

	Cabinet 15 July 2024
	Report from the Corporate Director of Finance & Resources
	Lead Member- Deputy Leader, Cabinet Member for Finance & Resources (Councillor Mili Patel)
Medium Term Financial Outlook	

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
List of Appendices:	One Appendix A: Productivity in Local Government
Background Papers:	None
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1.0 Executive Summary

- 1.1. This report sets out the overall financial position facing the Council and highlights the significant risks, issues and uncertainties with regards to the Council's Medium Term Financial Strategy (MTFS). It also sets out the proposed budget setting strategy for 2025/26, which is the Council's minimum legal duty in respect of local authority budget setting, in order to maximise the period of consultation with residents, businesses and other key stakeholders.
- 1.2. The report also outlines how the MTFS will aim to provide a framework to invest in broader ambitions and long-term priorities such as the Borough Plan, the cost-of-living crisis and other future steps to ensure the Council continues to

operate in a financially sustainable and resilient way as well as supporting residents in need.

- 1.3. The remainder of this report sets out the medium-term risks and uncertainties with regards to the current budget assumptions contained within the MTF5. These primarily relate to exceptional factors such as high levels of inflation, rising interest rates, increased demand for key services and uncertainty in government funding. In doing so, it must be recognised that the situation remains uncertain and it is extremely difficult to make a full, definitive and comprehensive assessment of the ongoing financial impact of these issues. As such, the figures in this report are based upon best estimates and forecasts and will therefore be subject to change. However, the significance of the financial challenge cannot be underestimated and over time, the Council will need to develop a response that continues to maintain a commitment to strong financial resilience and sustainability.
- 1.4. This report is structured as follows:
 - Recommendations for Cabinet to approve
 - Strategic overview of Local Government finance
 - Future budget assumptions
 - Proposed budget setting process for 2025/26
 - Capital programme
 - Housing Revenue Account
 - Schools and the Dedicated Schools Grant

2.0 Recommendation(s)

That Cabinet:

- 2.1. Note the contents of the report and the potential financial impact on the Council's Medium Term Financial Strategy.
- 2.2. Agree the budget setting process for 2025/26, as set out in section nine of this report.
- 2.3. Endorse the response to the Minister for Local Government on Brent's productivity plans, as set out in Appendix A.
- 2.4. Note and agree the proposed 2023/24 capital budget carry forwards and capital virements for 2024/25 as set out in section ten of this report.
- 2.5. Note the financial position with regards to the Housing Revenue Account, as set out in section eleven of this report.
- 2.6. Note the financial position with regards to Schools and the Dedicated Schools Grant, as set out in section twelve of this report.

3.0 Cabinet Member Foreword

- 3.1. This report sets out the Medium Term Financial Outlook for the Council. This report should be considered alongside the accompanying Financial Outturn 2023/24 and Q1 Forecast 2024/25 reports respectively. Taken together these three papers give the most comprehensive picture of where we were financially, where we are today and where we might be heading.
- 3.2. These reports are the aggregate of thousands of hours of officer time, with careful input from service areas across the council; and are part of our longstanding commitment for transparency around our budget: joining our externally audited accounts, the budget scrutiny process, public consultation, and the ongoing work of the Members of the Audit & Standards Committee.
- 3.3. While our financial monitoring is robust and an area of pride to this council, the picture that these reports paint is much more sobering. If central government is the body entrusted to preserve the health and condition of the nation, it is local government that is left to deliver it. Since 2010, Brent Council has made at least £210m of cuts and the impact continues to be felt by everyone that lives and works in this borough. In the same period, our core funding from central government has decreased by 78%.
- 3.4. We have made it clear at each Council Tax setting budget meeting, this has meant that the funding burden for Brent Council has been derived principally from Council Tax, Business Rates and Fees and Charges. In other words – local Brent residents.
- 3.5. In this period, the number of council employees has also reduced by at least 50%, shifting more work onto fewer people. As a council, we have innovated, we have identified efficiencies and we've continued to generate more income than ever before. These measures alone are not enough in the long-term though, but for now they are enough to keep this council on borrowed time.
- 3.6. In this financial year (25/26) officers and members will be asked to identify a staggering £16m in cuts if this council is to continue standing still as we are today. There is no doubt, these cuts will be challenging for residents and for officers and members alike.
- 3.7. It is therefore unconscionable to consider that things could still get worse. If things remain the same, the best estimate for 27/28 is that we will need to find in the region of £30m in savings.
- 3.8. Without intervention, we will enter freefall, heading towards the ground, with no easy way to pull back. Plainly, this will mean the functions that this council will be able to perform will be changed irreversibly, allowing for only the most vital services to remain.
- 3.9. Sadly, we are not alone in this position. There were more section 114 notices in 2023 than in the 30 years before 2018, with a survey from the Local Government Association showing that almost one in five councils “think it is

very or fairly likely they will need to issue a section 114 notice this year or next due to a lack of funding.

- 3.10. Local authorities like Brent have become the government's emergency provider of last resort, delivering more services than ever, patching over political paralysis; from adult social care reform to the housing crisis; it is local government left picking up the price.
- 3.11. Residents are rightly angry – as the compact between council and citizen creaks more with every year. Residents rightly expect that by paying into the system that they should see a positive dividend. It is far harder to explain to residents that they are paying not just for their bins; but for looked after children, for whom the council is morally and legally obliged to support.
- 3.12. Under the Homelessness Reduction Act, we are also compelled to support those at threat of losing their home. The common thread between the MTFS, our Q1 report and the Financial Outturn is the enormous pressure our Housing teams are under.
- 3.13. Over 150 families per week are presenting at the Civic Centre as homeless, and this report sets out a further £10m overspend on Temporary Accommodation. The housing crisis did not begin in the council – and until there is fundamental change; things will only get worse before they get better.
- 3.14. We have many housing schemes that remain shovel ready, but without an increase in subsidy, the borrowing required means the numbers simply don't stack up, even over the multiplier of decades. In the meantime, i4B and our New Council Homes Programme remain our only shot, but with over 30k households registered on the housing wait list, it will take a generation to put right.
- 3.15. We also continue to be subjected to macro-economic factors outside of our control. The challenges facing any incoming government will be stark – from a public sector in managed decline; to the ongoing conflicts in the Middle East and Ukraine, and the climate crisis which will continue to alter our way of life forever.
- 3.16. Compared to our European counterparts, councils in the UK have significantly fewer powers over local spending and taxation. It can perhaps be of little surprise that over the past 15 years the average British household has become £8,800 poorer than its equivalent in five comparable countries, according to research prepared by the Resolution Foundation. Sluggish growth and a “toxic combination” of poor productivity and a failure to narrow the divide between rich and poor has resulted in a widening prosperity gap with France, Germany, Australia, Canada and the Netherlands, leaving us struggling to compete internationally.
- 3.17. Without a wholesale reset, our hands remain tied, and the status-quo will prevail. We should never forget, Council Tax is based on values that are now more than thirty years out of date, and the rate structure is so heavily

regressive that Buckingham Palace pays less council tax than a 3-bed semi-detached home in Blackpool. That is the reality we exist within in.

- 3.18. At time of dispatch, we will not know who will form the next government. If we are to avoid more reports like the following, something has to give. Given the opportunity, Brent Council stands ready to rebuild and renew our public services. Until then, we will use our voice wherever we can to fight for the reform's we desperately need. For now, officers and members will continue working hand in hand to protect our residents – breathing life into the services we offer and the change we can make today.
- 3.19. The Borough Plan includes a specific priority to support residents affected by the cost-of-living crisis.

