are identified from the programme may allow funds to be released to address historic deficits.
- 8.9. The government's response to their consultation on the 2022 SEND Green paper is also likely to bring about reforms to the funding system, a major part being the introduction of a new national framework of banding and price tariffs for high needs funding. Bandings would cluster specific types of education provision aligned to need. Brent like most local authorities uses a banding system to allocate funding ranging from Band 1 for lower levels of need to Band 6 for the most complex needs. The introduction of tariffs would help to control high costs attributed to expensive provision. National funding bands have the potential to establish a more consistent basis for the funding of provision and all specialist providers will need to ensure the provision they offer is in line with the national SEND standards. The DfE proposes to work with local authorities and provide clarity on the process.
- 8.10. The Early Years Block funds early education entitlements for children aged 2, 3 and 4. A consultation on the Early Years National Funding Formulae (EYNFF) and Maintained Nursery School (MNS) supplementary funding, that focused on updating underlying data within the EYNFF, mainstreaming the current separate teachers' pay and pensions grants into the EYNFF and into the MNS supplementary funding and reforming the distribution of the MNS supplementary funding concluded in September 2022. The consultation results have been published and majority of the proposals had favourable responses and the EYNFF has been updated to reflect the proposed changes, including mainstreaming the teachers' pay and pension grant by baselining the grant within the EYNFF.
- 8.11. The key principle of allocating the funding for the Early Years Block remains the same i.e., 95% of funding received is allocated directly to providers with the remaining 5% retained for central services. Nationally the government announced a £180 million increase for 2023/24 and £170 million for 2024/25 in the 2021 Spending Review however, a further £20m was announced for 2023/24 to support providers with the additional National Living Wage costs

associated with delivering the free childcare entitlements. For Brent, the allocation for 2023/24 will be £24.5 million an increase of £1.3 million compared to 2022/23.

9.0 Pay Policy Statement 2023/24

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 2022/23 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.

10.0 Capital Programme Budget 2023/24 – 2027/28

10.1 The Council's Capital Programme forms part of the medium-term financial strategy and is key to the overall budget setting process. The programme 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 grow the capital investment programme and enable it to deliver substantial revenue savings over the medium term financial planning 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.

10.4 The Council's Capital Programme utilises a variety of funding sources including capital receipts, grants, S106 and CIL, reserves, contributions from revenue and borrowing as a last resort. Affordability remains an important influence on the Council's borrowing strategy following the Council's shift to a net borrower following the cost effective approach of utilising internal resources to delay the need to borrow externally. The programme has a mixture of invest to save, grant funded and self-financing projects to help reduce the treasury risk. Hence our strategy looks to undertake external borrowing to fund projects as a last resort.

10.5 The current economic environment is having a significant impact on both affordability and delivery of the capital programme. Rising costs especially in the construction industry are making it extremely difficult to estimate the

potential cost of developments. Interest rates have also been volatile with current PWLB rates at 5% from circa 2% this time last year. Together these create a challenging environment to forecast future borrowing rates and the impact on affordability of delivering the capital programme. The budget contains a significant number of schemes that are financed by borrowing. These schemes are all under regular review to ensure their viability. The focus of this capital programme is to ensure best value for money including facilitating delivery of essential services with a focus on mitigation of key areas of risk and investing in opportunities to provide efficiency savings. The Council is likely to have to pause schemes with viability challenges with a review at a later date, reduce their scope or remove them entirely from the programme to ensure funding can be prioritised appropriately. A decision of this nature will be reported to Cabinet via a project update and the quarterly monitoring reports.

