Brent	**Cabinet** 12 November 2024
	Report from the Corporate Director, Finance and Resources
	Lead Member - Deputy Leader and Cabinet Member for Finance & Resources (Councillor Mili Patel)

Draft Budget 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 2025/26 Appendix B: Detailed budget templates for new budget proposals for 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 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 Recommendations

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 2025/26.

2.4 That Cabinet endorses the approach to the statutory process of consultation, scrutiny and equalities between November 2024 and February 2025, as set out in section ten of this report.

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

2.7 That Cabinet notes the position with regard to the Housing Revenue Account, as set out in section twelve of this report.

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

3.0 Cabinet Member Foreword

3.1 This report sets out the Council’s draft budget for 2025/26.

3.2 As usual, it is the cumulative product of thousands of hours of officer and member time, which will soon be bolstered by a series of statutory processes of scrutiny, consultation with residents and members, businesses, and other key stakeholders.

3.3 This report is also 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 Advisory Committee.

3.4 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 £222m 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%.

3.5 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.

3.6 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. While these measures have made a positive contribution to the Council's financial position, these levers will not be enough to support the Council in the future.

3.7 Since the Medium Term Financial strategy report was presented to Cabinet earlier this year, the financial position of the Council continues to worsen. Looking forward to 2025/26 officers and members will now be asked to identify a staggering £16m in savings and operational efficiencies 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.

3.8 Sadly, we are not alone in this position. By February 2024, an unprecedented 19 councils had applied to the previous Government for Exceptional Financial Support (EFS) to help meet their legal duty to balance the books in 2024/25. The Local Government Association published a stark new report in October warning that 1 in 4 councils is likely to need emergency government support to stave off financial bankruptcy over the next two years. The picture across the board, from councils of all political colours, is deeply concerning.

3.9 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. It is increasingly difficult to explain to residents that their Council Tax is paying not just for their bins; but for looked after children, easing the adult social care crisis, and resolving the homelessness emergency.

3.10 As shown in our financial reports earlier this year, the common thread across them is the enormous pressure our Housing teams are under. Over 150 families per week are presenting at the Civic Centre as homeless, and with over 34,000 households registered on the housing wait list, it is no surprise that this report projects a further £15m overspend on Temporary Accommodation. The housing crisis did not begin in the council – and while we welcome the measures announced by the Chancellor of a £233m uplift for the sector for homelessness prevention in 2025/26, it is expected to have limited impact for Brent or address the wider housing emergency.

3.11 We continue to develop a housing pipeline, with an outstanding build record through the New Council Homes Programme placing us as the second highest builder of any London borough for over a decade. But while markets adjust and we await the distribution of much-needed new funding, construction costs place those schemes in paralysis.

3.12 We now find ourselves with a different government than we had at the time of dispatch of our previous budget report. The Chancellor's Autumn Statement outlined a set of measures aimed at fixing the foundations of the economy and delivering desperately needed change for public services, but the impact of the most austere period in decades will take a generation to put right.

3.13 The savings recommendations set out in this report are the aggregate of choices we wish we didn't have to make. But this administration's priority has been, and always will be, to protect our residents across this borough, and to ensure that there is a safety net for our most vulnerable. We welcomed, in particular, the Chancellor's confirmation of an extension to the Household Support Fund, which will provide local authorities with a further £1bn in vital welfare support.

3.14 Through this, Brent's Resident Support Fund will continue to put an arm around those residents at greatest risk of deprivation during the cost-of-living crisis. To date, among other measures, we have been able to ensure residents are provided with food and energy support via our Brent Hubs; issuing vouchers to residents in need of urgent food and fuel support, and making referrals to food aid agencies and support schemes for utility costs.

3.15 Further details on the funding announcements set out by the Chancellor are still to follow in this year's Local Government Finance Settlement (LGFS), expected mid-December. A long-awaited commitment to multi-year funding settlements and an end to wasteful competitive bidding will place Brent in a far more robust position in years to come, allowing for longer-term projections and decisions to strengthen our financial resilience.