4.0 Macro-Economic Outlook

- 4.1. The current and medium term economic environment, whilst improving slightly from the outlook in 2023, remains volatile. High inflation experienced since 2021, precipitated a cost-of-living crisis and led to a rapid increase in interest rates, the effects of which will continue to be felt for some time. Ongoing conflicts in Ukraine and the Middle East are also contributing to an uncertain economic environment, with forecasts showing little or no growth.
- 4.2. Currently, there is also political uncertainty. At the date of despatch of this report, the outcome of the General Election on 4 July is unknown, but this will be known at the time of the Cabinet meeting on 15 July.
- 4.3. Inflation as measured by the Consumer Prices Index (CPI) peaked at 11.1% in October 2022, the highest rate of increase in 41 years, before falling sharply during 2023. As of May 2024, CPI is 2.0%. This is the first time that inflation has been at or below the Bank of England's inflation target, which is a key driver of interest rates, since July 2021.
- 4.4. The Treasury publish a summary of independent economic forecasts. In the latest issue (May 2024), issued before the General Election, the average of new independent forecasts is for CPI inflation to be 2.3% in December 2024 and 2.1% in December 2025. This indicates that there is an expectation that inflation will remain lower and be less volatile than in recent years.
- 4.5. In response to the increase in inflation, the Bank of England increased the base interest rate sharply, reaching 5.25% in August 2023. At the meeting of the Bank's Monetary Policy Committee (MPC) on 20 June, the MPC voted to hold interest rates at 5.25%, due to the risk that some areas of inflation remain high. The Bank's forecast for the future path of interest rates is for a steady decrease to 4.5% in Q2 2025, 4% in Q2 2026 and 3.7% in Q2 2027. This means that the cost of borrowing is likely to remain several percentage points higher than it was before the inflation crisis.
- 4.6. The most recent major fiscal event was the Spring Budget on 6 March 2024. This set out that planned departmental resource spending beyond the current

Spending Review period will continue to grow at 1% a year on average in real terms and that the next spending review will take place after the General Election. It is important to stress that with the General Election ongoing, this is subject to change by the incoming government. However, analysis by the independent Institute for Fiscal Studies (IFS) has shown that with existing commitments to increase spending on Defence and the National Health Service (NHS), this is likely to lead to cuts to unprotected departments, including local government.

- 4.7. These factors create a challenging environment for the Council to plan its future resourcing requirements.

Local Government Finance

- 4.8. The Local Government Finance Settlement 2024/25 was the sixth annual one-year settlement for local government and delivered a real terms cut in funding, as in previous years. The one-year settlement was anticipated due to the imminent General Election, which is now underway and the political uncertainty that entails. The 2023 Autumn Statement in particular confirmed that hard decisions on reducing public sector spending were put back until the 2025/26 budget round.
- 4.9. This is after the General Election and the task of making substantial reductions in public expenditure will therefore fall to the incoming government. According to IFS calculations, current OBR figures suggest real terms growth in public expenditure budgets of 0.9% over the period 2024/25 to 2028/29. Once the requirements for protected budgets are factored in, this suggests a 1.8% real terms cut in unprotected budgets over the same period. Local government may receive a larger or smaller share of the savings to be made, but there is therefore a real risk of a new round of austerity.
- 4.10. Whilst there was cross-party recognition of adult social care funding pressures in the recently dissolved parliament and in particular the adverse effect delayed discharges from hospital have on the NHS but most importantly, our residents, that consideration alone is unlikely to protect local government from a significant reduction in funding. The current MTFs anticipates an inflationary uplift of existing grants with no new funding. If the government opts for a cash-terms freeze in funding from 2025/26 onwards, this could equate to a substantial real-terms cut in spending power.
- 4.11. Future cuts to public sector expenditure have been put off until 2025/26, but they are not the only items deferred until then. The fair funding review of local government funding, the reset of the business rates baseline, and the introduction of a cap on care costs are just some major policy decisions currently on hold until after the General Election.

General Election

- 4.12. In the week beginning 10 June 2024, most political parties published their manifestos ahead of the 4 July General Election. These documents set out the

policy programme that the parties would undertake to deliver in government. In accordance with the requirements of Section 2 of the Local Government Act 1986, this report is restricted to presenting only a brief summary of what is proposed and its relevance to local government and does not seek to discuss the merits of any particular policies.

- 4.13. In general, the manifestos did not feature many announcements of major direct significance on topics such as public spending, local government finance reform or social care. However, on public spending, many of the manifestos included commitments which are not dissimilar to the fiscal rules of the outgoing Government.
- 4.14. It is therefore a reasonable expectation that, regardless of the outcome of the General Election, public finances will continue along the same path seen before the General Election, with the resulting impact on local government as discussed above.

Productivity Plans

- 4.15. On 16 April 2024, Chief Executives of local authorities were written to by the Minister for Local Government, requesting a productivity plan to be submitted by 19 July 2024. The response to this request is set out in Appendix A, which provides the national, London wide and Brent context with regards to funding reductions, new burdens and pressures on the local government system. It also sets out the barriers that Government can help to reduce to enable more sustainable financial and service delivery. The letter concludes by providing a link to the February 2024 Budget and Council Tax 2024/25 report and the Auditors Annual Report, as these are considered to be the most comprehensive information that could be provided in response to the themes the Government asked Brent to consider. The invitation was extended to the Minister to discuss this further.

Brent Factors

- 4.16. The residents of Brent face an equally challenging economic environment with the effects of the cost-of-living crisis exacerbated by levels of unemployment above national and London averages. The Council is seeing the effect of Brent's precarious economic position through a post COVID-19 bounce back in both council tax and business rates collection which is below the London average. The Council will need to continue to consider how it can assist residents and local businesses through these difficult economic times.
- 4.17. Homelessness is the most significant pressure facing Brent Council with rising demand for emergency temporary accommodation, which has been worsened by the cost-of-living crisis. In 2023/24, the Housing service overspent by £13.3m as a result of these pressures and at Q1 2024/25 the service has reported an overspend of £10m. There are also potential reductions in funding in this area. The review of Homelessness Prevention Grant has been pushed back until 2025/26. Brent loses substantial amounts of funding under either of

the two options proposed in the government's consultation. To date, the government have not indicated their intentions for this grant.

- 4.18. At a service level, there are considerable cost and demand pressures on children's social care in the Children & Young People department as a result of the complex needs of children in care/leaving care with the impact of higher costs per placement. Staffing costs are also high due to recruitment difficulties which require the use of temporary staff to sustain service delivery. The cost of transporting children with Education, Health and Care Plans continues to rise as numbers increase and the adverse financial position could be worsened if the government removes the current statutory provision which eliminates the accounting requirement to fund the deficit on the DSG High Needs Block from General Fund reserves. This currently stands at £15.1m. The statutory override is set to end in 2025/26.
- 4.19. The previous Government recognised that adult social care requires additional funding, which was forthcoming in the 2024/25 settlement. However, some of the "new" funding was actually the repurposing of existing funding allocated for the introduction of the care cap and other social care reforms, which are now deferred until 2025/26. It is unclear whether genuinely new funding will be made available if the introduction of the care cap resumes in 2025/26. Without new funding, there will be a gap if there are ongoing costs supported by the use of the repurposed grants. This is likely to present a substantial financial risk to the Council.
- 4.20. There are a number of significant unknowns that will impact on the budget from 2025/26, with the main one being the cessation of additional Adult Social Care funding of £6m that was announced in 2023/24 and 2024/25. These additional grants were welcome but how long they will remain is uncertain with the risk of a 'cliff-edge' in funding from 2025/26, which will need to be carefully tracked and mitigated for if government funding does reduce.
- 4.21. The 2024/25 Local Government Finance Settlement was particularly poor for Brent, with the increase in Government funding at 5% being the lowest of the London boroughs (excluding the City of London) and less than the September CPI rate of inflation of 6.7% used as the basis for uprating most grants. It would also be unrealistic to expect similar levels of increase in future years, particularly given the fall in inflation and the public sector funding cliff edge in 2025/26.
- 4.22. With a General Election currently ongoing, there is considerable uncertainty around funding for local government for 2025/26 and beyond. Alongside the potential for real terms cuts to funding, the new Government may take decisions on the redistribution of existing funding. At the time of the General Election being called, the previous Government had given no commitment to the continuation of the New Homes Bonus. In 2024/25 Brent received £2.9m, down from £7.9m in 2023/24, which was the largest amount in England in that year. This funding stream has rewarded Brent for the building of a high number of new homes in the borough. At the time of writing, the future of this funding

stream is uncertain and there is a possibility that it will cease in its entirety from 2025/26.