- 10.6 S106/Community Infrastructure Levy (CIL) will be utilised to undertake major infrastructure projects meeting the conditions or terms for funding. The capital programme includes CIL funded schemes totalling £46m. The total CIL allocation includes contributions towards the fit out cost of 3 medical centres, a new facility in Wembley for the College of North West London, the new Morland Gardens educational facility, a new pedestrian and cycle bridge in Alperton and contributions towards community facilities in Stonebridge, Preston Community Library, Learie Constantine Centre and Brent Indian Community Centre.
- 10.7 The Council has embarked on an extensive Capital Programme to invest c£899m over 5 years, 2023/24 to 2027/28. 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 2022 the pipeline projects approved and promoted during the year have been included in the 2022/23 to 2027/28 Capital Programme. The balance of provisional schemes held in the pipeline is currently £531.6m for 25 projects. The pipeline provision has not been included in the Capital Programme set out in Table 13 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 2023/24 to 2027/28 is set out in Table 13. The detailed Capital Programme and financing is set out in Appendix E.
- 10.9 The 2022/23 current revised budget is £232m. The revised budget is subject to change as new schemes are approved prior to Council in February 2023. Any budget changes post the Quarter 3 monitoring report will be updated in subsequent budget report to Cabinet.

Table 13: Summary Capital Programme

Portfolio	BOARD (PROGRAMME)	2022/23 (Revised Budget)	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	TOTAL 2023/24 to 2027/28
		£m	£m	£m	£m	£m	£m	£m
Resources: Cllr Mili Patel	Corporate Landlord	17.317	10.333	27.063	16.302	8.908	27.740	90.345
Regeneration, Property & Planning: Cllr Shama Tatler	South Kilburn	11.510	27.036	13.625	2.170	11.426	7.085	242.946
	Regeneration	9.394	74.061	63.740	28.801	15.000	-	
St Raphael's: Cllr Shama Tatler	St Raphael's	1.907	31.700	-	-	-	-	31.700
Regeneration, Property & Planning: Cllr Shama Tatler	Public Realm	19.548	12.867	8.873	7.833	-	-	54.687
Public Health, Culture & Leisure: Cllr Neil Nerva	Public Realm	0.378	-	-	-	-	-	
Environment: Cllr Krupa Sheth	Public Realm	1.204	12.580	2.948	1.401	1.034	7.150	
Children, Young People and Schools: Cllr Gwen Grahl	Schools	12.446	35.097	20.415	2.230	-	-	57.742
Housing, Homelessness and Renter Security: Cllr Promise Knight	Housing (GF)	71.745	80.019	76.315	26.259	4.661	-	539.444
	Housing (HRA)	59.443	156.945	113.315	37.045	22.650	-	
	Housing (i4B Phase 1&2)	19.900	18.447	-	-	-	-	
Adult Social Care: Cllr Neil Nerva	Housing (Supported Living)	7.649	2.268	0.820	-	-	-	
	Total	232.440	461.353	327.114	122.743	63.679	41.974	1,016.864

10.10 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.

10.11 The Capital Programme detailed in Table 13 above currently excludes slippage from the 2022/23 Capital Programme. Estimated slippage and re-profiled projects are detailed in the Quarter 3 Capital Monitoring Report to Cabinet in January 2023. The potential slippage from 2022/23 will be reviewed at the end of the financial year and reported to Cabinet in July 2022.

10.12 There are a number of key projects supported in the 2023/24 – 2027/28 Capital Programme, including:

Corporate Landlord

Facilities Management (*New*)

10.13 The planned programme of works to the value of £1.5m per annum will allow the continued investment in Council owned assets. This includes building improvement projects identified at the Civic Centre, Willesden Green Cultural Centre and the wider operational estate buildings.

Customer Experience Improvements at the Civic Centre (*New*)

10.14 The redesign of the face-to-face public spaces in the Civic Centre will allow an improved service delivery to residents and customers. The project works totalling £1.96m include improvements to accessibility, expanding the Hubs, self-service, Libraries and Arts and Heritage offer whilst also unlocking efficiencies in how customer facing services operate.

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 2023/24 over 5 years is £61.3m for the delivery of homes including 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.