3.16 In the meantime, Brent will continue to take the tough decisions to deliver a balanced budget and support frontline services, standing ready to rebuild and renew when the window of opportunity allows us to do so. 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.

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 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.

4.3 Local government is facing the most challenging financial environment for many decades. Many councils are overspending and depleting their reserves, most are experiencing the adverse effects of a prolonged period of high inflation, high interest rates and significant increases in demand due to demographic changes.

4.4 The report outlines the approach being taken to address the budget gap expected to result from demographic and inflationary pressures. It should be recognised, however, that 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.

4.5 As reported to Cabinet in July 2024, the budget gap between 2025/26 and 2027/28 is estimated at £30m, with £16m of this falling in 2025/26, 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.

4.6 The Council has therefore now brought forward a series of new proposals totalling £9.4m (£4.4m of savings proposals from services and £5m resulting from changes to Council Tax Support), which, if approved following consultation and scrutiny, would be implemented in 2025/26. A further £6.5m of operating efficiencies have been included in the draft 2025/26 budget, enabling the £16m identified gap to be filled. These new proposals, and the updates to budget assumptions set out in this report, will enable the Council to set a balanced budget for 2025/26. The £4.4m of new savings proposals for 2025/26 are summarised in Appendix A and full details of each of the proposals are set out in Appendix B. The Council Tax Support proposals were presented to Cabinet on 14 October 2024.

4.7 There remains significant uncertainty over local government funding in the medium term given the change in government and the absence of longer term spending review. The recent spate of Council's requesting exceptional financial support, indicating that local authorities cannot set balanced budgets, show the widespread issues facing the sector from significant demand pressures and increased cost of services.

4.8 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.

4.9 In summary, the key features of the 2025/26 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 £1,642.77 (for the Brent element). The GLA precept is unknown at this stage and is subject to their own decision making and consultation processes.
- Changes to the Council Tax Support scheme from April 2025, to be consulted on and reported to Cabinet separately, which will generate additional Council Tax income of £5m from 2025/26.
- New budget savings proposals of £4.4m to be delivered in 2025/26, as set out in Appendices A and B. This is on top of the £4.4m of savings for 2025/26 agreed by Council in February 2024.

5.0 Strategic Financial Overview

Financial Context

5.1 In February 2024, Council agreed the budget for 2024/25, which included £8.0m of savings, profiled £3.6m in 2024/25 and £4.4m in 2025/26. In July 2024, Cabinet received an update to the MTFS and as a result of demand and inflationary pressures a budget gap of £16m was identified for 2025/26. These savings will be in addition to the £222m removed from the Council's budget since 2010, inclusive of the £4.4m already agreed for 2025/26. This is a result of significant reductions in government funding and the challenges posed by new legislation, at a time when demand for key services has been rising.

5.2 In October 2024, Cabinet received the Quarter 2 forecast position for 2024/25, which set out significant in year pressures within the Housing Service, which have continued from 2023/24. 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 £15m. An additional pressure of £5m in supported exempt accommodation has been identified, while mitigating underspends in other services totalling £6m have reduced the overall overspend to £14m.

5.3 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 benefit subsidy from the Department of Work & Pensions. There is an action plan with multiple workstreams to address the supply issues which mitigate some of the costs of housing the increased number of homelessness cases.

5.4 However, this pressure has not been reduced since 2023/24, despite actions already undertaken and as such growth has been built into the budget on the assumption that this will be an ongoing pressure, with demand management continuing in order to reduce costs. If this pressure cannot be reduced, it will have a consequential impact on the rest of the Council's service budgets. 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.

5.5 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. The Council has 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.

