	Cabinet 16 November 2023
	Report from the Corporate Director of Finance and Resources
	Lead Member - Deputy Leader, Cabinet Member for Finance, Resources & Reform (Councillor Shama Tatler)

Draft Budget 2024/25 and 2025/26

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Two Appendix A: Summary of new budget proposals for 2024/25 and 2025/26 Appendix B: Detailed budget templates for new budget proposals for 2024/25 and 2025/26
Background Papers:	None
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1.0 Executive Summary

1.1. The purpose of this report is to set out the Council's budget proposals for 2024/25 and 2025/26. It also provides a general update on the Council's overall financial position, including an overview of the current economic outlook.

1.2. This report will set out:

- The National and Local economic context
- Government funding outlook
- Local funding outlook for Council Tax and Business Rates
- Budget requirement and new savings proposals
- Overall financial position for the Housing Revenue Account, the Dedicated Schools Grant and the Capital Programme

2.0 Recommendation(s)

2.1. That Cabinet notes the overall financial position.

2.2. That Cabinet agrees to consult on the new budget proposals, as set out in Appendices A and B.

2.3. That Cabinet agrees to consult on a Council Tax increase of 4.99% (consisting of a 2.99% general increase plus 2% for the Adult Social Care Precept) in 2024/25.

2.4. That Cabinet endorses the approach to the statutory process of consultation, scrutiny and equalities between November 2023 and February 2024, as set out in section eleven of this report.

2.5. That Cabinet endorses the changes to the technical budget assumptions underpinning the budget, as set out in section seven of this report.

2.6. That Cabinet notes the position with regard to the funding for Schools and the Dedicated Schools Grant, as set out in section twelve of this report.

2.7. That Cabinet notes the lack of certainty over the level of the rent increase for the Housing Revenue Account in 2024/25 since the government has yet to publish the new regulations. In the absence of guidance, the draft budget assumes an increase of CPI+1% (7.7%), as set out in section thirteen of this report.

2.8. That Cabinet notes the position with regard to the Capital programme, as set out in section fourteen of this report.

3.0 Cabinet Member Foreword

3.1. This report sets out the draft budget proposals for 2024/25 and 2025/26 to formally start the statutory processes of scrutiny, consultation with residents, businesses and other key stakeholders and equality impact assessments on the budget proposals.

3.2. On top of the £210m of cuts made since 2010, a further £8m must be saved between 2024/25 and 2025/26. It is important to note that the core funding Brent Council receives from government has decreased by 78%. This has meant that the funding burden for Brent Council has come principally from other sources, such as Council Tax, Business Rates and Fees and Charges.

3.3. At time of writing councils in London face a £400million shortfall in funding this year alone. This means balancing our budget will be the hardest it has ever been.

3.4. The seriousness of the Council's financial position cannot be understated. Councils across London are facing a series of unprecedented financial challenges, caused by a perfect storm of continued high inflation, rapidly increasing demand for services and reduced government funding since 2010.

3.5. Brent is not immune to these pressures, with an expensive adult social care bill getting more so every year because of an ageing population as well as soaring levels of homelessness, with around 150 new families presenting as homeless most weeks.

3.6. For us in Brent, the demand has left us with a financial pressure worth £13m. We are bringing in spending controls to help us balance this year's budget, but I will not pretend that it will be easy.

3.7. However, this administration's priority has and always will be to protect our residents across this borough in these difficult economic times and ensure there is a safety net for our most vulnerable.

3.8. Just some of the things we are doing in our Budget to protect our residents are:

- **Investing £32m into our Council Tax Support Scheme**, with the most substantial programme anywhere in London, helping 26,197 residents with their council tax bills.

- **Ensuring residents are provided with food and energy support via our Brent Hubs.** 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.

3.9 Despite these challenges, Brent will continue to take the right decisions to deliver a balanced budget and safeguard frontline services, to ensure that no one in our borough is left behind.

4.0 Background

4.1. This report renews the Medium Term Financial Strategy (MTFS), which is the Council's overarching financial planning document. The MTFS contains forecasts for the financial position of the Council's General Fund revenue budget, as well as providing a framework within which financial planning is undertaken for the Housing Revenue Account, the Dedicated Schools Grant and the Capital Programme.

4.2. It should be recognised, however, that forecasting over the medium term is extremely difficult. 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.

4.3. The report outlines the approach being taken to address the budget gap expected to result from demographic and inflationary pressures. As the economic environment remains challenging, it is extremely difficult to make a full, definitive and comprehensive assessment of the potential financial impacts. The figures in this report are based upon best estimates and forecasts, which will be subject to change. 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.

4.4. As reported to Cabinet in July 2023, due to the issues identified above, the budget gap between 2024/25 and 2025/26 is estimated at £8m, which is the central case based on current budget assumptions and scenario modelling. The accuracy of this is probably at best +/- 20%, and wider variations are entirely plausible. The actual figure required will not be known until a longer term Spending Review for Local Government is announced.

4.5. The Council has therefore now brought forward a series of new proposals totalling £8m which, if approved following consultation and scrutiny, would be implemented in 2024/25 and 2025/26. These new proposals, and the updates to budget assumptions set out in this report, will enable the Council to set a balanced budget for 2024/25 and 2025/26. The new savings proposals for 2024/25 and 2025/26 are summarised in Appendix A and full details of each of the proposals are set out in Appendix B.

4.6. There remains significant uncertainty over local government funding in the medium term in the absence of a longer term Spending Review and the outcome of other significant reforms to Local Government funding, for example the Fair Funding review and reforms to the business rates regime. There will also be a General Election in or before January 2025. The Autumn Statement that will be delivered on 22 November 2023 is unlikely to include any further cuts to support for local government as this is the second year of a two-year spending review. However, the recent spate of Section 114 notices, indicating that local authorities cannot set balanced budgets, has yet to be addressed by the government. The Autumn Statement may set out the government's plans in this area with any addition funding included in the local government finance settlement due in December 2023.

4.7. The new savings proposals are designed to limit, as far as possible, service reductions and the impact on front line services particularly during these challenging times. This does not mean that delivering these planned savings, if approved, will be managerially straightforward, or that front-line services will be entirely unaffected, or that they can be achieved without staffing reductions.

4.8. In summary, the key features of the 2024/25 budget are:

- A Council Tax increase of 4.99% (consisting of a 2.99% general increase plus 2% for the Adult Social Care Precept), making a Band D Council Tax of £1,564.65 (for the Brent element). The GLA precept is unknown at this stage and is subject to their own decision making and consultation processes.

- New budget savings proposals of £8m to be delivered between 2024/25, as set out in Appendices A and B.

5.0 Strategic Financial Overview

Financial Context

5.1. In February 2023, Council agreed the budget for 2023/24 which included £18m of savings, profiled £13.5m in 2023/24 and £4.5m in 2024/25. In July 2023, Cabinet received an update to the MTFS and as a result of demand and inflationary pressures a budget gap of £8m was identified between 2024/25 and 2025/26. These savings will be in addition to the £210m 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. In October 2023 Cabinet received the Quarter 2 forecast position for 2023/24, which set out significant in year pressures within the Housing Service. High levels of demand due to a rise in homelessness and reduction in supply of suitable accommodation are expected to result in an overspend of over £13m.

5.2. The specific cause of the homelessness overspend is an increased number of people presenting themselves as homeless which has necessitated the use of higher cost emergency accommodation which is not fully covered by housing benefits subsidy from the Department of Work & Pensions. There is an action plan with multiple workstreams to address the supply issues which should result in a significant reduction in the cost of housing the increased number of homelessness cases, should the numbers to be housed continue at present levels. On this basis, the current pressure is viewed as temporary which does not therefore require ongoing growth or savings. Delivery of the action plan and its impact on the overspend will be kept under constant review and reported to Cabinet in future forecast and budget reports.

5.3. A number of immediate and medium term actions are being taken to mitigate these pressures in order to maintain financial control over the current budget position, this includes taking a Council wide approach. Officers have implemented a Budget Assurance Panel to provide additional oversight and scrutiny of its financial position, including in-year budget pressures and issues, mitigating actions and the delivery of agreed savings. Actions need to focus on reducing or eliminating the reported overspend in the short-term, improving forecasting techniques for quantifying anticipated demographic and inflationary growth in the medium-term and addressing longer term issues by increasing supply, shaping market prices, managing demand side issues and investing in prevention measures as a means to avoid later high cost intervention.

5.4. In addition, the Council has introduced a number of spending controls to provide more assurance over the Council's spending decisions and reduce the risk that the budget position deteriorates further. These measures, including the financial position in the round, will be closely monitored during the year to understand the impact on the Council's budget over the medium term.

Current financial position

Uncertain Economic Environment

5.5. War in Ukraine, high levels of inflation, labour shortages and rising interest rates present the Council with a volatile and uncertain economic environment. The cost-of-living crisis will impact the residents of Brent and the Council is committed to doing what it can to support those in greatest need. Service demand continues to rise due to demographic changes which affect all age groups and inflationary pressure causing providers to raise their prices are impacting the Council as a whole, with particular pressures on adults' and children's social care and the homelessness budget.

Inflation

5.6. Inflation peaked in October 2022 at 11.1% on the CPI measure. By September 2023 this had fallen to 6.7%. Although this is a significant fall, it is less than forecast and as a result the Bank of England (BOE) has revised its forecasts to expect inflation to fall further to around 5% by the end of 2023 and to not meet its 2% target until early 2025. RPI, which is often used as the basis for indexation in contracts, peaked at 16.4% in October 2022 and currently (September 2023) stands at 8.9%. It is worth noting that at the time of setting the 2023/24 budget the Bank of England was forecasting that inflation had peaked in October 2022 and would fall to its target rate of 2% by January 2024. In fact, inflation has not fallen by such a large amount and at August 2023 remains at 6.7%. This higher than anticipated rate of increase is a contributory factor to the overspend reported in the Quarter 2 report.

5.7. The September inflation figures are important as they are normally used for the uprating of much central government expenditure including pensions (under the triple lock) and (usually) other welfare payments. The local government finance settlement sets out the government's assumptions on the level of resources available to local government, which it terms Core Spending Power (CSP). The government usually uprate local government resources by the September CPI figure and this increase applies to government grants. In the 2023/24 settlement, compensation was given to uprate business rates by the September CPI figure – this is likely to happen again. Government grants also increased substantially reflecting the high levels of inflation being encountered. The 2023/24 settlement was the first year of a two-year spending review. The second year made assumptions about increasing funding by inflation, but at a lower level than is likely for the September CPI figures.