- 4.23. The financial strategy set out in this report sets out the overall direction for the use of the Council's limited resources over the next three years but also sets the foundations for the more immediate budget setting for 2025/26 and closing the budget gap. Work will take place over the next four months to identify opportunities to reduce costs in line with the approach set out above and these will be presented to Cabinet in the autumn to start the formal budget consultation process.
- 4.24. The lack of clarity around the future level of local government funding and uncertainty about the economic environment, particularly demand led and inflationary pressures, make it hard to be precise about future financial targets. The current working assumption is that c£16m of further savings will be required in 2025/26 to balance the budget in that year, driven primarily by the sustained pressured in homelessness and temporary accommodation. Longer term, it is estimated that the overall budget gap to 2027/28 is c£30m. Further details of the current estimated budget gap are set out Section 8 of this report.

Borough Plan

- 4.25. The Borough Plan 2023-27 sets out the Council's vision for the current four year period. 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.
- 4.26. 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. 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
- 4.27. 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.

Strategic Change Programme

- 4.28. The Council began work on balancing the budget for 2025/26 and beyond before the 2024/25 budget was formally approved by Full Council. Due to the

significant size of the forecast budget gap the aim is not to only achieve savings through an apportionment approach by Directorate, but ensuring that the Council challenges itself to be more cost effective by working smarter and more efficiently, being ambitious and innovative.

- 4.29. In order to continue delivering financial sustainability, and maintain a focus on improving outcomes for residents across the borough, a change programme is being established. This programme, across eight workstreams, will pull cross-cutting levers from across the Council in order to form the building blocks of an effective organisation and drive financial sustainability.
- 4.30. From an outcomes perspective, the change programme will look to build capacity across the Borough, in order to support a prevention-led approach to supporting residents that forms strong strategic partnerships and develops community power.
- 4.31. The change programme will mobilise and begin delivery over 2024 and, running for two years, deliver outcomes that supports the financial sustainability of the Council, enables the delivery of Council & resident priorities, and delivers a workforce fit for the future.

Cost of Living Crisis

- 4.32. Since late 2021, the UK has experienced a rise in the cost of living for individuals and businesses. For many Brent residents, this means having to make difficult decisions on how they spend their income, which can have a negative impact on their standard of living.
- 4.33. The April 2023 Cost of Living poll by YouGov for the GLA found 48% of Londoners surveyed were going without basic needs, struggling to make ends meet or just about managing with their financial situation, with 32% buying less food and essentials to manage their living costs. Of those surveyed, the groups that were most likely to face these challenges included Black and Asian Londoners, social renters (from housing association or Council), and those whose daily activities were considerably limited by health problems or disabilities. These findings align with the Council's Resident's Attitudes Survey, conducted in 2021 to inform the Borough Plan, which at that time found almost a quarter of residents said their financial situation had got worse.
- 4.34. 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 March 2024, RSF has supported 8,591 households with a total of £13.4m. 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 or in an emergency crisis.

- Further support is provided through signposting to other internal (e.g., Brent Hubs) and external (e.g., Citizens Advice) services. The Council and key partners are also trialling a subsidiary of the RSF, a Crisis Response Fund, to provide rapid financial aid (for residents facing emergencies). The trial began in April 2023 and between April 2023 and April 2024 has supported 184 residents with crisis payments.
- **Council Tax Support (CTS):** 25,557 households are supported through CTS as at 31 May 2024, of which 17,065 are working age and 8,492 are pension age. Working and Pension age residents are entitled to a maximum of 100% Council Tax Support depending on their income, savings and household composition. The total CTS given to households is forecast to be around £33.2m in 2024/25. Care leavers receive 100% support for their council tax costing around £0.1m. Residents can also receive support due to hardship through the Council's Section 13A policy.
- A pilot to increase capacity for specialist debt advice has been tested in partnership with Advice for Renters and Brent Hubs. The pilot began in February 2023 and in its first 12 months was accessed by 271 residents seeking support in dealing with debt and related issues. Following successful evaluation of the pilot, a tender process for delivery of a debt advice service for residents is due to begin in June.
- In addition, a Cost-of-Living Practitioners Network, consisting of Brent and partner staff, has been developed and continues to meet regularly to share learning and improve access to existing and new offers of support.

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. In the past year, there were over 6,000 individuals who accessed the Brent Hubs, and the Hubs have facilitated 2917 requests for assistance in obtaining food aid by referring individuals to foodbanks. Additionally, during that timeframe, the Hubs have aided 227 individuals in accessing fuel vouchers, with an average value of £49.
- The most common needs which residents present with at the Hubs are food and fuel support (25%), housing costs (18%),

homelessness (11%), form filling – such as RSF applications - (16%), debt and money (7%), welfare benefits (7%), and other, for example, employment, general support, immigration etc.(16%).

- The Government's Household Support Fund (HSF) has been used to provide support to Brent households with the cost of food and fuel in the form of food and fuel vouchers, grants, and financial support to food aid organisations. The HSF is a follow-on fund from the previous COVID-19 Winter Support Fund and COVID-19 Local Support Funds, which had been in place since December 2020. Between October 2021 and March 2024, the HSF grant has supported 35,837 households in Brent with £13.7m of support funding. HSF funding is currently continuing until 30 September 2024 and there are no details of further funding beyond this date.

New Model of Support

- A pilot to increase capacity for specialist debt advice has been being tested in partnership with Advice for Renters and Brent Hubs, exploring the benefits of providing specialist debt advice to RSF applicants to help them to avoid going back into debt in the future. In the first year, 271 residents had accessed this service. A training programme to upskill front-line staff began in January 2023, aiming to enable more effective and earlier interventions by Brent and partner staff and to increase capacity for money and debt support in the borough. A CoL Practitioners Network has also been developed and expanded to include external partners to share learning and improve access to existing support.
- The Council, in partnership with Sufra NW London, has also been piloting the delivery of a new wraparound support and food aid model aiming to increase community resilience, tackle food insecurity and provide holistic support for residents. The Community Wellbeing Project commenced in February 2023, operating from Bridge Park Leisure Centre and gives members access to a host of support including weekly food shopping, hot meals, gym access and a wraparound support package. Between February 2023 and February 2024, 423 families were enrolled totalling 1514 beneficiaries. Members have carried out 3081 weekly food shops and recorded 536 attendances at workshops and drop-ins with partner organisations. 3,848 daytime and 7,460 evening meals have been served to both members and non-members.
- Evaluation of the pilots has evidenced positive outcomes and led to the development of a new model of resident support, designed to support residents to be more resilient in the longer term. The new model was agreed by Brent's Cabinet for the next three years and consists of an expanded 5-days-per-week Community Wellbeing Service, supporting up to 1000 members annually, and greater alignment and connectivity with wider Brent offers and initiatives.