Pedestrian/cycle footbridge over the Grand Union Canal (New)

- 10.19 In December 2022 Cabinet approval for Strategic Community Infrastructure Levy funding to deliver a proposed new pedestrian/cycle footbridge over the Grand Union Canal in Alperton to support regeneration and growth in the area.

UK Shared Prosperity Fund (UK SPF) (New)

- 10.20 The Council was successful in securing £1.1m of capital funding via the UK SPF to deliver a number of communities and place projects across the borough including a horticultural centre for Post-16 SEND provision and the redevelopment of the Welsh Harp Environmental Education Centre.

Wembley Housing Zones

- 10.21 In August 2021, Cabinet approved the investment of approximately £130m, funded by a mixture of grant from Greater London Authority, capital receipts and 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

- 10.22 There will be continued investment in public realm to ensure the infrastructure is fit-for-purpose and achieves our vision of making use of the opportunities presented by developments within the borough.
- 10.23 The Highways Capital Scheme Programme £3.5m annual highways capital maintenance budget is used to maintain carriageways and structures. The council has agreed to invest a further £15m over the next four years into planned maintenance. It is intended to deliver £2m of that in this year 2022/23, and the remaining £13m over the following three years. Because of the relatively poor condition of the Principal Road network, it is intended that £4m of the £15m be spent on Principal Road maintenance, with the remainder being spent on footway reconstruction.

Integrated Street Cleansing & Waste Contract Fleet

- 10.24 There is £21m in the budget to purchase fleet required to deliver the Integrated Street Cleansing & Waste Contract, the borrowing costs to fund the asset purchases will be offset by equivalent savings in the revenue area.
- 10.25 The Council receives a fixed block of capital funding annually from TfL. In 2023/24, the Council has initially been allocated £1,044m, which comprises £1.008m under the Safer Corridors and Neighbourhoods programme and £36,000 under the Cycle Parking programme. Funding for other 2023/24 programmes, such as Bus Priority and Cycle Training, is still to be confirmed. In the absence of confirmed funding allocations for 2024/25, TfL has asked boroughs to submit a spending programme for that year to the value of their 2023/24 LIP funding allocation.

Parks Improvement Programme

- 10.26 The Parks Service is investing £1.43m to 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

- 10.27 In January 2022, Cabinet approved a £44.2m investment to provide 427 additional school places and accessibility improvements 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.
- 10.28 The Programme will 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. In 2023/24, the construction works for the projects within the work-streams will be delivered.

Schools Capital Improvement (*New*)

- 10.29 The Council is responsible for 38 community and foundation schools and nurseries across 41 sites in Brent. The Council has a statutory duty to undertake major projects at these schools to ensure the buildings are weather tight and provide a safe environment for education.
- 10.30 Funding is provided to carry out these works by the Department for Education (DfE) via the School Condition Allocation (SCA). This funding is provided each year based on an assessment by the DfE of high level building condition need and is provided to meet Brent's local condition priorities across its schools. The

Council places SCA monies in a specific capital budget, the School Asset Management Programme (AMP) budget, to meet its statutory requirement.

- 10.31 The 2023 – 2026 AMP Programme includes 47 school condition improvement projects across the 41 school sites with a total programme budget of £7.5m across the three years. For 2023/24, the Council expects to deliver 16 projects within a budget of £2.5m.

Relocation of Islamia Primary School (*New*)

- 10.32 In September 2022, Cabinet approved the relocation of Islamia Primary School from its existing site in Salusbury Road to the vacant Strathcona Site. The proposed capital investment is up to £10m depending on the option chosen with the preferred option expected to cost £9.1m. A consultation process has commenced on the relocation of the school to which the Governing Body is responsible for making this proposal. It is expected that this proposal will come back to Cabinet for a decision to relocate the school in early 2024/25.
- 10.33 It is expected the majority of the capital expenditure will be made in financial years 2023/24 and 2024/25 subject to the outcome of the consultation process and the resultant decision.

Housing Programme

- 10.34 The development and management of new and existing Council housing continues to be a key priority as reflected by ongoing investment in housing repairs, maintenance and improvements.