5.6 In addition, the Council has introduced a number of spending controls, including a new requirement for services to deliver upto £10m of in year savings to provide more assurance over the Council's spending decisions and reduce the risk that the budget position deteriorates further. These measures include proactive vacancy management, directorate led targeted non-essential spending controls including agency and interim spend, alongside department led management action plans reflecting other actions being undertaken. Identifying and delivering this level of additional savings will be a significant challenge for the Council's services during the coming months, but this is considered to be a necessary step to ensure that the Council's budget can be returned to a sustainable position. The Q2 forecast report reflects where departments are in the identification and delivery of these new in year savings targets.

5.7 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.

Economic Environment

5.8 Forecasts for growth in GDP for the UK in 2025, vary from 0.8% to 1.6%, with a median of 1.3%. This is slighter higher than is currently forecast for 2024 (median forecast growth 1.0%), but is unlikely to be sufficient to significantly help many of those people still suffering from the cost of living crisis.

5.9 Forecasts for CPI inflation in 2025 vary between 1.5% and 3.3%, with a median of 2.1%. Given that the latest figure for CPI inflation is 1.7% (for September 2024) this suggests that inflation will increase from its current level.

This increased inflation is expected to start in the last quarter of 2024 due to increases in energy prices. Given that the government normally increases grants for local authorities based on the September CPI figure this presents a risk that costs increase faster in 2024/25 than the council's grant income does.

5.10 One of the areas of greatest uncertainty for 2025 is the forecast increase or reduction in employment, range from 0.6% reduction in employment, to a 1.2% increase in employment, with a median of a 0.6% increase in employment. At the same time, the forecast increase in wages varies between 2.6% and 4.3%, with median of 3.6%. On the median forecasts wages would grow faster than CPI inflation. This suggests that the income gap between those in employment and those out of employment will continue to grow in 2025.

Government Fiscal Events

Autumn Budget 30 October 2024

5.11 The Chancellor of the Exchequer, Rachel Reeves MP, delivered her first Budget on 30th October 2024. This announcement outlined a set of measures aimed at fixing the foundations of the economy and delivering change. Alongside this fiscal event, the Office for Budget Responsibility (OBR) published its updated economic and fiscal outlook.

5.12 Based on the analysis that has been able to be undertaken since the announcement, the following sections set out our understanding of the changes to local government funding. Full details will be confirmed in the Provisional Local Government Finance Settlement (PLGFS) in December.

- Core Spending Power (CSP) for local authorities, which is a measure of the core funding available for councils including a rise in council tax, is estimated to increase by 3.2% in real-terms.
- There was no explicit mention of Council tax principles in the Budget, however civil servants have indicated these are likely to remain unchanged at 2.99% main rate and 2.0% ASCP.
- These announcements are in line with the assumptions that have been made in this Draft Budget.
- Social care grant funding will increase by £600m in 2025/26 - with detailed on allocations to be confirmed.
- Homelessness funding will increase by £233m in 2025-26, with detail on allocations to be confirmed.
- £1bn was set out for the Household Support Fund and Discretionary Housing Payments to continue in 2025/26.
- While these grants are welcome, they are ring fenced in nature and therefore do not reduce the budget gap in 2025/26 or the budget proposals set out in this report.
- Local authorities will be compensated for proposed changes to Business rates multipliers and reliefs. The increase to the standard multiplier and the reduction of the Retail Hospitality & Leisure (RHL) relief both create risks that businesses will have difficulties paying their business rates,

which could result in business closures. However, making the RHL relief permanent will bring some certainty for businesses in that sector.

- Local authorities to receive £1.1bn of new funding in 2025/26 through the implementation of the Extended Producer Responsibility Scheme to improve recycling outcomes. The precise amounts and mechanism are to be confirmed.
- The government also announced a 1.2% increase to employer's National Insurance contributions. Discussions with civil servants seem to indicate local authorities, alongside other public sector organisations, will be partially or fully compensated for these increases. However, details are still to be confirmed. There are also indirect risks where additional costs faced by private companies, such as care providers, are likely to pass this on to Councils through increased fees.
- Over £250m will be provided to continue testing children's social care reforms, including new funding to pilot a Kinship Allowance and to create thousands of new foster placements.
- There will be a £1 billion increase to SEND and Alternative Provision funding in 2025-26, the second biggest ever year-on-year increase.