Interest Rates

5.8. Having remained at 1% or less since February 2009, interest rates have been rising steadily. The BOE is attempting to quell rising inflation which remains significantly above the BOE's official target of 2%. In September 2023 the BOE decided to keep the base rate unchanged at 5.25%. The market is still pricing in that the BOE base rate will rise to 5.5% by the start of 2024.

5.9. For the Council, this translates into higher costs of borrowing which in turn will have an adverse impact on the capital programme. For Brent residents, rising interest rates will add additional costs to the holders of existing mortgages, while a higher stress test for affordability (for many mortgages as high as 8% interest rates) and the withdrawal of higher loan to value mortgage products (meaning a higher deposit is required) will act as barriers to first time buyers.

5.10. Base rate in the United Kingdom has averaged 7.11 % from 1971 until 2023, reaching an all-time high of 17% in November of 1979 and a record low of 0.10% in March 2020. While interest rates are not expected to rise significantly from their current levels (the markets are pricing in base rate rising to between 5% and 6% over the next few months), it is highly unlikely that in the near future interest rates will return to the historically low levels at which they have been for the last decade.

Cost-of-Living Crisis

5.11. Since late 2021, the UK has experienced a rise in the costs 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.

5.12. Despite the fact that the cost-of-living crisis has been with us for over a year, a recent report reveals that people seem less worried about rising food and fuel costs. Instead, their concern has shifted to housing costs, as a result of rising mortgage rates. In London the percentage of income spent on housing costs (whether mortgaged or rented) is significantly higher than the rest of the country.

5.13. The impact of the cost-of-living crisis varies by demographic. Younger people (aged 25-34) were twice as likely to describe themselves as being in financial crisis. Those with children and pets are likely to face the highest rise in monthly costs – for the UK an increase of £497 as opposed to £441 for those without children or pets.

5.14. 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 August 2023, RSF has supported 9,770 households with a total of £14.5 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.

- **Council Tax Support** (CTS): 26,197 households are supported through CTS as of 30 September 2023, of which 17,692 are working age and 8,505 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.

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. Through Brent Hubs 2,500 residents were supported with food and fuel needs through referrals to food banks. Brent Hubs have also continued to provide emergency fuel and food support through supermarket and fuel vouchers with over 400 residents receiving on average a £40 voucher.

- Brent Hubs has also been part of the Warm Spaces campaign providing a social space for those who have challenges hearing their homes in the form of a regular coffee morning where over 40 residents local to Kilburn attend each time. The most common needs which residents present with at the Hubs are food and fuel support (22%), housing benefits and council tax (16%), housing and homelessness (16%), form filling – such as RSF applications - (13%), debt and money (10%), and other, for example, employment, general support, immigration etc. (23%).

- 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. Between 1 April 2023 and 31 August 2023, the Council has supported 11,207 households with a total of £1.5m with a further £4.1m expected to be spent by the end of 2023/24. The support included summer holiday school vouchers, supporting 0-4 year old children's parents in receipt of Housing Benefits, as well as reactive support. Further activities are planned to support residents claiming

Housing Benefits only, disabled residents receiving Housing Benefits, young carers, as well as providing support to food banks, charities and voluntary organisations to support our residents with financial, food and fuel support.

- In 2023/24, £1m has also been committed to support families with a Family Food Fund. This intends to support families that have children and difficulties with food affordability but do not qualify for free school meals.

Financial Inclusion Dashboard

- Measuring impact will improve the Council's understanding of the effects of the Cost-of-Living crisis on the borough and will shape how effective collective efforts are in helping to mitigate any negative impacts. The main mechanism for measuring impact is a financial inclusion dashboard. This dashboard is underpinning the development of our resident support model.

- The dashboard consists of both strategic and operational views. The strategic dashboard enables senior officers and Members to see changes at a borough and ward level. The operational dashboard provides operational staff with a more holistic view of individual residents and can be used to support better targeting of support.

- Phase two of the development of the dashboard has been completed with the addition of Free Schools Meals, Resident Support Fund, Business Rates and Housing Benefits Overpayment datasets. The next phase of the project involves embedding use of the current dashboard and agreeing priorities for additional datasets to include.

- Brent is currently taking part in a pilot led by the London Office of Technology (LOTI) which aims to bring together datasets used by Adult Social Care into a separate dashboard for front line practitioners. Learning from this pilot will inform work to incorporate external data into the FI dashboard.

Energy Price Cap (Consumers and Businesses)

- To help protect consumers from steep increases in energy prices, the Government introduced the Energy Price Guarantee from 1 October 2022.The intention of the scheme was to reduce the unit cost of electricity and gas so that a household with typical energy use in Great Britain pays, on average, around £2,500 a year on their energy bill, for the next 2 years. This has subsequently been revised as wholesale energy prices have fallen with a cap of £1,923 applying from October 2023. Energy suppliers are fully compensated by the government for the savings delivered to households.

- For an individual customer, the amount paid under the Energy Price Guarantee will vary depending on how much energy they use, where they live, how they pay for their energy and their metering arrangement.

- The Department for Business, Energy & Industrial Strategy (BEIS) introduced the Energy Bill Relief Scheme for businesses and other non-domestic customers. This only applied to the 2021/22 financial year and has since been abolished.

Government Fiscal Events

Autumn Statement (22 November 2023)

5.15. The Autumn Statement will mark the second year of a two-year spending review period and may be the last Autumn Statement before a general election. Whilst there may be some new announcements that affect central government finances, it is unlikely that there will be any significant announcements that affect local government.

5.16. The 2022 Autumn Statement also deferred a number of items to 2025/26 creating a cliff-edge which could have a serious negative impact on funding for local government. There is therefore a risk that the 2025/26 local government finance settlement will necessitate further savings in 2025/26.

5.17. The one area that was unclear from the previous Autumn Statement was whether the New Homes Bonus would continue in 2024/25. A recent (September 2023) guidance document from the Department for Levelling Up, Housing and Communities (DLUHC) indicates that it will. This is good news for Brent which received the highest level of New Homes Bonus in 2023/24 at £7.9m as a result of increasing the supply of homes more than any other Council in the UK. This amount is likely to be received in 2024/25, although no amount of New Homes Bonus has been assumed in the proposed budget as its receipt and level are uncertain.

5.18. A further issue in local government finance that the government may wish to tackle is the number of authorities who have already or are on the verge of effectively declaring themselves bankrupt by issuing a Section 114 notice. So far seven authorities have issued Section 114 notices (Northamptonshire County Council {subsequently abolished}, Nottingham, Croydon, Slough, Thurrock, Woking and Birmingham) and local government organisations estimate that another 26 authorities are on the edge of issuing such notices.

5.19. Five reasons have been identified for the issue of a Section 114 notice: problems servicing debt, low reserves, overspending on major projects, unstable leadership/poor management and poor member/officer relations. Brent is not experiencing problems servicing debt and has adequate levels of reserves; the other three factors do not apply.

5.20. To date the government has intervened in authorities issuing a Section 114 notices, often appointing commissioners to take control and in the case of

Northamptonshire County Council ultimately abolishing the authority. Additional financial resources have not been forthcoming with the government restricting financial support to the issue of capitalisation notices which enable the authority to spend its own capital resources on its turnaround plan. It is not felt likely that the government will provide funding specifically targeted at authorities in financial difficulty as that might be seen as rewarding failure. The government could however provide some extra funding to local government if it is concerned about local authorities ringing financial alarm bells in the run up to a general election.

Local Government Finance Settlement (expected in December 2023)

5.21. It is not yet known when the provisional Local Government Finance Settlement will be announced, but past experience suggests that this will happen in mid- to late-December.

5.22. The starting point of the Local Government Finance Settlement (LGFS) is Core Spending Power. This is a measure of the resources available to local authorities to fund service delivery. It includes Council Tax and locally retained Business Rates, a number of generally usable government grants and the Revenue Support Grant. Normally, Core Spending Power is increased in total by the September CPI rate. The government then calculates the income available to the local authority by assuming that it sets the Council Tax at the referendum limit, receives the local share of indexed Business Rates and inflated government grants (including any changes to the level of funding). The level of Revenue Support Grant is then set as the balancing figure to bring total funding in line with the Core Spending Power figure.

5.23. For the LGFS 2023/24 the final settlement confirmed an increase in local government core spending power of 9.4 per cent, assuming that all councils will be increasing council tax to the maximum allowed without a referendum. This was skewed in part by additional funding for adult social care. It is unclear whether a similar methodology will be used in 2024/25, with perhaps increased social care funding – an area where many councils are experiencing severe financial difficulties.

5.24. The 2023/24 LGFS deferred a number of important decisions that will affect local government financing until after the next general election, these include the fair funding review of local government funding, the reset of the business rates baseline, and the introduction of a cap on care costs.

5.25. At present the MTFS assumes that government funding will increase by 3% in 2024/25 and that the Council will increase Council Tax by the maximum of 4.99% allowed by an unchanged referendum limit. Given that 2% of this will be the social care precept, the actual increase for most Council services will be 2.99% - a real terms cut of around 5% if inflation is running at 8%.

Outlook for Future Government Funding

5.26. After 2024/25, the MTFS model assumes that government funding and Council Tax will each increase by 3% in future years. If inflation remains at significantly above this level, this will cause a real terms cut in resources. Service pressures caused by increased demand resulting from the cost-of-living crisis and demographic pressures will put further pressure on the Council's budget leading to a need for substantial savings in future years.

Administration Priorities

5.27. The budget process is designed to ensure that it is priority led so that resources are aligned with statutory responsibilities and council priorities, which are set out in the four-year Borough Plan (2023-2027).

5.28. The Borough Plan 2023-27 sets out the Council's vision for the next four years. There is an emphasis on how the Council will work with others to support people through the cost-of-living crisis, realise climate change ambitions and harness the diverse range of communities. Central to these ambitions is making Brent the best it can be for everyone who lives and works in the borough.

5.29. The overarching theme of the plan is 'Moving Brent Forward Together'. 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. Each priority area has set outcomes the Council will work towards, building on the achievements so far with renewed focus and actions. It tackles cross-cutting issues such as homelessness and health inequalities.

5.30. The five priorities are:

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

5.31. As is customary during the budget setting process, the MTFS will need to ensure it provides a framework to enable and support the delivery of these programmes.