Service Specific Pressures, Risks and Mitigations

- 4.35. The Council is operating in a challenging financial environment with a funding outlook which is uncertain for local government in general and in particular, there is a lack of clarity around long-term funding for social care. In addition to this uncertainty, there is also the potential for significant spending pressures from demand-led services, specifically in social care and homelessness, new burdens which impact on the budget and on-going pressures as a result of the cost-of-living crisis. Although growth has been built into the MTFs to help alleviate some of these pressures, they continue to present a significant budget risk, particularly in respect of the demographic pressures and contractual indexation. Therefore, Brent is likely to require significant savings over the next few years to deliver a balanced budget.
- 4.36. Housing continues to be a significant area of risk for the Council. The demand for housing services is increasing and the number of homeless applications are rising. The current economic climate could also have an impact on the rent collection rates and result in increases in rent arrears. In addition, the service is reliant on the private rented sector for supply to prevent homelessness and end statutory homelessness duties. However, this market continues to contract. With more people placed in Temporary Accommodation, higher costs and less supply available to prevent homelessness, this is expected to continue causing financial pressures on the Council's budget.

Community, Health and Wellbeing

- 4.37. Nationally, the Adult Social Care system continues to face increasing demand, significant staff shortages, and rising costs. Brent has seen increases in service users, rising from 3,819 service users in April 2020, to 4,493 as at May 2024 a 17.6% increase overall. There are several reasons for this such as an ageing population, more residents living with long-term conditions and a growing mental health need. An increasing number of service users are presenting with multiple and complex health issues impacting their social care need and resulting in more expensive packages of care needing to be commissioned. The council is also working closely with the care provider sector to manage challenges such as recruitment and retention and service quality.
- 4.38. The vision for Adult Social Care is to work with residents to live their best life, enabling people to live independently for as long as possible. In support of that, the council's commissioning priorities, as set out in the Market Sustainability Plan will continue to look for alternatives to residential and nursing care provision, either through commissioning supported living or extra care, or keeping people at home with a homecare package where possible. Costs will continue to be managed through commissioning approaches, working in partnership with other councils in the West London Alliance to set residential and nursing price bands and negotiate prices for care homes on an annual basis. Brent will also work with other West London boroughs, sharing information available to commissioning teams and brokers to help manage placement prices. In 2024/25, the Council will be introducing CareCubed, a

national care costing tool that supports open and transparent negotiation of cost of care placements which has driven out costs effectively in other councils. The initial focus will be on transitions and Mental Health/Learning Disability cases, working with children's and health colleagues on the most costly and complex cases to maximise the potential of any savings.

- 4.39. The Better Care Fund (BCF), a national programme aimed at developing health and social care integration is managed within this department. It is a pooled budget arrangement between health (North West London Integrated Care Board (ICB)) and the Council. The overall approved pooled budget for 2024/25 is £55.7m which is 8% more than the budgets for 2023/24. Planned spend will be monitored throughout the year and regular updates on progress will be provided via the Health and Wellbeing Board.
- 4.40. The ring-fenced Public Health grant for 24/25 increased by 1.3% with an additional uplift of £0.3m for recurrent pay pressures due to national NHS pay awards. NHS pay awards have consistently outstripped uplifts in the public health grant and are a significant potential cost pressure as public health commissioning is largely from the NHS. To date, these cost pressures have been successfully managed through local negotiation of contract uplifts below NHS inflation and the use of block contracts. Levels of need for a number of public health services, most notably sexual health services, are increasing as a result of demographic change and increased levels of infection.
- 4.41. Public Health England and now the Office for Health Improvement and Disparities (OHID) have made additional time limited funds available to local authorities through bidding or allocation rounds for specific purposes. The grant conditions on these additional funds are more prescriptive than for the main grant and such grants have allowed significant investment particularly in drug and alcohol services. In 2024/25 the Council will receive an additional £2.2m for non-recurrent grants namely Family Hubs and Start for Life (£1.22m), Supplementary Substance Misuse Treatment and Recovery Grant (£0.6m) and the Rough Sleepers Drug and Alcohol Treatment Grant (£0.4m). The addition investment via the local stop smoking services and support grant of £0.4m is expected to continue until 2028/29.
- 4.42. The Leisure Service is dependent on income generation, and this will need to be maximised in order to mitigate the rising costs from e.g., energy bills which over the years have increased the operational costs significantly. The challenges in the service have also been compounded by the impact of the 2020 pandemic and the cost-of-living crisis. The budgets will be closely monitored throughout the year and the council is working with leisure providers to ensure the continuity of an affordable service and over the course of the year will be reviewing the required investment to enable the leisure assets continue to be financially viable in the long term, such as the recent report presented to Cabinet on 17 June on the Vale Farm procurement options.

Children and Young People

- 4.43. The volatility of placement costs for Looked after Children (LAC) and Children with Disabilities (CWD) remains a risk. The challenge remains that there is a shortage of appropriate places for local authorities seeking to place children and high costs are often charged by providers to place them. An individual high cost residential or secure placement can cost over £0.5m per annum. The highest residential placement cost at a point in 2023/24 was £23k per week. However, there have been some successful step downs from expensive residential placements to semi-independent placements with an average weekly rate of £900 or independent foster placements, with an average cost of £919 per week. Brent was also successful in a DfE bid to build and run a residential children's home in 2024/25 and this was agreed at Cabinet in May 2023. The home will contribute to the management of costs and placement sufficiency.
- 4.44. To manage these pressures, a CYP Placements Commissioning Board has been put in place to oversee the development of two workstreams:
- Growing Brent's in-house foster care provision by developing a new and competitive package for in-house carers and reducing the requirement to use more expensive Independent Fostering Agencies (IFAs).
 - Promoting greater independence for care-experienced young people thereby reducing placement spend and the number of care-experienced young people in paid for accommodation through a system-wide approach that supports young people transitioning to independence (e.g., working with the Housing department to enable tenancy sustainment, ensuring care leavers claim Housing Benefit when entitled with the aim of reducing the impact on the placements' budget).
- 4.45. The recruitment and retention of skilled and experienced social workers remains a national challenge and leads to a reliance on agency staff that are more expensive than permanent staff. The challenge also remains that many of these cases held by social work staff are complex and, in some teams, higher caseloads present a challenge to recruitment and retention. As at 31st March 2024 caseloads in the Localities and LAC and Permanency service were 2774, 10.9% above the budgeted level of 2,500 cases, although a 6% reduction compared to the same point in 2023. CYP management continued to review a number of incentives in 2023/24 which will improve the drive to recruit to positions on a permanent basis. There were 14 conversions from agency to permanent contracts during the 2023/24 reporting year, demonstrating progress in improving the overall position.
- 4.46. The continued growth of children and young people with an Education, Health and Care Plans will increase pressure on general fund Inclusion services such as staffing within the SEND 0-25 team and Educational Psychology. There will also be an impact on costs of Brent Transport Services that transferred to the

CYP directorate in April 2024. Increase in demand exacerbated by rising prices on taxi routes will put financial pressures on the budget. A number of options are being explored as part of a transformation programme to mitigate some of these pressures and achieve, wherever possible, the savings target for the service. This is supported by policy changes to Brent's Travel Assistance, which was approved by Cabinet in June 2024

Neighbourhoods and Regeneration

- 4.47. The economic challenges have seen the scaling back or cancellation of some major developments. This has created issues for Neighbourhoods and Regeneration, as it is heavily dependent on commercial planning income and related items, such as building control. If the economy rebounds as forecast by the Office for Budget Responsibility it is likely that this income will rebound as well, however there is a risk that this income will take longer to recover. The impact within Building Control is further exacerbated by changes meaning almost all major project work is assigned to Local Authorities by the BSR (Building Safety Regulator) which has taken away the department's ability to bid for further work. Cases are starting to arrive, but the numbers are small and it is challenging to accurately predict how many referrals will be received this year.
- 4.48. For Public Realm the new contractual arrangements for a number of key services such as parking and waste management, commenced in 2023/24. These continue to be closely monitored against the budget available as the contracts are still within their first 12 months of operation. Linked to this is the first year of the new recycle reprocessing contract, where fluctuations in material volumes, rejection rates, and market prices can combine to create pressures for the affordability of the contract. The material prices continue to be monitored, and it is anticipated recycling performance will increase as the contract becomes embedded to relieve pressures.