5.13 It is encouraging that the Chancellor has announced £1.3 billion extra funding for the next financial year, which will help meet some, but not all, of the significant pressures in adult and children's social care and homelessness support. Given these grants are ring fenced in nature, where any additional funding must be spent on the purposes set out in the grant conditions, it does not have the effect of reducing the budget gap expected next year.

5.14 Extra funding for children with special educational needs and disabilities is positive but also now needs to be followed by fundamental reform of the SEND system, focussing on improving inclusion in mainstream settings and writing off councils' high needs deficits.

5.15 The budget also includes some positive measures such as Right to Buy reform, funding for potholes, childcare, reform of children's social care and affordable housing, which will help councils support early years, repair roads, and build new and improve existing homes. An extension to the Household Support Fund next year will also help councils provide welfare support to vulnerable households.

5.16 That being the case, the funding for 2025/26 will be the seventh single year settlement for Local Government, which makes financial planning extremely challenging in the medium to long term. The Government also needs to give explicit clarity on whether councils will be protected from extra cost pressures from the increases to employer national insurance contributions.

5.17 Only with greater funding certainty through multi-year settlements and more clarity on financial reform, can councils protect services, meet the needs of residents and work in partnership on the Government's priorities.

5.18 Councils will only have a clearer picture of the financial challenges they face for 2025/26 once the distribution of the additional grant funding announced is confirmed and the Local Government Finance Settlement is published in December. Therefore, at this stage, the draft budget and the proposals set out in this report remain unchanged.

5.19 The government also indicated that the second phase of the Spending Review will conclude in spring 2025. It is not clear how many years the second phase will cover, but the government's general commitment could suggest at least 2026/27 and 2027/28 with a real terms 1.5% annual increase in day to day departmental spending in future years. Therefore, the proposed reforms to Local Government funding need to be significant as it is clear additional resources in future years will be limited.

Local Government Finance Settlement (expected in December 2024)

5.20 It is not yet known when the provisional Local Government Finance Settlement (LGFS) will be announced, but past experience suggests that this will happen in mid-to-late December 2024.

5.21 The starting point of the 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 CPI rate in the September of the previous year. 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.

5.22 For the LGFS 2024/25, the final settlement confirmed an increase in local government Core Spending Power of at least 4 per cent, assuming that all councils increased Council Tax to the maximum allowed without a referendum. Due to a fall in New Homes Bonus received in 2024/25 compared to 2023/24, this resulted in the Council receiving a minimum funding guarantee grant of £1.3m. At present, it is unclear whether the funding guarantee will be continued into 2025/26. However, it is not expected that Brent would receive any such funding in 2025/26 and no assumption relating to this is built into the budget.

5.23 For 2025/26, the relevant CPI rate for Core Spending Power is 1.7% following a larger than expected fall in inflation in September 2024. Given the current ongoing pressures in the Council's budget and with inflation expected to increase again in the near future, this represents a risk that any increase in funding will not be sufficient to meet inflationary pressures in 2025/26.

5.24 The 2024/25 LGFS deferred a number of important decisions that will affect local government financing until after the general election of July 2024. 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 The draft 2025/26 budget has been built on the assumption that government funding will increase in line with the September 2024 CPI of 1.7%. The MTFS also assumes that the Council Tax referendum limit will remain unchanged at 4.99% and that the Council will increase Council Tax by this amount. Given that 2% of this will be the social care precept, the actual increase for most Council services will be 2.99%. This is higher than current general inflation, but with the ongoing severe demand led pressures in the Housing service, this is still likely to represent a real terms cut compared to the true impact of demand and inflation experienced by the Council.