6.0 Review of Key Budget Assumptions

Overview of current MTFS

6.1. The General Fund revenue budget for 2023/24 was set at the Council meeting of February 2023, where savings of £18m were agreed, profiled £13.5m in 2023/24 and £4.5m in 2024/25). At this stage these savings are on track to be delivered. Some savings have been flagged as at risk, or delayed, and where this is the case mitigating actions have been put forward.

6.2. In 2023/24, there is a forecast overspend of £13.4m against the revised revenue budget at Quarter 2. This is equivalent to 5% of the revised budget. This is mainly as a result of extreme pressures in temporary accommodation and homelessness. If sustained until the year end, this would require a transfer from unallocated reserves. In turn, this would reduce the balance of unallocated reserves from £18m to £5.1m, significantly below what is considered by the Corporate Director of Finance & Resources to be an adequate balance for the Council. Equally, any overspending not dealt with in 2023/24 would, potentially, carry over into 2024/25 thereby increasing the requirement for further savings in that year whilst at the same time providing no scope to draw on the Council's reserves.

6.3. The seriousness of the Council's financial position cannot be understated. The scale of the financial challenge for 2023/24 and 2024/25 is such that, in addition to work currently underway to implement savings in 2023/24 and to identify new savings proposals for 2024/25 and 2025/26, the Council may need to implement further measures to control expenditure in order to address the underlying issue that the Council's net expenditure is significantly greater than available sources of in year funding.

6.4. At present, the budget gap and savings target have not been increased as a result of the forecast overspend reported at quarter 2. However, should management actions and other cost control measures not turn around the situation both for 2023/24 and future years, it may be necessary to identify further savings in 2024/25. The use of reserves to balance the budget would not be prudent if a substantial amount of reserves had already been used to shore up the position in 2023/24. Further analysis on the use of reserves is set out in paragraphs 7.3 and following of this report.

Departmental pressures

6.5. Managing ongoing demand-led pressures remains a key aspect of the MTFS. The existing annual growth assumptions are in fact estimated increases in unavoidable expenditure. Those built into the MTFS cover areas such as contract inflation, pay inflation and demographics (by which is meant meeting the cost of providing existing services for a growing and changing population). These expenditure assumptions represent the annual costs that have to be incurred just to stand still.

6.6. As the two areas most affected by the changes in demography and increasing contractual costs, the Care, Health and Wellbeing and Children 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 basic of the contract inflation and demographic changes in these areas.

6.7. There are also considerable pressures in other areas. The unprecedented demand for temporary accommodation is putting considerable pressure on the budget for Residents Services. Concessionary fares are also experiencing substantial increases as usage in London returns to pre-pandemic levels. As the largest contributor to the Freedom Pass scheme, Brent faces a substantial increase in cost with the contribution forecast to rise by £4.7m in 2024/25, £3m in 2025/26 and £2.8m in 2026/27. Concessionary fares are part of the Care, Health and Wellbeing budget.

6.8. A summary of these growth and cost pressures are shown in the table below.

Table 1: Growth / Cost Pressures

GROWTH		
	2024/25	**2026/26**
Categories	**£000s**	**£000s**
Demographics - CHW	3,608	3,677
Demographics - CYP	1,080	1,651
Demographics - Other (inc. Housing)	900	1,000
	5,589	**6,327**
Inflation - CHW	3,397	2,438
Inflation - CYP	1,506	1,035
Inflation - Other (inc. Housing)	1,455	914
	6,358	**4,386**
Pay	6,500	3,500
Service Changes	11,412	4,085
Grand Total	**29,858**	**18,299**

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

Care, Health & Wellbeing

6.10. Within Adult Social Care, demographic and inflationary pressures, high spend on agency staff, as well as uncertain implications of the fair cost of care and other social care reforms, all pose financial risks to the budget. Whilst the planned social care charging reforms have been delayed from October 2023 to October 2025, 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.

6.11. Adult Social Care in Brent has already seen rising costs and client numbers in the current year, in particular Supported Living, Nursing and Residential care services. Nursing Care and Supported Living client numbers have both increased by 10% since 2022/23 and average package costs for Residential Dementia Care have increased by 8% at a time when client numbers have grown by 6%.

6.12. Inflation has been higher and is likely to persist longer than originally forecast. Higher inflation has had, and will have, implications for pay. Almost all care workers are paid at, or very close to, the National Living Wage (NLW), or the London Living Wage (LLW) in London. This means that the labour element will increase in line with the annual increase in the NLW/LLW. For 2024/25, the government has announced that the national living wage will increase of at least £11 – an increase of 5.6%. As the labour element is a large part of costs, this will have a significant impact on the overall inflation rate for care. This is expected to reflect in increased cost of packages of care within Brent.

6.13. In 2024/25 the costs of these fee and wage increases plus other financial pressures such as demography and inflation on other adult social care budgets is expected to exceed the extra resources available to adult social care nationally by at least £300m and potentially up to £600m depending on the NWL/LLW proposed.

6.14. Public Health contracts are also likely to be affected by the rising levels of inflation. The majority of public health services are commissioned from the NHS where the national Agenda for Change pay awards have significantly outstripped uplifts in the public health grant, even before the resolution of industrial disputes.

Children and Young People (CYP) General Fund

6.15. There continues to be increased spend in the General Fund of the CYP department due to the impact of rising demand for placements, high inflationary cost increases, and the reliance on agency social work staff due to recruitment and retention challenges.

6.16. In September 2023, the Department for Education (DfE) published a consultation response to *Stable Homes Built on Love* (the original consultation was published in February 2023) which was which announced plans for a wide-ranging transformation of children's services in England. A recent research paper *Stopping the spiral: Children and young people's services spending 2010-11 to 2020-21* **|** *Pro Bono Economics* highlighted that there has been a significant shift over the years from early intervention services to higher cost late intervention services such as placing children in residential care. The DfE intends to cover improvements to support given to families, promoting a greater use of family networks, a more integrated child protection system, looking to resolve issues in the care market, workforce development and improving availability and use of data and intelligence. With early intervention being at the core of the reforms to produce better outcomes for children and also any potential increases to children's social care budgets are yet to be determined as a result of this reform programme.

6.17. There are currently 319 (August 2023) Looked After Children (LAC) and the department is maintaining effective management of demand by keeping children at home with their families where safe to do so. A challenge remains in Brent that some of the children looked after are older and have needs that are more complex and therefore, are placed in higher cost placements. The current 2023/24 average weekly cost of a residential placement is £6,280, which is £259 higher than the 2022/23 average. In 2023/24, the highest weekly costs for six residential placements with complex needs, range from £10,000 to £14,847. A review by the Competition and Markets Authority (CMA) in 2022 highlighted the dysfunction in the market for care placements. The CMA concluded that due to the lack of sufficient placements, local authorities nationally are struggling to find suitable, local placements when they are needed, leading to private providers charging unjustifiably high prices for placements and making excessive profits. The impact of inflation and the lack of sufficient placements is likely to see the weekly cost increase further in 2024/25.

6.18. The CYP department also manages the placement costs of Unaccompanied Asylum-Seeking Children (UASC) presenting to the borough. Although grant funding is received from the Home Office to mitigate the costs, the funding is not sufficient to cover costs such as additional costs for specialist age assessment social workers, legal costs, additional personal advisors to manage cases, and increased subsistence costs. There is also the rising numbers of UASC care leavers which currently stands at 35% of the care leavers cohort in Brent, who need to be accommodated until the Home Office make a final asylum determination nationally. There is a lack of sufficient funding from the Home Office for this cohort and local authorities are required to manage the shortfalls.

6.19. The department is reliant on health contributions from the Integrated Care Boards (ICB) to fund health related spend against the placement costs and the health element of a Special Education Needs and Disabilities (SEND) child's Education, Health, and Care Plan (EHCP). Brent continues to work with health colleagues to ensure the maximum contributions are received through the Joint Funding Panel.

6.20. The national challenge for the recruitment and retention of skilled and experienced social work staff remains and has led to a reliance on agency staff in the Localities and Looked After Children & Permanency (LAC&P) teams. Currently across the Localities teams, agency staff occupy 39% of the establishment which is a reduction from 2022/23 of 44%. This is because of actions such as a weekly Establishment Board created to scrutinise all agency recruitment, corresponding activity to achieve permanency through discussions with agency staff to convert to permanent roles and working in collaboration with neighbouring local authorities on effective and targeted recruitment and retention activity. Caseloads have remained consistently higher than budgeted levels and as of August 2023, there were 2,786 caseloads managed by the teams which exceeds the budgeted levels of circa 2,500 by 11%. A risk remains if demand continues to grow, this could create added pressures in these areas. Management will continue to monitor the caseload levels and the use of agency staff while continuing the drive to recruit permanent staff.

Communities and Regeneration

Communities

6.21. Brent's population has seen a significant number of arrivals of refugees and migrants into the borough, this is likely to increase as the Home Office is planning to open further accommodation in Brent. These are often complex cases of vulnerable adults and children; the financial impact of this is likely to be felt across the council, but in particular for Housing related needs. Communities has put aside some of the grant it has received for Ukrainian and Afghan refugees to help address these issues, but this funding will run out in the next three to four years at the current spend rate. In order to mitigate this risk, the department will continue to explore opportunities for partnership working.

Regeneration

6.22. 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, as the current economic climate and regulatory changes having an impact on construction and viability, with there being reduced appetite for developments of all sizes. There is the potential that this could impact the income received for years to come. An increase in planning application fees is expected to be introduced around the end of the year, which will help mitigate income from reduced numbers of applications.

6.23. This is also impacting the income collected by the Building Control team as less developments are taking place. Fees and charges for this service are being reviewed to determine the appropriate levels for the future, any proposed changes will be included in subsequent budget papers.

Resident Services

Homelessness

6.24. The increase in demand for Bed & Breakfast, Annexes and Emergency Homeless Lets (EHL) is expected to result in a £4.5m pressure against the current 2023/24 budget. An extremely high level of demand for housing services is a national issue, but is particularly acute in London. The Housing Needs Service in Brent has seen a 22% increase in a number of homelessness presentations when compared to the same time last year. Other London boroughs are experiencing a similar increase in demand, with a 20% increase in presentations on average. The total number of households in Temporary Accommodation in Brent has increased by 14% and the number of families in Bed and Breakfast hotels has seen a 322% increase. Whilst the COVID-19 pandemic, associated lockdowns and the ban on Private Rented Sector (PRS) evictions may have been a factor in this growth, demand for homelessness services continues to grow. As at the end of July 2023, the total number of homeless households living in B&B and Annexe accommodation has risen to 553, broken down between 324 families and 229 single people. If demand continues at the same rate, the service will receive a total of 7,700 applications this financial year, an average of 148 applications every week, which is the highest it has ever been.