General Fund Housing

- 10.35 The General Fund is set to spend £170m over the next four years from 2023/24 in mixed-use developments. This investment will deliver 586 homes. Where GLA grant is utilised the properties will transfer to the HRA upon completion of the scheme.

Contingency Programme (*New*)

- 10.36 To counter cost uncertainty across the programme schemes; particularly for those schemes yet in contract, a contingency of £9.1m has been included for 2023/24.

Empty Property Grant (*New*)

- 10.37 Investment of £2.1m towards securing nomination rights for empty homes across the Borough will continue to alleviate homelessness through obtaining suitable forms of accommodation whilst reducing the spend on more expensive temporary accommodation. This work has been ongoing for a number of years and has contributed to the availability of units that would be otherwise lost to the private sector.

i4B Holdings

- 10.38 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.
- 10.39 Current plans include the provision of 60 street properties annually to increase the Council's temporary accommodation provision and identification of new build opportunities. The 2023/24 Capital Programme includes £18m planned expenditure in 2023/24.

New Council Homes Programme (HRA)

- 10.40 In 2022/23, planned expenditure on new Council homes and acquisitions is £55m. Over the next 4 years from 2023/24; planned investment in the New Council Homes Programme is £265.6m.

RTB Affordable Housing

- 10.41 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 40% of the construction cost. RTB receipts cannot be combined with other funds provided by the GLA.
- 10.42 The Council is required to spend £9.6m within 3 years to meet its RTB targets, this amount is currently allocated across new build and acquisition projects in the capital programme. The picture is dynamic, as the Council needs available schemes to complete on schedule; therefore, officers are also exploring the possibility of gifting RTB receipts to other Registered Providers in return for an interest in affordable housing units.

Major Repairs & Maintenance of council stock

- 10.43 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.
- 10.44 The Council continues to invest in repairs, maintenance and improvement works in order to maximise the life of the assets. The HRA Capital Programme sets out planned expenditure of £19.1m for 2023/24.

Fire Safety Works

- 10.45 The safety of our residents is our main priority and we continue to take a robust approach to our statutory duties under health and safety. The pipeline provision includes a provisional sum of £2.1m for fire safety works on our housing stock.

Contingency Programme (*New*)

10.46 The New Council Homes Programme is reaching a critical phase. A number of schemes are expecting tender returns and some tenders have returned materially in excess of the approved budget allocation. This uncertainty in the construction industry is a consequence of current prevailing market conditions. In order to offset risk and cost uncertainty, a contingency of £8.1m has been included for 2023/24.

Fulton Road (*New*)

10.47 The acquisition of the development at Fulton road will provide an additional 294 homes at a mixture of London Affordable Rent and London Living Rent within the Wembley Park ward. The site will prioritise the delivery of 3-bed homes to meet the current housing demand for larger family sized accommodation. The homes are expected to be delivered. The scheme is expected to cost circa £85.6m and completion of the construction is anticipated in July 2026.

St Raphael's

10.48 The Council has committed to delivering significant placemaking improvements across the estate with a £30m investment in improvements to the care and maintenance of the estate and target green spaces, waste management, parking and a new community centre.

Statutory Capital & Treasury Reports

10.49 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.

10.50 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.

10.51 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 2021 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 2023/24 budget.
- 11.3 In considering the budget report, a key consideration should be the delivery of the savings 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 2024/25. In consequence, and following a comprehensive review of budget assumptions, the general reserve is expected to increase from £15m to £18m to ensure that the Council continues to follow the principle set out in section five regarding the appropriate level of generally usable reserves. 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 2023/24.
- 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. The Section 151 officer concludes

that the proposed level of reserves are adequate and the estimates underpinning the proposed budget are robust.

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 2023/24 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 2022.

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.

Related Document:

Draft Budget 2023/24, Cabinet 14 November 2022

Report sign off:

Minesh Patel

Corporate Director of Finance and Resources