Outlook for Future Government Funding

5.26 After 2025/26, the MTFS model assumes that government funding will increase by 2% in future years and Council Tax will increase by 5%. If inflation increases, this will cause a real terms cut in resources. There is also a risk of changes to Council Tax which affect the level of increase that it will be possible for the Council to implement. Any reduction in the increase to Council Tax and 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.

5.27 Financial stability is crucial for the local government sector. The unprecedented emergency support given to councils this year, in the form Exceptional Financial Support (EFS), reveals the extraordinary funding emergency facing local government. 19 councils have been granted this support, which permits a local authority to meet revenue costs through capital resources either through additional borrowing or selling assets. Essentially, this support is akin to adding to your mortgage to pay for your day-to-day living expenses, which is not a sustainable manner in which to manage financial resources. A recent survey showed that without additional funding one in four English councils will have to apply for EFS in the next two years.

Administration Priorities

5.28 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).

5.29 The Borough Plan 2023-27 sets out the Council's vision for the four-year period covered by the plan. There is an emphasis on how the Council will work with others to support people through the cost-of-living crisis 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.

5.30 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

5.31 To further support delivery of the Borough Plan we are in the process of developing a two-year Delivery Plan (2025-2026) that will outline the Council's areas of focus. The Delivery Plan will outline what the Council has the capacity to prioritise, reflecting what has been achieved within the Borough Plan over the last year or so, our available resources and our broader operating context. It will also describe our organisational change journey as the Council responds and adapts to our challenges and opportunities.

5.32 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 2024/25 was set at the Council meeting of February 2024, where savings of £8m were agreed, profiled £3.6m in 2024/25 and £4.4m in 2025/26). The £3.6m of savings for 2024/25 was in addition to the £4.5m of savings agreed in February 2023, taking the total savings to be delivered in 2024/25 to £8.1m. 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 2024/25, there is a forecast overspend of £14.4m against the revised revenue budget at Quarter 2. This is equivalent to 4% of the revised budget. The largest overspend is £15m in the Housing service, which is experiencing high levels of demand due to a rise in homelessness and a reduction in the supply of suitable temporary accommodation. This has increased during the year from £10m at Quarter 1. In addition to this, there is a £5m overspend that has been identified against 'Supported Exempt Accommodation'. These pressures are being partially offset by £6m of in-year savings across other services.

6.3 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 £20m to £5m, 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 2024/25 would, potentially, carry over into 2025/26 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.

6.4 The seriousness of the Council's financial position cannot be understated. The significant budget pressures that were identified in 2023/24 have continued into 2024/25. Savings have been identified and delivered for these years and officers continue to work on mitigating actions, but even with these measures, the current financial position is resulting in a depletion of the available reserves that are required to ensure the future financial resilience of the Council. 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.

6.5 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 2024/25 and future years, it may be necessary to identify further savings in 2025/26. The use of reserves to balance the budget would not be prudent as a substantial amount of reserves have already been used to shore up the position in 2023/24 or are earmarked to potentially address 2024/25. Further analysis on the use of reserves is set out in paragraphs 7.3 and following of this report.

Departmental pressures

6.6 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.

6.7 As the two areas most affected by the changes in demography and increasing contractual costs, the Community, Health & Wellbeing and Children & Young People's departments undertook scenario and sensitivity analysis of the effects of different levels of inflation and demographic change. This determined a central case (that is a position between possible best and worst cases), which has been used as the basis of the contract inflation and demographic changes in these areas.

6.8 There are also considerable pressures in other areas. The unprecedented demand for temporary accommodation is putting considerable pressure on the budget for Partnerships, Housing and Resident Services. £14m of growth has been included in the Housing Needs budget to address the overspend in this area that has continued from 2023/24.

6.9 Updated modelling of the requirement for Capital financing has been undertaken. This has identified a substantially increased growth requirement from the revenue budget, with £7.0m built in for 2025/26.