6.25. At the same time, the PRS market has contracted, which means there is a lack of supply to move households on from temporary accommodation. London Councils commissioned Savills and the London School of Economics (LSE) to produce a report on the Supply of PRS Accommodation in London. The report has found that London's PRS is affected by multiple factors driving a reduction in the availability of properties for rent. The report highlights that demand for housing is continuing to increase while supply is reducing across the whole market. It has found that greater reliance on the PRS to house lower income households and increasingly limited housing benefits are making accommodation less affordable and available. Currently it appears to be supply side factors notably taxation, interest rate changes and uncertainties about future regulation that are reducing availability at the lower end of the PRS.

6.26. As these issues are London wide, the availability of B&B and Annexe accommodation is severely restricted across the capital, with many Councils being forced to book rooms in commercial hotels to meet statutory duties. This lack of availability of accommodation is resulting in having to use expensive providers and at times outside of Brent, which also causes significant financial pressures to the families placed there due to additional travel costs for children at schools in Brent.

6.27. Brent is one of 10 member boroughs of Capital Letters, which is a company established to enable a collaborative approach to procuring PRS properties across London, to help meet the demand for affordable housing from homeless families. The current PRS market conditions have also had a significant detrimental impact on Capital Letters performance in securing suitable PRS properties for member boroughs. There was a 53% reduction in PRS properties let through Capital Letters from 2021/22 to 2022/23.

6.28. As well as procuring PRS properties through Capital Letters, the housing service operates a Find Your Home scheme, to encourage homeless households to find their own affordable PRS property, which the service will then assist them to secure by paying the owner a financial incentive in lieu of a deposit and first month's rent. There was a 35% reduction in PRS properties let through Find Your Home and internal procurement from 2021/22 to 2022/23. If the 2023/24 procurement continues at the same rate, the decrease will be 64%.

6.29. The supply of settled TA properties, leased from private owners and used to move families out of B&B and Annexe accommodation has also contracted. This is due to fewer new properties being procured under Private Sector Leasing (PSL) schemes, and owners not renewing the lease for existing stock, when the lease ends.

6.30. The type of accommodation provided as TA also has a bearing on entitlement to housing benefit subsidy for the payments made. Where a family occupies more than one room in a hotel and those rooms are not connected only one room will be eligible for subsidy. Depending on whether the accommodation is self-contained (exclusive use of a kitchen, bathroom and toilet) or non-self-contained (one or more facilities is shared), there is a cap on the subsidy entitlement based on the applicable Local Housing Allowance (LHA). Payments above the LHA cap are ineligible for housing benefit subsidy.

6.31. The loss of Housing Benefit subsidy cost is forecast to rise to £8.6m in 2023/24 (from £3.7m in 2022/23) as rents increase but the LHA remains unchanged at its current level. Benefits paid to those living in TA is limited to 90% of the 2011 LHA rates which, particularly since the pandemic, is significantly less than rents being charged by most private sector landlords today. The subsidy loss is expected to remain high in coming years due to the high level of demand and insufficient supply.

6.32. The Council has designed a programme of works to focus on containing forecast budgetary pressure with a number of workstreams covering affordability of Temporary Accommodation and new and alternative supply have been set up. Some progress has already been made to move some of the most expensive cases or those with the highest subsidy loss to alternative arrangements that aim to reduce costs to the Housing Needs service and associated overall subsidy losses, however it is too early to quantify the impact of these actions at this stage.

6.33. The government has initially launched a technical consultation seeking views on the approach to the funding arrangements and conditions for the Homelessness Prevention Grant. This has been postponed and the 2024/25 allocation has been confirmed to be £7.6m, a 3.6% increase when compared to 2023/24.

Energy Costs

6.34. Volatilities in the energy market are being closely monitored but this is one of the risk areas for the department. For 2023/24, energy costs are currently forecast to be lower than initially feared and are expected to be contained within the allocated budget, however this risk remains for 2024/25.

6.35. Higher utility costs are also impacting operations of leisure centres, which means that a risk of provider failure is increasing. Supporting operators by subsidising their operating costs would create budgetary pressures for the Council and closing sites would also have a significant impact on both communities and income levels. The Council is working closely with the leisure providers to ensure continuity of the affordable service and will continue to monitor its position for 2024/25.

Transport Services

6.36. The provision of sufficient special needs home to school transport is the Council’s statutory obligation and Brent Transport Service continues to experience annual growth in net passenger numbers leading to an increase in cost of the service delivery. Rising demand linked to the increase in the EHCPs (Educational, Health and Care Plans), as well as prices on taxi routes put considerable pressure on the budget. This obligation is recognised in the MTFS and growth is built in based on prior year trends and demography forecasts. The service continues to monitor the demand projections and considers mitigations to reduce the financial impact where possible.

Income Generation

6.37. 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 reduced demand for services due to the cost-of-living crisis and wider economic factors could put a pressure on the service's budgets. A 1% fall in income could result in over £300k loss of revenue to the Council per annum.

7.0 Council-wide Themes

Employee Costs

7.1. The current financial environment is putting considerable upward pressure on pay. The pay award for 2023/24 was agreed for Outer London at an increase of the highest of 3.88%, or £2,226, inclusive of the Outer London Weighting. In absolute terms, this is similar to the pay award for 2022/23, but broadly equates to an average 5.7% increase in pay (6.5% in 2022/23), ranging from 9.42% at the lowest level of pay to 3.88% at the highest level of pay. This is estimated to cost £8.5m in 2023/24. Provision has been made for this in the Council's budget for 2023/24, so it is not anticipated at this time that further management action will be required to mitigate this pressure.

7.2. The pay award for 2024/25 has yet to be agreed and the type of pay award for 2024/25 is also unknown - it could be an overall percentage (like 2021/22), a flat amount (like 2022/23), or a combination of both (like 2023/24); however, the growth assumed for pay inflation in the MTFS for 2024/25 is £6.5m, which is sufficient for a pay award of up to 4.5%. At the present time £6.5m is deemed prudent as inflation in 2024/25 is not expected to be as high as in 2023/24, but will remain above the Bank of England's target of 2%. This will need to be kept under review. While it is welcome that the pay awards for council staff in recent years have reflected the need to respond to the high inflationary environment and the resulting cost-of-living crisis, the permanent increase in the Council's cost base represents a significant ongoing cost pressure.

7.3. At the Conservative Party conference in October 2023, the government announced the intention to raise the national minimum wage, currently £10.42 for workers aged 23 and over, to at least £11 per hour in 2024. Whilst the Council pays its staff above the London Living Wage and will therefore not be directly affected by this announcement, contractors and providers, particularly in the care sector, will be potentially impacted and this may give rise to a cost pressure.

Fees and Charges

7.4. Setting the level of increase in fees and charges is going to be difficult this year due to high inflation and a volatile economic environment. Brent's residents are also facing a cost-of-living crisis, unprecedented in recent times. Whilst the Council is committed to supporting the borough's residents through this economic uncertainty, a freeze on increases in fees and charges is not an affordable option. The Council is therefore taking a balanced approach that seeks to keep down the level of increase as far as is possible and appropriate. Departments will be asked to follow the advice issued in 2022 to be mindful of the impact on residents and local businesses when setting increases in fees and charges.

7.5. The outcome of the review of fees and charges and the proposed increases for 2024/25 will be set out for Full Council in February 2024.

Council Tax

7.6. Council Tax is one of the most significant sources of income for the Council, making up £150.8m (or 42%) of total core funding in 2023/24. The 2021 Spending Review allowed Local Authorities to increase Council Tax by up to 2% without a local referendum and in addition, local authorities with adult social care responsibilities were able to levy a 1% adult social care precept.

7.7. In the 2023/24 Local Government Finance Settlement (LGFS), Central Government increased the referendum limit to 3% with a 2% adult social care precept. Alongside this, in the Local Government Finance Policy Statement 2023/24 to 2024/25, the Department for Levelling Up, Housing and Communities (DLUHC) confirmed that these higher referendum limits would remain in place for 2024/25.

7.8. The Government is also likely to continue its financing assumption 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.

7.9. The cost-of-living crisis, increasing interest rates, COVID-19 scarring and social care reforms add additional burdens to existing pressures within the Adult Social Care and housing services. This significantly impacts people's ability to live independently, therefore the Council is seeing increased demand, particularly for more complex needs cases, which require a more comprehensive support package. The situation is exacerbated by staffing shortages across the sector and unmet demand in both the working age adults and older people mental health services for highly trained professionals. There has also been growth in the number of people approaching the Council with multiple needs which has in turn increased the number of care assessments required. This is largely connected to difficult housing conditions where self-neglect and hoarding are common problems. There has also been additional growth in Safeguarding Adults. The effects of the cost-of-living crisis, including diminishing disposable incomes and increased energy poverty, as well as long-term COVID-19 issues are expected to increase demand for services.

7.10. Taking into account the unprecedented pressures within social care, housing and the financial position in the round, the budget has been prepared on the basis of a 4.99% increase in the Brent element of Council Tax. This will add £7.5m of recurring income to the Council's budget. 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 (CTS) scheme which provides £32m of support to around 26,000 households who are financially vulnerable.

7.11. As a result, it proposed to consult on a Council Tax increase of 4.99% in 2024/25 (consisting of a 2.99% general increase plus 2% for the Adult Social Care Precept), making a Band D Council Tax of £1,564.65 (for the Brent element). The GLA precept, which makes up about 22.5% of the overall bill, is unknown at this stage and is subject to their own decision making and consultation processes.

7.12. When budgeting for Council Tax, there are three main factors to consider:

- Council Tax Support (CTS) expenditure,
- Short and long-term collection rates, and
- Growth in the tax base.

7.13. The total cost of providing CTS has increased from £28.4m at the start of the pandemic to £32.1m as at September 2023, an increase of £3.7m, or 13% which is broadly in line with the overall increase in Council Tax, offset by a recent decrease in the number of households receiving support through CTS. This is significant as an increase in CTS expenditure reduces the amount of Council Tax that is able to be collected.