Law & Governance

- 4.49. Law & Governance are experiencing some pressures within the Legal service. For some legal cases, particularly those in Adult & Children's Social Care, legal advice and representation from external barristers is required. The staffing and external costs create a pressure, and if the internal team lacks capacity more expensive external support has to be procured. There is a particular pressure around this due to the rising hourly rate for Barrister fees.
- 4.50. The service seeks to manage the demand for representation by expensive external barristers through recruitment of in-house advocates and upskilling of the current team.

Partnerships, Housing and Resident Services

- 4.51. Housing remains the most significant area of risk and financial pressures for the Partnerships, Housing and Resident Services department. The Council continues to experience an extremely high level of demand for housing services

and emergency accommodation, which is expected to continue in the coming years. In Brent, there was a 12% increase in the number of homelessness presentations received in 2023/24 (7,300) when compared to 2022/23. The total number of households in temporary accommodation in Brent has increased by 8% over the same period, and the total number of families in emergency temporary accommodation has increased by 36%.

- 4.52. London Councils collect benchmarking information which showed that Housing related pressures are increasing rapidly in comparison to available budgets. Councils' net deficit on homelessness service spending was estimated to be £104.9m (54.2%) higher in 2023/24 than it was in the previous year. The total number of households in temporary accommodation across London has increased by 8.4% and a total number of families living in B&B accommodation rose by 70% compared to the previous year.
- 4.53. These issues are national, but are particularly acute in the capital, leading to the availability of B&B and Annexe accommodation being severely restricted across London. Many Councils resort to booking rooms in commercial hotels in order to meet their statutory duties. Due to a significant lack of availability of accommodation, Councils are forced to use expensive housing providers and at times outside of borough.
- 4.54. 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 attributable to less new properties being procured under Private Sector Leasing schemes, as well as owners not renewing the lease for existing stock.
- 4.55. London Councils reveal that London's Private Rented Sector (PRS) is affected by multiple factors that are driving a reduction in the availability of rental properties. While the demand for housing is increasing, the supply is reducing across the whole market. Greater reliance on the PRS to house lower income households and increasingly limited housing benefits are leading to accommodation being less available and affordable. Supply side factors such as taxation, interest rate changes and uncertainties about future regulation are reducing availability at the lower end of the PRS.
- 4.56. Brent has designed a programme of works focusing on containing anticipated financial pressures. A number of workstreams covering affordability of Temporary Accommodation and new and alternative supply have been set up. Officers are actively looking to renegotiate prices and identify alternative arrangements to help move some of the most expensive placements with the aim of reducing cost pressures. Officers continue to carefully consider and assess the needs of homelessness applications. In 2023/24, 49% of approaches were successfully prevented or relieved.
- 4.57. The Council also owns a housing company, i4B, that is set up to acquire, letting, and manage a portfolio of affordable, good quality private rented sector (PRS) properties. Properties are let to homeless families at Local Housing Allowance (LHA) levels, which enables the Council to either prevent or discharge its homelessness duty and therefore reduce temporary accommodation costs

whilst also ensuring families have a secure and responsible landlord. i4B is continuing its street property acquisition programme with a target to acquire 25 homes in 2024/25.

5.0 Demographic and Demand-Led Service Pressures

- 5.1. Much of what the Council terms 'growth' is in fact the cost of standing still. Some of this is unavoidable (e.g., contract inflation, pay awards), whilst other parts result from growth pressures, such as demographic changes, that increase demand for services (e.g., adult social care, children's services, homelessness).
- 5.2. The MTFS recognises that there are demand pressures arising from demographic changes and cost pressures arising from price inflation. At the time of the February 2024 Budget Report, the growth built into the MTFS assumed that the demographic pressures would crystallise in line with the central case scenario forecast developed in June/July 2023.
- 5.3. Inflation on care contracts for both adults and children, and other significant contracts, had been assumed to be 6% in 2024/25 and 2% in 2025/26, which was in line with forecasts at the time by the OBR and the Bank of England. However, inflation is volatile and subject to external factors beyond the control of governments or central banks. There is therefore a risk that inflation increases again, adding further pressure on the budget.
- 5.4. The MTFS assumes that the pay award will require funding of £6.5m in 2024/25, with a substantial reduction to £3.5m in 2025/26 and 2026/27. A 1% pay increase costs about £1.7m. This mirrors the recent reduction in inflation. Since inflation is a key driver for the level of pay claims, that is not unreasonable, but it does mean that the inflation and pay award risks are coupled. Furthermore, with the cost-of-living crisis ongoing, there is likely to be a continued demand from employees for above inflation pay increases, which will put further pressure on the budget.
- 5.5. For the pay award, there is also a risk if a further flat rate increase is agreed. Flat rate increases are more costly to Brent than percentage rate increases due to the profile of employee grades and the extra cost that the London weighting imposes on London Boroughs when it is added on to the national flat rate increase. At present the 2024/25 pay award has not been agreed and both union requests for pay rises in 2024/25 and the employers offer are in different forms of a combination of a percentage and a flat rate increase, dependent on the grade. Which will prevail is unknown. The position for 2025/26 is a further unknown, but it is reasonable to assume based on the pay awards for the last few years that the pay award will not be a simple percentage increase.

6.0 Income Assumptions

Government Grants

- 6.1. At present the Council's core grant funding consists of generally usable Revenue Support Grant (RSG - £30.89m in 2024/25), and specific grants for items such as for Public Health (PHG), the Improved Better Care Fund (iBCF), additional Social Care Grant (SCG) and the Adult Social Care Market Sustainability and Improvement Fund (MSIF). The MTFS assumes a small inflationary increase for RSG and PHG with a cash freeze for iBCF, in line with previous settlements. Any inflationary increase may be inadequate to cover actual price rises experienced in the service areas. There are a number of other lower value grants which are also expected to remain frozen in cash terms.
- 6.2. The outgoing Government did not intend to introduce wholesale changes to the local government finance system, such as via a Fair Funding Review or business rates reset. However, this does not mean that the incoming Government will make no changes. Also, many key public sector funding decisions were deferred to after the current election. This means that the incoming government will face significant challenges to balance the books and some of the pain is likely to be shared with local government, with DLUHC being an unprotected department. The future funding position is therefore uncertain and most likely unfavourable to Brent Council.

Council Tax

- 6.3. Council Tax is one of the most significant sources of income for the Council, making up £162.1m (or 41.9%) of total core funding in 2024/25. In 2024/25, the referendum threshold limit (excluding the GLA share) was set at 5%, including 2% for the Adult Social Care Precept.
- 6.4. As set out when the 2024/25 budget was agreed, there was an implicit assumption from the Department for Levelling Up, Communities and Housing (DLUHC), built into future funding settlements, that all local authorities would increase council tax by up to the referendum limit. As the increase would permanently increase the council tax income, it would also reduce the significant funding pressures in 2024/25 and beyond and support the unprecedented budget pressures the Council is facing. In addition, the GLA precept, which makes up around 23% of the overall Council Tax bill and is subject to their own decision making, was increased by 8.6% in 2024/25 to provide additional funding for the Metropolitan police and Transport for London.
- 6.5. Substantial rises in Council Tax cause difficulties for some households and for that reason the council continues to fund a Council Tax Support scheme for households who are financially vulnerable. In 2024/25 around £33m is being provided to around 26,000 households. In addition, the Council's Resident Support Fund has made available £1m of additional funds for residents who are having difficulty as a result of the cost-of-living crisis.

- 6.6. The current budget assumptions for 2025/26 have taken a prudent view and assumed that government will maintain the current referendum limit of 5% (of which 2% is the Adult Social Care Levy). 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. Although the outgoing Government maintained that reforming social care remains a priority, it deferred introduction of the cap on care fees and other social care reforms until after the current General Election. At the time of writing, none of the political parties have committed to reforming social care after the election, meaning that funding for Adult Social Care will remain uncertain in the immediate future.
- 6.7. Other factors that affect the level of Council Tax income that is available to fund Brent Council's revenue budget include the tax base and long term collection rate assumptions. The current position on these is discussed in more detail in the Quarter 1 Financial Forecast 2024/25, which is also on the agenda for this meeting. In summary, collection rates are currently significantly below the target level. If this is not recovered in the long term, this will result in a greater proportion of the debt being written off than provided for, causing an unbudgeted pressure on the revenue budget. This is currently being partially offset by higher than expected growth in the tax base, generating more Council Tax income than budgeted for, but the sustainability of this growth is not guaranteed.
- 6.8. The current assumptions in the MTFs are for the long term collection rate for Council Tax to remain unchanged from 2024/25 at 97.5% and for continued tax base growth of 1.8%, based on the projections in the Brent Local Plan for new homes up to 2028/29. However, in recent years the tax base growth has been consistently amongst the highest tax base growth in England. Work is ongoing and will continue throughout the summer, leading into the budget setting for 2025/26, to determine what the appropriate assumptions are, both for 2025/26 and for future years, in order to provide more certainty in the MTFs. Work to improve the collection of Council Tax is also underway and progress on this will be reported back to Cabinet in the draft 2025/26 budget in the autumn.

Business Rates

- 6.9. The Government allocate Business Rates back to Brent based on their assessment of need (the Baseline Funding Assessment) and the actual Business Rates collected. Brent receives a top up as need is in excess of Business Rates collection. The MTFs assumes that business rates will be uprated by CPI inflation in line with the move away from RPI inflation introduced by the government in the 2023/24 local government finance settlement.
- 6.10. At Autumn Budget 2023, the Government announced that they would freeze the small business multiplier for 2024/25, while uprating the standard multiplier by CPI inflation. At present, the MTFs continues to assume that both multipliers will be uprated by CPI inflation in 2025/26 and future years. The Government may choose to uprate both multipliers by the same amount, by different amounts, uprate one and freeze the other (as per 2024/25), or freeze both

multipliers. However, the assumption for Brent's income from Business Rates will remain unchanged as the Government will compensate Brent for the loss of any income as a result of freezing one or both of the multipliers through Section 31 grants.

- 6.11. The Government has continued to allow Local Authorities with a geographic link to form a business rate pool. The settlement confirmed the Eight Authority Business Rates Pool (involving the City of London Corporation as well as Tower Hamlets, Hackney, Haringey, Waltham Forest, Brent, Barnet, and Enfield) will continue in 2024/25. In forming a pool, the group of authorities are seen as a single entity from a business rate perspective and in doing this, should retain more of the business rate income generated locally.
- 6.12. Based on the financial modelling undertaken to date, the benefit for Brent in 2024/25 is estimated to be in the region of £2.7m. This is based on estimates using forecasts from participating boroughs and are therefore only illustrative and a lower set of figures is entirely possible. However, since the formation of the pool in 2022, it has delivered a provisional benefit of £6.3m to Brent, meaning that the projected cumulative benefit by the end of 2024/25 is £9.0m. This means that, at a time of increasing budgetary pressures, Brent Council has had an average of £3m of additional resources available to fund the revenue budget than would be the case outside of the pool.
- 6.13. It is important to note that the final value of the pooling gain for each year is not known until the Statement of Accounts for all of the members of the pool have been audited at the earliest in the autumn following the end of the financial year to which it relates. A significant movement during the year, or during the audit of the statement of accounts, within the Collection Funds of the individual authorities, in particular for City of London, could result in a material reduction of the benefit.
- 6.14. This position will be closely monitored during 2024/25, but even at this stage it is not deemed prudent to build this additional income into the base budget and to place reliance for funding on a future income stream that is in no way guaranteed.

Reserves Strategy

- 6.15. In 2023/24, £13.5m was drawn down from the Future Funding Risks reserve, to bring the overall position on the General Fund to breakeven at the end of the financial year. A further £2.4m was drawn down from this reserve to top-up the General Reserve to 5% (£18m) of the net revenue budget in 2024/25. This is the minimum level of reserves that the S151 officer, as required by Section 25 of the Local Government Act 2003, has considered sufficient to maintain the Council's financial sustainability.
- 6.16. As a result of these movements, the Future Funding Risks reserve has reduced to £10m. Given there is forecast overspend as at quarter 1 of £10m, if this position is sustained this reserve will be completely depleted in this financial year to cover the ongoing pressures on the revenue budget. This will then leave

the Council in the position of having to find further savings to top up this reserve to a level that is sufficient to manage inevitable in year pressures in future years. A review of reserves and update to the Reserves Strategy will be presented to Cabinet in the autumn as part of the 2025/26 budget setting process.

7.0 Medium Term Financial Strategy

- 7.1. The aim of the MTFS is to ensure a long term, stable and sustainable financial position that will allow the Council to achieve its strategic objectives. It reflects the impact of central government funding decisions and the impacts of the national and local economic context. It also provides a robust financial framework to support achievement of the Council's overall objectives and delivery of services.
- 7.2. The MTFS will be refreshed as part of the draft 2025/26 budget that will be presented to Cabinet later this year, including extending out to 2026/27. Adopting a long-term and forward-looking approach should leave the Council in a sustainable financial position, with long term plans in place to give certainty to residents about future levels of service provision.
- 7.3. It is important that the refreshed MTFS closely aligns with the Borough Plan for which it is the funding statement. It should also be closely linked to individual service plans for which it provides the funding sources and the Capital Strategy, which is key to sustaining the Council's services and investment in future improvements.

8.0 Overall Summary

- 8.1. Brent has delivered total cumulative savings of £210m since 2010. In February 2024, the Council agreed a further £8m of savings spread across 2024/25 (£3.6m) and 2025/26 (£4.4m). This was in addition to the savings agreed in February 2023 for 2024/25 (£4.5m), taking the total savings to be delivered in 2024/25 (£8.1m) and 2025/26 (£4.4m) to £12.5m.
- 8.2. The lack of clarity around the future level of local government funding and uncertainty about the economic environment, particularly inflationary pressures, make it hard to be precise about future financial targets. Therefore, the Council has taken a prudent approach over the current MTFS period 2025-2028, in order to return the Council to a sustainable budget position in the medium term.
- 8.3. Based on the anticipated funding allocations and the current forecast assumptions, the estimated budget gap is £16m in 2025/26, rising to a cumulative £30m by 2027/28. The table below shows how this budget gap is distributed across the MTFS period.