7.14. Another factor that could affect Council Tax income is a reduction in the collection rate. Typically, in-year collection for Brent is around 96% and over a longer period of time will reach around 98%, which is built into the MTFS model and prior to the pandemic was broadly comparable to other London boroughs. The in-year collection rate in 2022/23 was 93.4%, although total collection is expected to increase in future years as debt recovery will continue to be attempted. Based on current modelling, the in-year collection rate for 2023/24 is expected at 94.4% which would result in a £2.4m reduction of income compared to the previous in-year target of 96%. Clearly this is significant, however this gap is reducing year on year and it is expected that through ongoing debt recovery in future years, this will reach the long-term collection rate target of 98%.

7.15. As a result of the postponement of normal debt recovery action for nearly two years during the pandemic collection assumptions were reduced in 2021/22 and again in 2022/23, before being held at the reduced level in 2023/24. It is too early to be able to estimate the long term impact on collection. At present the long term collection rate in the MTFS has reverted to 97.5% from 2024/25. This will be kept under review as there may be an impact on collection from the cost of living crisis, lower than inflation pay rises, higher interest rates and potential squeeze on benefits. It should be noted that the Council maintains provisions for writing off debt that will not ultimately be collected.

7.16. The calculation of the Council Tax base (and likewise the long term collection rate) is one of the technical stages in the process of setting the Council Tax, which will be considered by the General Purposes Committee on 11 December 2023. Brent, like all Local Authorities, has to set a balanced budget by working out how much next year's band D Council Tax should be on the basis that the total tax to be collected equals the budget required to pay for its services. The tax base represents the aggregate taxable value of all residential property in Brent. The Council Tax base was previously assumed to grow at 1% per annum (or around 1,000 properties) and contributes nearly 30% to total budgeted Council Tax income in the MTFS.

7.17. Between October 2021 and October 2022, the taxbase increased at a significantly faster rate than the previously assumed 1%. As a result of this, the current assumption in the MTFS is for an increase of 1.8%, which was lower than the prevailing growth rate to allow for fluctuations in the data. This will be kept under review with reference to data compiled by the Council from a number of sources, including the planning department and directly from developers, showing the number of consented schemes that are likely to complete towards the end of 2023/24.

Business Rates

7.18. The in-year collection rate for Business Rates in 2022/23 was 93.0% which was higher than the previous two years of the COVID-19 pandemic, but remains significantly lower than the amount collected pre-pandemic, at 98.2%.

7.19. The amount that was planned to be collected in 2023/24 was £125.5m and, as a result of mandatory reliefs funded by government, the amount that is able to be collected is now £122.0m. The in-year collection rate for 2023/24 is forecast to be around 94% of amounts due, increasing the levels of debt outstanding that will be pursued over time.

7.20. Business Rates and Council Tax income assumptions in the budget for 2023/24 were fairly cautious and reduced the overall income built into the MTFS. At this stage of the budget process, and due to the continued uncertainty in collection, it is deemed reasonable to continue with cautious budget assumptions.

Business rates - Eight authority pool

7.21. The Government designated a pan-London business rates pool in 2018/19, which piloted 100% retention in that year, and was revised to pilot 75% retention in 2019/20. For 2020/21 the Government decided not to renew the London pilot, and for London to revert back to the pre-existing 2017/18 67% retention scheme (30% borough share, 37% GLA share, 33% Government share). A voluntary pool was set up by all London Boroughs in 2020/21 which offered lower financial benefits than the previous scheme, while retaining all the strategic benefits. However, the onset of the pandemic during 2020/21 had a significant impact on the collection of business rates and the pool was not continued in 2021/22.

7.22. In 2022/23 the Council entered into a new pool with seven other London authorities on the same basis as the previous London-wide pool. The pre-audit outturn position for the 2022/23 pool shows benefits of £40.8m, which is around £10m more than had been forecast. Brent's share of the pooling gain is £3.5m, an increase from £2m forecast when the pool was created and received during 2022/23.

7.23. For 2023/24, the decision was made unanimously for the eight-authority pool to continue. As of August 2023, the forecast benefits from the 2023/24 pool are £19m, of which Brent's share is £1.6m. This is a reduction from £29.4m (Brent share £2.5m), which has resulted from a technical change regarding another authority in the pool. However, this still represents further resources to be generated for Brent that would not be generated through the retained business rates regime as an individual authority.

7.24. For 2024/25 a proposal has been made for the eight-authority pool to continue. Brent has indicated to Central Government its intention to continue, and it is anticipated that the other seven authorities will also declare their intention to continue with the pool, subject to approval by their relevant authorising bodies. Whilst, as seen above, the benefits may vary from what is initially forecast as a result of changes at the individual pool member level and the economic environment, all current projections continue to indicate that there remains a considerable benefit to be gained from membership of the pool. However, at this stage it is too early to build an estimate into the base budget due to the uncertainties around the continuation of the pool and lack of clarity on central government's plans for business rates in general.

7.25. As part of the February 2023 Budget Report, decisions on entering into and remaining a member of a Business Rates pool were delegated to the Corporate Director of Finance and Resources. A decision on this is not therefore required. If there is a risk to the pool making a loss, which is currently deemed unlikely, Brent will have the ability to withdraw from the pool at any point up to 28 days after the government's provisional Local Government Finance Settlement, expected in December 2023.

Government Funding

7.26. The budget for 2024/25 is the second year of a two-year Spending Review period. As such, it is expected that the Provisional Local Government Finance Settlement, usually announced in mid-December, will largely continue with the figures announced in last year's Autumn Statement. One area of uncertainty about whether the New Homes Bonus will continue in 2024/25 seems to have been resolved with a government announcement which implies that it will. The Spending Review assumed a lower level of inflation than is likely to be the case when the September 2023 CPI figure is known. This is normally used as the basis for inflationary uprating of government funding. It is unclear whether the government will uprate funding by this rate or a lesser amount, which would represent a real terms cut in funding. The recent spate of local authority financial failures and widespread concerns across local government about inadequate funding may lead the government to be cautious about any increase in funding at a lower rate than inflation. It is viewed as unlikely that the government will provide large amounts of general funding to address these concerns, particularly as the government has provided no additional funding to those authorities which have issued a Section 114 notice; however, it is possible that the government may provide targeted additional resources in areas such as social care (likely) and homelessness (less likely).

7.27. In line with the 2022 Spending Review, it is anticipated that the Revenue Support Grant, Public Health Grant, the Improved Better Care Fund and the Social Care Grant will continue to be uplifted by an inflationary indexation factor, albeit this may be at a lower rate than the September CPI figure.

7.28. The overall approach assumed in the MTFS to the indexation of government funding has been cautious. The working assumption is a 3% increase and this has not been increased despite persistently high rates of inflation, since it is unclear whether the government will provide increased funding at this level. This approach means that the Council will not be required to find extra savings to cover any potential loss in indexation, should the government only provide a 3% inflationary uprating.

7.29. Taking into account this indexation assumption, these grants represent over £74m of funding. The core funding forecast for the 2024/25 budget remains as previously assumed.

Reserves Strategy

7.30. The Council takes a risk-based approach to the management of useable reserves and as part of setting the annual budget, the Section 151 Officer undertakes a review of risks and known commitments to calculate a minimum level for the General Fund reserve. In 2023/24, this was increased to £18m, from £15.1m, to ensure that this reserve is adequate – this represents 5% of net expenditure, which is the minimum prudent level expected by external auditors.

7.31. The Council has reviewed its earmarked reserves to ensure that no reserve is held which is no longer required for its original purpose.

7.32. All earmarked reserves will continue to be reviewed annually to assess the extent to which they could be repurposed to support the Council's budget; however, the vast majority of earmarked reserves are already set aside to help fund expenditure to which the Council is already committed. The use of some reserves is also ring-fenced by statute to specific purposes (Community Infrastructure Levy and Public Health are examples of this).

7.33. Best practice is to use reserves only to fund one-off items as the reserves themselves are by nature single sums that can only be used once. According to CIPFA's *Financial Management Code,* running down reserves by persistent use to support the revenue budget would be a symptom of financial stress, indicating a financial position that is not sustainable in the long run. This has been a common problem at local authorities which have issued a Section 114 notice.

7.34. Any draw down from reserves in the proposed budget and future forecasts in the MTFS needs to be stress tested to determine its effect on the level of usable reserves. For instance, if a drawdown of £6m per annum (circa 5% of the net budget) were incorporated into the Council's budget plans, the General Fund balance of £18m would be exhausted after three years. Having no reserves is not prudent and would expose the Council to considerable financial risk and would be likely to lead to an adverse external audit opinion on financial sustainability and resilience.

7.35. The current budget proposals are made on the assumption that no reserves will be drawn down to support the budget. Should the financial position be worse than expected, for instance due to an adverse local government finance settlement, the Council will use reserves to bring the 2024/25 budget into balance. It is permissible to use reserves in the short-term to bridge gaps and cover timing differences, but only if there are clear, achievable savings in the medium term. This will be a one-off measure and the gap will need to be addressed in future years as persistent use of reserves will cause them to fall below the prudent level required to guard against risks and uncertainties, and could ultimately lead to the complete depletion of uncommitted reserves.

Overall summary of the budget position

7.36. The MTFS captures the factors that give rise to pressures on the revenue budget. As far as can be assessed in these uncertain times, the MTFS is a robust model of the financial outlook for Brent and is resilient within a range of tolerances.

8.0 Savings Proposals

8.1. In February 2023, Council agreed the budget for 2023/24 which included £18m of savings, profiled £13.5m in 2023/24 and £4.5m in 2024/25. In July, Cabinet received an update to the MTFS. Given the potential cliff-edge for government funding in 2025/26 and the high level of demand and inflationary pressures being experienced, scenario analysis suggested a central case budget gap of £8m. This is set out in the following table.

Table 2: Overall Financial Position

Proposed Budget	**2024/25 £m**	**2025/26 £m**	**Total £m**
Expenditure			
Base Budget from 2022/23	358.4	379.4	
Growth			
Demographics	5.6	6.3	11.9
Inflation	6.4	4.4	10.7
Pay	6.5	3.5	10.0
Other	11.4	4.2	15.6
	29.9	**18.4**	**48.3**
Total Expenditure	**388.3**	**397.8**	
Income			
Revenue Support Grant	(29.8)	(30.7)	
Specific Grants	(74.6)	(76.7)	
Council Tax	(162.1)	(169.9)	
Business Rates	(112.9)	(115.9)	
Total Income	**(379.4)**	**(393.2)**	
Budget Gap (Expenditure less Income)	**8.0**	**4.6**	
Savings			
Savings Proposals (agreed in February 2023)	(4.5)		(4.5)
Savings Proposals (for agreement in February 2024)	(3.6)	(4.4)	(8.0)
	(8.1)	**(4.4)**	**(12.5)**
Technical Adjustments	0.1	(0.2)	(0.1)
Budget Gap (After Savings)	0.0	0.0	

8.2. The budget gap arises from inflationary pressures and demographic changes. In the 2024/25 budget, non-pay inflation totals £6.4m, pay inflation £6.5m and demand growth due to demographic pressures totals £5.6m. When coupled with other service growth of £11.4m, which includes concessionary fares (£3.5m) and capital financing charges (£1.2m), total growth is £29.9m. This is £8m more than can be contained in the existing budget after allowing for the maximum Council Tax increase and known changes to Business Rates and Government Grant funding.

8.3. As part of the budget setting process for 2024/25 and 2025/26, a number of new budget proposals have been developed in order to close the £8m budget gap noted in the table above after taking into account the savings for 2024/25 already agreed when setting the 2023/24 budget. Throughout the process, in producing the draft budget proposals, the emphasis continues to be on delivering efficiency measures, service transformations, cost reductions and income generation with a view to protecting front line services and Council priorities as much as possible.

8.4. A summary of the proposals are set out in Appendix A and further details are set out in Appendix B. The table below summarises the new proposals by service area.

Table 3: 2024/25 and 2025/26 Savings by Directorate

SAVINGS BY DIRECTORATE - 2024/25 and 2025/26 Budget				
	Savings 2024/25	**Saving 2025/26**	**Total Savings**	**Proposals**
Directorate	**£000s**	**£000s**	**£000s**	**No.**
Care, Health & Wellbeing	740	2,290	3,030	4
Children & Young People	376	1,474	1,850	10
Communities & Regeneration	170	-	170	4
Resident Services	1,684	446	2,130	23
Finance & Resources	400	-	400	4
Governance	234	202	436	11
Total	**3,604**	**4,412**	**8,016**	**56**

8.5. The table below summarises the proposals by category.

Table 4: Analysis of savings by category

Categories	Savings 2024/25	Saving 2025/26	Total Savings
	£000s	**£000s**	**£000s**
Service Transformation	1,013	1,796	2,809
Restructure	455	678	1,133
Reduction in provision	385	976	1,361
Procurement	270	-	270
Income generation	642	564	1,206
Digital	839	398	1,237
TOTAL	**3,604**	**4,412**	**8,016**

8.6. The Officers have reviewed the proposals to ensure the plans are realistic and deliverable. Detailed budget templates have been produced, attached as Appendix B, which set out further details of each proposal while providing the overall current budget context, the key risks and mitigations and the equalities impact where relevant.

8.7. It should be noted that this report reflects the position at this point in the budget preparation and these numbers will change as the budget develops over the next two months. We also await confirmation of the Local Government Finance Settlement, expected in mid-December 2023. If the LGFS is better than expected, then it may be possible to defer some of the savings proposals; conversely, if the LGFS is worse than expected, there will be no requirement to identify further savings for the 2024/25 or 2025/26 budget. Instead, if the situation does deteriorate, it may be necessary to use reserves to bridge any budget gap in the short term with the longer-term issues tackled in a future budget setting round. Any revisions will be reflected in the budget to be considered by Cabinet in February 2024.

9.0 Risk Management

9.1. The Council has adopted a risk-based approach to its financial planning. The earlier the Council becomes aware of a potential risk to the achievement of its Medium Term Financial Strategy (MTFS) or its annual budget, the sooner – and the more effectively – it can take action to address that risk and to mitigate its impact.

9.2. Through the financial planning and budget setting process risks have been identified and actions to control or mitigate those risks have been developed. The MTFS contains a risk register covering risks inherent in the MTFS assumptions and other factors both within the Council and externally that could have an impact on the Council's financial position. In the sections of the report covering service pressures (sections 6.5 - 6.37), risks were extensively explored and in the detailed savings proposals (Appendix B) risks and mitigating actions are also considered.

10.0 Financial Resilience Assessment

10.1. In the *Financial Management Code*, CIPFA recommends that local authorities undertake an annual Financial Resilience Assessment (FRA) to determine the long-term financial sustainability of the authority. The Financial Resilience Assessment looks at symptoms of financial stress (such as running down reserves as mentioned earlier) and effective financial management (for instance, having clear plans for delivering savings).

10.2. A full FRA was undertaken as part of the budget agreed by Full Council in February 2023. A further FRA will be undertaken as part of the budget to be presented to Full Council in February 2024, as the FRA needs to consider the Chief Finance Officer's assessment of the adequacy of reserves and robustness of estimates under section 25 of the Local Government Act 2003.

11.0 Consultation with Ward Members and Stakeholders

Consultation

11.1. 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. Legally, the results of consultation are something that Members must have due regard to, alongside other relevant considerations, when making decisions.

11.2. As in previous years, it is proposed to formally consult on the draft budget via the online consultation portal, where respondents will be invited to focus their attention on the new budget proposals for 2024/25. In addition, it is proposed that a presentation on the draft budget be delivered to each of the five Brent Connects meetings in January 2024.

11.3. There are a number of business forums and associations that the Council regularly engages with that include a wide range of both small and large local businesses. These include West London Business (a non-profit business membership organisation), the Federation of Small Businesses, the Chamber of Commerce, and a number of town centre business associations. The consultation on the budget will be published in a newsletter that is sent to a large number of Brent businesses, explaining why the views of local businesses are important and how they could have their say.

11.4. 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 will therefore play an important part of the consultation process and invitations to participate in the consultation will be sent to all Brent voluntary and community sector organisations.

11.5. Overall, the main aim of this approach to consultation is to raise awareness of the Council's financial position, inform residents of how the Council spends its budget and ensure residents, businesses and other key stakeholders are aware of the opportunities to have their say, by knowing how to respond and when the consultation events are taking place. This will be delivered through a variety of communication channels, for example through the local newspaper, publicity on the council's website, e-Newsletters, posters, media briefings and use of the Council's social media platforms, including Facebook and Twitter, to disseminate reminders and encourage residents to participate in the consultation process.

Scrutiny

11.6. The scrutiny committees will review the draft budget through their budget task group in order to carry out the statutory scrutiny of the budget. This will include scrutiny of the budget development process, the budget assumptions in the MTFS as well as the new proposals set out in appendices A and B. Following this, the chair of the committee will present a report to Cabinet commenting on the outcome of the scrutiny process and providing recommendations for Cabinet to consider as part of their decision making.

Equalities Impact assessments

11.7. The Council has a duty to pay due regard to the need to eliminate unlawful discrimination and advance equality of opportunity and foster good relations between those who have a protected characteristic and those who don't when making decisions. This duty is set out in more detail in the Equality, Diversity and Inclusion (EDI) considerations section of this report. Each of the budget proposals attached in Appendix B have been subject to an equality impact assessment (EIA) screening to assess their potential or likely impact on service users and employees with protected characteristics. Where the EIA process identifies a disproportionate negative impact with no reasonable mitigation, the proposal will be subject to a full EIA and may need to be changed or even rejected. The consultation process outlined in this report will be an important source of information for these exercises. If a proposal involves a staffing restructure, an EIA will be conducted as part of that process, which forms part of the Managing Change policy.

12.0 Schools and Dedicated Schools Grant (DSG)

12.1. The provisional 2024/25 Schools Block DSG allocations announced in July 2023 was revised in October 2023 to show that Brent will receive an increase in mainstream pupil funding of £2.9 million which represents an overall increase of 1.1%. This is lower than the national percentage increase of 1.9% and lower than the average of 1.47% for local authorities in London. As in previous years, the Council will continue to set a local funding formula for mainstream schools in 2024/25, although the total funding available will be determined by the

National Funding Formula (NFF) and as required, local authorities will need to move closer towards the NFF factors as plans continue to move towards the direct NFF.

12.2. For the first time, in 2024/25 the Department for Education (DfE) will allocate funding to local authorities on the basis of falling rolls, as well as growth. Local authorities can use this funding to support schools which see a short-term fall in the number of pupils on roll. In December 2023, the DfE will allocate funding through the growth and falling rolls factors at LA Level, based on the observed differences between the primary and secondary number on roll between the October 2022 and October 2023 school censuses.

12.3. The DfE also announced in July 2023, an additional grant for Teachers' pay to contribute towards the pay award. The indicative grant allocation for Brent mainstream schools (excluding special schools) in 2023/24 is £2.56m and Special Schools will be funded at £260 per place. Schools do not need to spend the grant in year. The additional funding for 2024/25 is yet to be confirmed.

12.4. The number of Brent schools experiencing financial difficulties has increased with 77% (67% in 2023/24) projecting an in-year deficit and 49% (23% in 2023/24) of these plans to use over 50% of reserves to balance their budgets. A number of Brent Primary schools continue to experience falling rolls, and details of this will be set out in the 2024-2028 school place planning strategy to be presented to Cabinet in October 2023. This is leading to significant reductions in funding and therefore schools must make strategic decisions to mitigate the impact of this, including the consideration of staffing restructures. Schools continue to feel the impact of rising inflationary costs and increases in energy prices along with teachers' pay set to increase by 6.5% from September 2023. The DfE expects schools to fund 3.5% of the increase within existing budgets, and the government will provide additional funding for all costs above this. This funding will be allocated through the teachers' pay additional grant.

12.5. The High Needs block (HNB) of the DSG will see a 3% (£2.3 million) increase in 2024/25. This is slightly lower than the London average of 3.3% and lower than the national average increase of 4.3%, due to London experiencing the lowest increase across various funding factors as a result of reduction in pupil numbers.

12.6. This is the lowest percentage increase in the past five years while pressures against the HNB remain, due to increasing demand for Education Health and Care Plans (EHCPs) where the national increase has been an average of c10%. Despite the additional funds, the demand pressures continue to grow, and in Brent, the growth seen as at August 2023 compared to August 2022 is an increase of 8%. Therefore, to set a balanced DSG budget in 2024/25 the local authority will request, via the Schools Forum, a 0.5% transfer from the Schools Block. The pressure in the HNB over recent years has led to the DSG being in a £13.8 million deficit carried forward from 2022/23 and further forecast pressures of £1.4 million in 2023/24 will increase the deficit position to £15.2 million. The statutory override that has been put in place to enable local authorities to hold deficit balances is due to end in the 2025/26 financial year after which the deficit could pose a risk to the Council's General Fund reserves unless further action is taken by central government to mitigate the historic deficit.