	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)
In year budget gap	16.0	7.0	7.0
Cumulative budget gap	16.0	23.0	30.0

- 8.4. The table above includes items known at the time of writing this report. As the budget continues to be developed throughout 2024/25, new pressures may arise, or additional in-year savings may be achieved, which will either increase or decrease the forecast budget gap. It is important to note that these figures include several assumptions around future budget growth requirements, interest rates and inflation which could get worse as well as better. For example, if interest rates do not fall as expected and inflation rises again this would increase the budget gap further. It is also important to note that the financial assumptions could improve, for example if interest rate assumptions are lower than these assumptions or demand led pressures are less than anticipated.
- 8.5. These estimates, which will be refined over the summer, will be a major factor in the construction of the 2025/26 budget. The Council will be looking to identify and deliver savings of £16m to enable it to set a balanced budget for 2025/26. The budget gap for 2026/27 will be reviewed once the local government finance settlement for 2025/26 is known. The Council will need to take difficult decisions about which services to prioritise and protect and which to reduce in order to continue to deliver affordable and sustainable budgets.
- 8.6. Nevertheless, despite all of the uncertainties, risks and moving parts, all Local Authorities have to put together financial plans for 2025/26. For Brent, it is proposed to continue to base plans on an assessment of the range of possible scenarios rather than wait for the outcome of the Local Government Finance settlement in December 2024.

9.0 Proposed budget setting process for 2025/26

- 9.1. The proposed budget setting process following this Cabinet meeting is as follows:
- Draft budget for 2025/26 and new savings proposals are presented to Cabinet in autumn 2024. The precise date is dependent on the Chancellor's autumn statement where announcements on the Spending Review and Local Government funding are expected;
 - The proposals, together with any changes made by Cabinet, will form the basis of consultation between November 2024 and February 2025 with residents, businesses and other key stakeholders;
 - The Budget Scrutiny Task Group will review the budget proposals and report accordingly;
 - The General Purposes Committee will review the calculation of the Council Tax base in December 2024; and

- After the statutory processes of consultation, scrutiny and equalities have concluded, a draft budget will be presented to Cabinet to recommend a final budget and Council Tax to the February 2025 Council meeting.

10.0 Capital Programme

10.1. In 2023/24 the Council spent £213.0m of the £224.2m approved budget outlined in Table 1.

Table 1 – 2023/24 Final Outturn Position							
Portfolio / Programme	Budget as at Feb 2024	Budget Changes since Feb 2024	Final Budget 2023/24	Outturn	Over / (Under) Spend to Budget	Over / (Under) spend split	
						2023/24 Slippage	Underspend for Repurpose and Removal
	£m	£m	£m	£m	£m	£m	£m
Corporate Landlord	10.1	0.0	10.1	10.0	(0.1)	0.1	(0.2)
Housing, Care and Investment Board - GF	92.6	3.0	95.6	93.6	(2.1)	(2.1)	0.1
Housing, Care and Investment Board - HRA	49.9	(9.0)	40.9	42.8	1.9	1.8	0.1
PRS I4B	5.8	0.0	5.8	5.8	0.0	0.0	0.0
Public Realm	26.6	0.3	26.9	25.1	(1.8)	0.5	(2.3)
Regeneration	9.0	0.0	9.0	4.5	(4.5)	(4.1)	(0.4)
Schools	12.4	0.0	12.4	11.7	(0.7)	(0.4)	(0.3)
South Kilburn	13.6	9.0	22.6	18.9	(3.7)	(4.1)	0.4
St Raphael's	0.8	0.0	0.8	0.6	(0.2)	(0.2)	0.0
Grand Total	220.9	3.3	224.1	213.0	(11.2)	(8.6)	(2.6)

10.2. The 2023/24 outturn position was lower to the revised budget by £11.2m. Further details on the outturn position are contained within the Financial Outturn Report for 2023/24. It is proposed that the underspend of £11.2m is re-profiled into 2024/25 and future years.

10.3. Table 2 below set outs virements and reprofiled budgets from 2024/25 to 2028/29 with the rationale for adjustments provided further below.

Table 2 - Budget Adjustments Breakdown 2024/25 to 2028/29						
	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m
2023/24 Under/Spend	11.2					11.2
Additional New Budget						
Preston Library Fit Out Costs	0.6					0.6
Virements						
Neville & Winterleys project movement from Housing HRA board to South Kilburn	2.4	3.8	3.8			10.0
Neville & Winterleys project movement from Housing HRA board to South Kilburn	(2.4)	(3.8)	(3.8)			(10.0)
Movement of South Kilburn Voids project to Housing HRA board	0.7					0.7
Movement of South Kilburn Voids project to Housing HRA board	(0.7)					(0.7)
Reprofiling						
Budget reprofile St Raphael's		(16.4)	3.9	12.5		0.0
Budget Reprofile of Wembley Housing Zone	(7.1)	7.0	0.1			0.0
						0.0
Total	4.5	(9.4)	3.9	12.5	0.0	11.8

10.4. The budget adjustments set out in Table 2 above include:

10.5. Additional New Budget

- £0.6m approved to fund Library fit-out costs at Preston Park Library.

10.6. Budget Virements

- £10m representing the transfer of the Neville & Winterleys project budget from the Housing HRA Board to the South Kilburn Board.
- £0.7m representing the transfer of budget set aside for refurb works on South Kilburn void units from the Housing General Fund Board to the Housing HRA Board.

10.7. Budget re-profiling

- Re-profiling of the St. Raphael's estate wide improvement programme to align with the updated project plan.
- Re-profiling of Wembley Housing Zones updated in line with latest cost and cash flow forecasts, based on work done to date since start on site.

The revised budget position for 2024/25 to 2028/29 is summarised in Table 3 below.

Table 3 - Capital Programme Revised Budget 2024/25 to 2028/29						
Board	2024/25 Revised Budget	2025/26 Approved Budget	2026/27 Approved Budget	2027/28 Approved Budget	2028/29 Approved Budget	Total 2024/25 to 2028/29
	£m	£m	£m	£m	£m	£m
Corporate Landlord	14.3	19.0	10.8	28.2	0.5	72.8
HCIB - GF	61.8	48.1	30.7	3.6	0.0	144.2
HCIB - HRA	53.7	96.5	29.5	9.9	0.0	189.7
PRS I4B	46.2	0.0	0.0	0.0	0.0	46.2
Public Realm	25.4	11.7	1.0	1.0	6.0	45.2
Regeneration	62.2	117.4	7.3	0.0	0.0	186.9
Schools	25.4	26.3	7.3	3.3	0.0	62.2
South Kilburn	33.4	3.9	3.9	0.0	0.0	41.2
St Raphael's	0.5	3.2	3.9	12.5	0.0	20.0
Total	322.8	326.1	94.4	58.5	6.5	808.3
Approved Feb 23	318.1	335.5	90.5	46.0	6.5	796.8
Budget Adjustments	4.7	(9.4)	3.9	12.5	0.0	11.8

Capital Pipeline

10.8. The programme agreed by Council in February 2024 included £433.8m of pipeline schemes. The capital pipeline is a list of potential future investment projects identified by each of the sub-boards. In evaluating the investment pipeline proposals several factors are considered. These include statutory requirements, demonstrable linkages to corporate priorities, with the ability for proposals to generate revenue savings and, to a slightly lesser extent, their potential to generate future capital receipts or other financial returns.

- 10.9. Schemes will be brought forward once further refined and subject to detailed business cases; they will be promoted to the main programme following Cabinet approval where necessary.