12.7. 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 and Brent is currently part of the DfE's Delivering Better Value (DBV) in SEND programme which provides dedicated support and funding to help local authorities reform their high needs systems and Brent was awarded a £1m grant over two financial years 2023/24 and 2024/25. The findings for Brent from the DBV programme's analytical phase identified a number of opportunities to tackle rising demand which included supporting the goals of the child being achieved without the need for an EHCP, but through targeted support, ensuring EHCPs are of the right duration (i.e., more time limited EHCPs) and focusing on fewer support hours being put in place when children start school and building support over time as needs develop.

12.8. A Deficit Management Plan agreed by the Schools Forum is still in place 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 managing demand for EHCPs through a graduated approach in mainstream settings, establishing more SEND provision in the borough including a new special school and developing new Additionally Resourced Provisions (ARPs). 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; a review of the DSG funded SEN support services and continued central government lobbying.

12.9. In the Spring Budget in March 2023, the government announced a significant expansion of early years childcare entitlements to take effect between April 2024 and September 2026. The proposals include an offer of 30 hours of funded childcare for every child of a working parent between nine months and five years by September 2025, an uplift in the hourly rate paid to providers to deliver existing free hours offers and childminder grants for new childminders. The government will also provide additional investment into setting up wraparound childcare for school-aged children with a pledge that families will be able to access childcare between 8am and 6pm during the school day. These reforms will see the government spending an additional £4.1billion by 2027/28 on free hours and early education.

12.10. In light of this, the DfE announced in July 2023, that nationally, the Early Years Block of the DSG will receive an additional supplementary funding of £204 million through a new early year's supplementary grant (EYSG). This will be used to increase the hourly amounts paid to local authorities, to increase the funding for early years childcare providers received for delivering the entitlements for the period September 2023 to March 2024. LAs are expected to pass on the funding in full to providers. There will also be an additional £288 million for 2024/25 but the hourly rate will be published as part of the normal funding announcement cycle in autumn 2023. 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. An Early Years funding report for 2024/25 will be presented at the Schools Forum in January 2024, detailing the revised funding rates.

12.11. In 2024/25, the Central Schools' Services Block (CSSB) will increase nationally, by 1.57% for ongoing responsibilities that local authorities continue to have for all schools, while those local authorities in receipt of funding for historic commitments within this block will see a 20% decrease compared to 2023/24 allocations. For Brent, there will be a 1.58% increase in the per pupil rate of funding for ongoing responsibilities, and a 20% reduction against the historic commitment which currently relates to a pensions strain contribution.

Housing Revenue Account

12.12. The Housing Revenue Account (HRA) is a ring-fenced account, which contains the income and expenditure relating to the Council's landlord duties in respect of approximately 12,000 dwellings including those held by leaseholders.

12.13. The HRA budget is set each year in the context of the 30-year business plan. The business plan baseline position 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 priorities to provide a safe, suitable and secure place to call home.

12.14. Since 2020/21, and originally for the following four years, the Council had the power to increase rents annually up to a maximum of CPI + 1%. However due to the rapid rise of inflation within the context of the cost-of-living crisis, the government imposed a rent cap of 7% in 2023/24, which has resulted in a need to incorporate £3m worth of cost reductions to deliver a balanced budget. At the time of writing this report, the government has not provided any indications that the existing rent policy will be amended, for draft budget planning purposes, a rent uplift of 7.7% is assumed for 2024/25 based on September 2023's CPI figure of 6.7%.

12.15. In 2023/24, the average rent for current occupied properties sits at £134.08 per week, after applying an uplift of 7% on the previous year. A continuation of CPI + 1 of 7.7% uplift would result in an average rent per week of £144.41, raising an additional £4.1m of gross rent in 2024/25. If CPI + 1 is not implemented, it is estimated to result in a £0.5m reduction in investment in the HRA for every 1% below rent standard.

12.16. In the context of the 30-year business plan, a CPI + 1% model helps to provide some stability and certainty over planned investment in the stock, service improvement and new development, at least in the medium term. It does however not entirely mitigate other risks which are present in the current economic climate. Factors such as inflation on energy and material costs, repairs and maintenance contracts and anticipated wage increases, mean any decision to set rents at less than the maximum permitted, provides a significant risk to the sustainability of the HRA. Local authorities still need to cover the inflationary pressures within the HRA whilst delivering on their operational requirements and strategic priorities some of which are additional legislative requirements, from repairs and maintenance, to building safety, fire safety, damp and mould and decarbonisation. A rent cap or lower than a CPI + 1% increase combined with increasing costs would result in even greater pressure on the HRA and a likely situation of spend exceeding income generated through rent and service charge collection.

12.17. It is illegal to set a budget that would result in negative balances on the HRA. If faced with this likely situation, significant savings will be required from the management and maintenance budgets.

12.18. Rent increases in 2024/25 do not only affect the financial year in question, but also have an impact on future rent levels. There is no provision in the current rent regulations to allow anything more than the maximum (CPI+1%) increases in future years. Therefore, a lower rent increase in 2024/25 means that the base for a rent increase in 2025/26 is also going to be lower and so on for future years. For example, if CPI is 6% and 3% for the next 2 years and rents are capped at 3%, HRA will have reduced budget availability of £70m over 30 years.

12.19. Implications of future Government regulated rent policy remain uncertain beyond April 2025. Some costs such as repairs have experienced significant cost increase on materials and labour and are likely to remain at those levels without falling when the current economic pressures subside. Increased interest rates have impacted viability of new build schemes. Therefore, it is necessary to consider reductions to planned major works, along with plans for decarbonisation and new builds in order to maintain long-term financial sustainability and resilience.

12.20. The table below shows the best and worst case scenario impact on the HRA budget with a 7.7% rent rise in place and taking other cost factors into consideration.

Table 5 - HRA Budget Scenarios

	Best Case £m	**Worst Case £m**
Rent (7.7% rise)	(4.1)	(4.1)
Bad Debt Provision	0.1	1.2
Repairs and Major works inflation	1.7	3.4
Pay Award	0.5	0.7
Increased Void and responsive works	0.5	1.0
Increased costs of disrepairs	0.3	0.5
Repairs service set up	1.2	1.2
Budget Gap	**0.2**	**3.9**
Saving Proposals		
Reductions to void turnaround	(0.4)	(0.4)
Staffing vacancies	(0.2)	(0.2)
Efficiencies in support services	(0.2)	(0.2)
Total Savings	**(0.8)**	**(0.8)**
Total Impact	**(0.6)**	**3.1**

12.21. A 7.7% rent uplift would result in a budget gap of between £0.2m and £3.9m. Based on the scenarios modelled in the table above, estimated best case scenario suggests that a 7.7% rent and identified savings could achieve a surplus of £0.6m, however there is a risk of a potential budget deficit of £3.1m under the worst case scenario.

Bad Debts

12.22. It is recognised that cost of living crisis and increased rental charges can have an adverse impact on the level of rent collections. In 2022/23, 37% of rent charges were covered through housing benefit payments, which equates to £19.8m. The remaining 63% of income totalling £34.1m is expected to be paid directly by tenants who are in employment or in receipt of universal credit and would be at risk of increased levels of non-collection.

12.23. Collection rates in Quarter 1 2023/24, on average stood at 96%. If this level of rent collection remained consistent for the year, this would result in an additional budget requirement of up to £1.2m in order to allow for a risk of non-payments. The Council’s Resident Support Fund helps to alleviate some of financial hardship being faced by tenants. However, collection rates are still expected to continue to be impacted. It is estimated that in 2024/25 the budget may need to increase by anywhere between £0.1m and £1.2m in order to account for a potential risk of non-collection.

Repairs and major works

12.24. The repairs contract for planned and responsive is outsourced to one contractor and is due to expire in September 2024. Cabinet was presented with a number of options and have opted to implement a hybrid model which would consist of two to six contractors delivering responsive repairs, voids and planned works across the borough. The repairs model also consists of an internal handyperson service that are tasked with completing communal repairs across the borough. Implementation costs for hybrid repairs model is estimated at £1.2m. Inflation on re-tendered contracts is estimated to range between 5% to 10% and could result in additional budget requirements ranging between £1.7m to 3.4m in 2024/25.

Pay Award

12.25. Staffing budget for 2023/24 is £11.5m, made up of 225 FTE's, an average of £0.05m per FTE. Future pay award for 2024/25 is unknown. Pay uplifts in previous year resulted in budgetary requirements at 6% on average. Any inflationary uplift ranging between 4%-6% will result in budgetary requirement between £0.5m to £0.7m in 2024/25.

Potential Budget Pressures

12.26. The HRA is experiencing continued increase in cost associated with expenditure on void properties in order to bring them to lettable standards. Additional property specifications have been introduced, such as smart sensors to measure potential conditions for damp and mould to support Brent Housing Management to take pro-active actions. The Social Housing Regulator Act (2023) is in the process of introducing new powers which looks to implement specified time limited deadlines for Social Housing Providers to respond to hazards within a home, namely damp and mould. Time scales for this launch is April 2024 and could potentially require additional resources within property management. With the need to recruit to vacant positions and requirements within the major works programme to invest in tower block refurbishments, the budgetary pressures identified for void and responsive works require additional funding estimated at £0.5m - £1m.

12.27. Compensation claims for disrepairs have experienced increased number of open cases, this has resulted in the need to fund additional legal support. The rate of new claims from third party solicitors are not showing signs of decline as an increasing number of legal claim firms are contacting tenants directly to promote their services. In addition to compensation costs, extensive rectification works are necessary, in some cases decanting to expensive nightly paid accommodation while works can be undertaken. Additional budget requirement is estimated to be between £0.3m and £0.5m in 2024/25.

Saving Proposals

12.28. Difficult decisions are required to be made in order to re-appraise HRA budget priorities, achieve a significant level of savings across the HRA and maintain a balanced budget. Annual saving targets are already incorporated into medium-term financial plans, however new savings are required in order contain the reduction in rental income.

12.29. In order to address a budget gap associated with expenditure on void properties closer monitoring of void specifications to ensure overspend is reduced is now in place. This has reduced the number of voids requiring extensive refurbishments which have both higher specifications and longer turnaround times. Overall improvements to void turnaround and lettings process is expected to reduce the void rent loss and Council Tax liability periods. This is estimated to generate £0.4m saving.

12.30. Estimated saving of £0.2m can be achieved through vacant posts within property services, as there is a workforce shortage that have the required levels of expertise.

12.31. Estimated saving of £0.2m is anticipated as a result of general efficiencies and reduced expenditure associated with support services.

Tenants Service Charges

12.32. Service charges are recharges to tenants, which are based on the actual costs incurred for providing specific services, such as estate cleaning. For the purpose of the budget setting, individual service charge elements are adjusted to bring them in line with the estimated costs of providing these services to tenants. Service charges are adjusted if there is a projected over or under recovery of costs. Currently there is under recovery of costs for estate cleaning services. Therefore, a phased approach to cost recovery has been modelled to allow charges to increase over a four-year period, limiting the impact on tenants.

12.33. Unmetered communal lighting, heating and hot water charges are adjusted annually in line with the forecast energy supplier inflations. 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.

12.34. The rent uplifts will be determined based on Septembers CPI and any possible Government policy changes before April 2024. Once the rent policy uplifts are confirmed, the HRA draft budget and the 2024/25 HRA Business Plan will be updated to reflect the impact. Budget assumptions will continue to be reviewed and updated. The HRA budget for 2024/25 will be presented to Cabinet in February 2024 for approval by Full Council.

13.0 Capital Programme

13.1. The Capital Programme contains projects related to acquiring, building, or enhancing assets, which include land, buildings, and equipment, which will create long-term (more than one year) economic benefits. The programme is funded through a combination of capital grants and contributions, capital receipts, reserves, contribution from revenue or prudential borrowing. Any borrowing must be both prudent and affordable therefore the Council must ensure the ability to repay both the interest and principal of any borrowing through the revenue capital financing budget.

13.2. The continued high inflation environment has posed substantial challenges to the affordability of schemes within the programme that are yet to have main contracts agreed. Work is ongoing to prioritise the delivery of existing schemes within the programme and there will be limited scope to endorse new projects within the pipeline which do not have an identified funding source. It is likely that further schemes will need to be paused during the year due to pressures with viability until interest rates start to fall.

13.3. The Capital Programme below comprises of projects approved by Full Council at the February 2023 budget setting, new projects approved and a number of in year budget adjustments. Given the viability pressures this budget is subject to significant volatility over the coming months and full details of the budget changes will be reported in the budget setting report in February 2024.

Table 6 – Current Capital Programme Budget and Financing

Programme Budget	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Corporate Landlord	14.5	27.2	17.3	8.9	27.7
South Kilburn	28.1	13.6	2.2	11.4	6.3
Regeneration	9.9	86.0	72.4	19.3	1.0
St Raphael's	0.8	14.0	18.0	-	-
Public Realm	36.1	11.8	9.2	1.0	7.1
Schools	16.4	45.8	4.4	-	-
Housing GF	162.4	129.8	38.7	4.5	-
Housing HRA	135.5	149.7	40.7	20.6	-
Total	**403.7**	**478.0**	**202.9**	**65.8**	**42.2**

Programme Financing	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Grants & Other Contributions	45.0	69.7	6.7	-	-
S106 & CIL	8.5	11.6	7.7	-	-
Capital Receipts	10.8	48.2	2.2	11.4	6.3
Reserves	1.8	4.4	4.3	-	-
Major Repairs Allowance	20.0	29.8	12.1	-	-
Revenue Contribution	11.0	4.0	4.0	-	-
Prudential Borrowing	306.7	310.3	165.9	54.3	35.9
Total	**403.7**	**478.0**	**202.9**	**65.8**	**42.2**

13.4. Many of the demand pressures for the capital programme are further exacerbated by the cost-of-living crisis.

Temporary Accommodation and Social Housing

Challenges, demand pressures and key risks

13.5. Reducing homelessness across the Borough is a statutory duty, however because of a heated rental market, the cost of temporary accommodation is increasing to an extent that these costs are presenting an extreme pressure to the Revenue Budget as set out in section 4.22. The Council are considering a range of mitigations; mostly geared toward increasing its own supply of property for the purpose of temporary accommodation however this is proving to be difficult especially in terms of securing family sized properties, where the demand is greatest.

13.6. The introduction of the Building Safety Act 2022 and Fire Safety Regulations 2022 have impacted the design and delivery timescales of a number of projects causing slippage into later years. In line with this a new risk has now been identified with Reinforced Autoclaved Aerated Concrete (RAAC) components. The Council is currently reviewing its housing stock to identify if they have buildings with RAAC components; if this is found this will lead to additional (presently unquantifiable) pressure on future spending plans.

Schools

Challenges, demand pressures and key risks

13.7. The latest GLA projections indicate the demand for primary places are set to decline over the next few years however the demand for places that meet the need for SEND continue to increase. Both these movements in demand are monitored closely to ensure the SEND and Alternative Provision place need continues as forecast.

13.8. Reinforced Autoclaved Aerated Concrete (RAAC) is a lightweight form of concrete which was used particularly in schools, colleges, and other building construction from the 1950’s until the mid-1990s. To date it has been identified that only one Brent School, although not maintained by the Council, has RAAC. There has been no financial impact of this to date as the school is operated by an Academy Trust. There remains a risk that RAAC could be identified in further schools of which the Council maintains.

Public Realm

Challenges, demand pressures and key risks

13.9. The availability of funding from TfL remains uncertain and has been extremely volatile since the pandemic. A bid to access funding for 24/25 will be made in November and notification on whether the bid has been successful in part or in full is expected in December 2023. The timing of this application makes it extremely difficult to plan the future year’s programme for works including Safer Corridors and Neighbourhoods, Bus priority and Borough Cycling, Cycle

Training, Cycle parking, Bridge Assessments and Strengthening and Principal Road renewals.

Capital Financing Budget

13.10. The Capital Financing Budget is expected to come under increasing pressure in the coming years. Interest charges are expected to increase following the significant increases in the Bank of England base rate to 5.25%. This impact of this rate rise is limited to existing debt having to be refinanced at higher rates on maturity, as well as interest on new borrowing taken out to support the Capital programme. The Minimum Revenue Provision (the charge to revenue made towards repaying the loans) are also expected to increase in-line with the higher borrowing.

13.11. The Capital Financing Requirement (CFR) is expected to increase to £1.7bn by the end of 2024/25. Whilst much of the requirement is covered through internal borrowing, external borrowing is forecast to increase to £1.0bn by the end of 2024/25.

13.12. The Capital Financing Budget is expected to come under increasing pressure. The extent of this will depend both on how long market interest rates remain at their elevated levels and whether Capital Project plans continue as originally forecast. Many proposals are experiencing significant viability pressures following higher interest rates. Interest rates are currently expected to remain elevated until mid-2024, when the impact on economic activity from higher rates is more widely spread and inflation is much closer to the Bank of England's 2% target level. A 25% reduction to the Capital Programme in 2023/24 and 2024/25 would reduce the forecast CFR by £105m so the Council's borrowing plans and capital financing forecast are subject to significant volatility.

14.0 Stakeholder and ward member consultation and engagement

14.1 Consultation on the Council's budget is a statutory process. The approach to consultation on the Council's budget proposals with residents, businesses and other key stakeholders is set out in section eleven of this report.

15.0 Financial Considerations

15.1. The financial considerations are set out throughout the report. As the budget proposals are for consultation at this stage, not agreement, there are no direct costs associated with agreeing the recommendations, other than for consultation, the costs of which are built into existing budgets.

16.0 Legal Considerations

16.1. A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular, local authorities are required by the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Director of Finance is required to report on the robustness of the proposed financial reserves.

16.2. Standing Order 24 sets out the process that applies within the Council for developing budget and capital proposals for 2023/24. There is a duty to consult representatives of non-domestic ratepayers on the Council's expenditure plans before each annual budget under Section 65 of the Local Government Finance Act 1992. The Council also has a general duty to consult representatives of Council Taxpayers, service users and others under Section 3 (2) Local Government Act 1999.

16.3. The Council is also required to comply with other statutory and common law consultation obligations relevant to particular options being considered and with the Public Sector Equality Duty. The Council must consult at a formative stage in the decision making process and adequate time must be given for public consideration and response. The consultation information must be accurate, fair and balanced, give sufficient reasons for proposals to permit of intelligent consideration and response and the information produced by the consultation must conscientiously be taken into account in finalising the proposals.

17.0 Equality, Diversity & Inclusion (EDI) Considerations

17.1. Under the Public Sector Equality Duty (PSED) in the Equality Act 2010, Brent Council is required 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 do not, when making decisions. The protected characteristics are age, disability, gender, race, religion or belief, pregnancy and maternity, marriage and civil partnership, sexual orientation and gender reassignment. Although socio-economic status (people on low income, young and adult carers, people living in deprived areas, groups suffering multiple disadvantages, etc.) is not a characteristic protected by the Equality Act 2010, Brent Council is committed to considering the impact on socio-economic groups.

17.2. The PSED does not prevent decision makers from making difficult decisions in the context of the requirement to achieve a significant level of savings across all operations. It supports the Council to make robust decisions in a fair, transparent and accountable way that considers the diverse needs of all our local communities and workforce. Consideration of the duty should precede and inform decision making. It is important that decision makers have regard to the statutory grounds in the light of all available material, including relevant equality analyses and consultation findings. If there are significant negative equality impacts arising from a specific proposal, then decision makers may decide to amend, defer for further consideration or reject a proposal after balancing all of the information available to them. This may mean making up the shortfall from additional reductions elsewhere.

18.0 Climate Change and Environmental Considerations

18.1 There are no climate change and environmental considerations arising out of this report.

19.0 Human Resources/Property Considerations (if appropriate)

19.1. Where budget proposals involve staffing reductions, the Council's Managing Change policy will apply.

20.0 Communication Considerations

20.1 A communications and engagement plan is in place to ensure the budget proposals and consultation channels are effectively communicated to residents, business and other key stakeholders as set out in section eleven of this report.

Related Document(s) for reference:

- Medium Term Financial Outlook, Cabinet July 2023

Report sign off:

Minesh Patel
Corporate Director of Finance and Resources.