11.0 Housing Revenue Account

- 11.1. 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.
- 11.2. The HRA budget is set each year in the context of the 30-year business plan. The business plan is reviewed annually allowing for horizon scanning and the identification and mitigation of risks in the short, medium and long term. Early identification of risks enables planning and implementation of mitigations to ensure the HRA can continue to remain financially secure and deliver on its commitments to provide safe, secure and decent housing.
- 11.3. After four consecutive years of rent reductions, between 2016/17 to 2019/20, the Government set out its rent policy, which originally allowed rent levels to be increased by CPI plus 1% for the next five years starting from April 2020. However, in light of exceptional inflation levels, government had amended its rent setting policy for 2023/24 to introduce a 7% rent rise limitation, compared to 11.1% if CPI plus 1% was applied. This was estimated to equate to a circa £2m reduction in income in that year. Furthermore, rent increases in 2023/24 did not only affect that financial year, 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 beyond 2025/26. Any rent increases below inflation means that the base for a rent increase in the following year is also lower and so on for future years.
- 11.4. For 2024/25, the government allowed rent rises in line with previous rent policies of CPI+1%. The average rent currently sits at £144.40 per week, an increase of 7.7% when compared to the previous year. This represented a £4.1m increase in investment. The HRA had to re-profile service delivery such as the capital programme and achieve considerable savings in order to close the gap between the rental income raised and the increased cost of delivering the service as a result of high inflation and rent limitations in previous years.
- 11.5. HRA rent setting needs to be considered in the context of the ring-fence and the 30-year business plan. Based on Bank of England inflation forecasts of 2.5%, if the Council applies the CPI+1% rent policy for 2025/26 this would result in an average rent per week of £149.45 and give the potential to raise an additional £2m on income, with a cumulative effect of an additional £60m investment in the HRA over a 30-year period.
- 11.6. Some costs such as repairs have increased significantly and have remained at those levels as expected, despite the recent reduction to inflation due to establishing increased contractual cost base during high inflationary periods in previous years. Medium-term investment plans must be approached cautiously

and allow for flexibility. High levels of uncertainty around inflation and rising interest rates pose a financial risk to the HRA. This has an impact on the cost of materials and repairs, as well as the cost of new build contracts. Energy costs are to be passed on to tenants and leaseholders resulting in an increased risk of non-collection. In addition, rising cost-of-living is likely to impact rent collection rates and consequently result in increased rent arrears.

- 11.7. Other pressures involve the capital programme as there is insufficient government funding having been made available to meet environmental priorities and requirements such as carbon reduction works to homes. In addition, an increase in service requests relating to damp and mould is likely to put additional pressures on budgets. The increased costs experienced by the HRA would have to be met by rent inflation and modifying service delivery, in addition to the annual efficiency saving targets which are incorporated into the medium-term financial plan.
- 11.8. The influences outlined above are continuously monitored and a reappraisal of HRA budget priorities will be considered if necessary. As part of the budget setting process, the HRA budget will be subject to a separate consultation process.

12.0 Schools and Dedicated Schools Grant

- 12.1. The DSG increased by 7% in 2024/25 to £397m and funding for the Schools' Block of the DSG increased by £4m (2%) compared to 2023/24. This additional funding will go towards supporting Brent schools, especially those experiencing financial difficulty and currently projecting an in-year deficit.
- 12.2. Schools' balances decreased by £1.9m in 2023/34. Despite the increased funding, Brent schools are still faced with budget challenges as they manage higher support needs of pupils, inflationary increases in supplies and services and the impact of the cost-of-living crisis through wage increases and rising energy costs. These pressures have altered schools' abilities to balance their budgets, and this is expected to continue in the new financial year.
- 12.3. The net position at the end of the financial year 2023/24 was that seven schools were in deficit. These schools will require licenced deficit agreements with recovery plans to return to a balanced position.
- 12.4. Some Brent primary schools, particularly in the south of the borough, continue to experience the impact of falling rolls in their reception and key stage 1-year groups and this directly affects the funding the schools receive, as pupil numbers drive school funding. The affected schools will respond to reduced funding when planning their budgets, potentially through restructures to prevent the school going into a deficit position.
- 12.5. The Mayor of London has pledged to continue to fund Free School Meals for all primary aged children not eligible for the current government funded offer for the academic year 2024/25.

- 12.6. At the end of 2023/24, the overall DSG deficit in Brent, which had risen due to the increasing number of children with Education, Health and Care Plans (EHCP), funded through the High Needs Block, has reduced to £13.2m following an in-year surplus of £0.6m added to the brought forward balance from 2022/23 of £13.8m. The surplus was mainly driven by underspends against the Schools, Central and Early Years Blocks of the DSG offsetting a £1.4m overspend against the High Needs Block. The Early Years Block underspend is mainly due to the DfE's in-year adjustment to the EY Block funding in July 2023, following the completion of the January 2023 census. The EY Block is a self-contained block based on headcount and therefore there is a risk that the DfE may claw back the funding following a final in-year adjustment expected in July 2024. This surplus will be held in reserves to offset any potential clawbacks.
- 12.7. The surplus balance will be held in an earmarked reserve and the cumulative deficit of £15.1m will be carried forward to 2024/25. Brent has a Deficit Recovery Management Plan in place with longer-term actions to recover the deficit and regular updates on progress presented at Schools Forum. A combination of longer-term recovery actions includes managing demand by applying a graduated approach to reduce the need for an EHCP, improving sufficiency of places by establishing more SEND provision in the borough, improved financial management and anticipated government funding increases will help to reduce the deficit. The risk also remains that the number of EHCPs will continue to rise.
- 12.8. The trend shows that the number of children with EHCPs continued to grow, albeit at a reduced rate based on published data.

Table 4

Financial Year	January 2020	January 2021	January 2022	January 2023	January 2024
Number of EHCP	2,426	2,784	2,938	3,251	3,500
Brent Year on Year % Increase	12%	15%	6%	11%	8%
National Year on Year % Increase	10%	10%	10%	9%	TBC

- 12.9. As a result of DSG being in deficit, Brent is part of the DfE's Delivering Better Value (DBV) in Special Educational Needs and Disabilities (SEND) programme to support local authorities to manage their deficits. The programme is in the test and learn phase with specific project workstreams being implemented and monitored along with key performance indicators designed to ensure that actions are tracked. The DBV programme will not address the historic deficit but changes that will be embedded as a result of the programme will be aimed at reducing future spend. The current Management Plan and efficiencies identified from the programme may allow funds to be released to address historic deficits.
- 12.10. The financial year 2022/23 was the final year of the statutory override set out in the School and Early Years Finance Regulations 2021 which requires local authorities to either carry forward any cumulative DSG deficit to set against the DSG in the next funding period of carry forward some or all the deficit to the

funding period after that. The government has now extended the arrangement for another three financial years from 2023/24 to 2025/26.

13.0 Stakeholder and ward member consultation and engagement

13.1. The detailed approach to the statutory consultation process for the setting of the 2025/26 budget will be set out as part of the draft budget report to be presented to Cabinet in the autumn of 2024.

14.0 Financial Considerations

14.1 The financial implications are set out throughout the report.

15.0 Legal Considerations

15.1. Standing Order 24 sets out the process that applies within the Council for developing budget and capital proposals for 2025/26. 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 tax payers, service users and others under Section 3 (2) Local Government Act 1999.

16.0 Equity, Diversity & Inclusion (EDI) Considerations

16.1. There are no EDI considerations arising out of this report.

17.0 Climate Change and Environmental Considerations

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

18.0 Communication Considerations

18.1. There are no communication considerations arising out of this report.

Report sign off:

Minesh Patel

Corporate Director of Finance & Resources