6.10 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 in London, Brent faces a substantial increase in cost with the contribution forecast to rise by £3.0m in 2025/26, £1.8m in 2026/27 and £1.9m in 2027/28. Concessionary fares are part of the Community, Health and Wellbeing budget.

6.11 The expenditure assumptions detailed above are based on forecasting forward from the current budget position. An assumption has been built into the budget for 2025/26 that further actions will be taken by services to manage demand and reduce expenditure from this level. Progress on these actions will be reported to Cabinet as part of the budget report in February 2025 and the MTFS update in July 2025.

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

Community, Health & Wellbeing

Adult Social Care & Strategic Commissioning

6.13 The department faces funding pressures mainly within Adult Social Care due to increasing demand for services and recruitment and retention challenges. There have been demographic pressures as the number of older people and working age adults requiring care increases. In Brent, as of September 2024, there has been a 7% increase in client numbers compared to the same period last year. There have been significant increases in service users requiring a Home Care package (14%) and those receiving care in Supported Accommodation (16%) which is partly due to Brent's strategy of reducing demand in residential settings (i.e. a 2% reduction in clients placed in residential & nursing settings) and promoting independence at home.

6.14 The chart below shows the number of adults accessing long term care (i.e. Residential, Nursing and Community Care such as Supported living, Home Care etc) is steadily increasing not only in Brent but across London. The reasons for the increase are due to factors such as an ageing population, more residents living with long-term conditions and a growing mental health need.

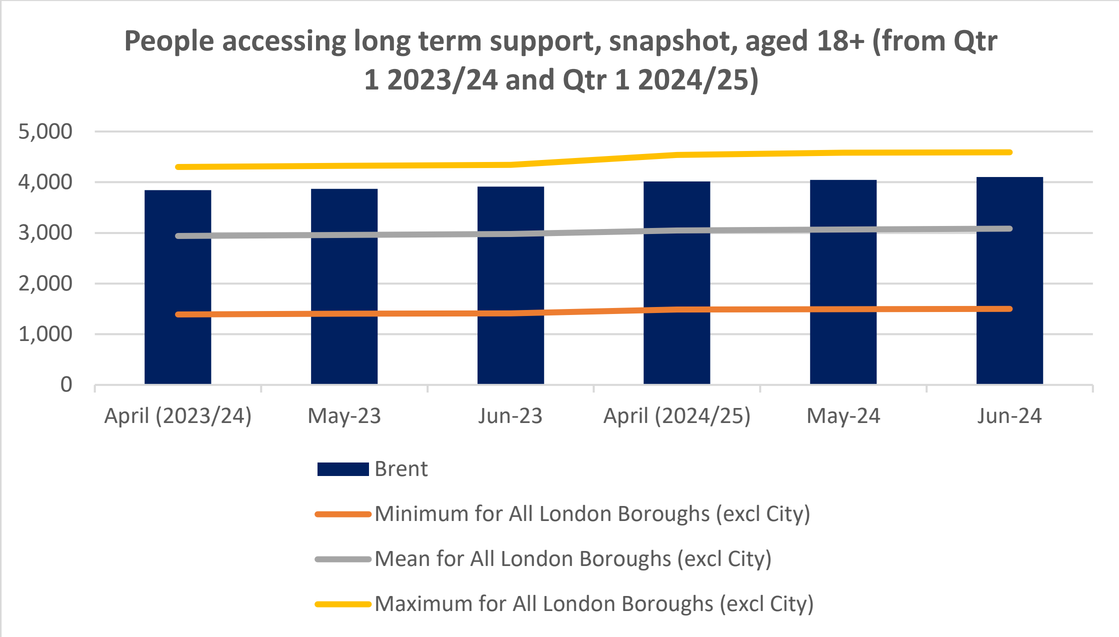


Chart Source: LG Inform Benchmarking data.

6.15 Inflationary pressures are also having an impact on the budget with the overall average weekly cost increasing by 5% as of September 2024 when compared to September 2023. 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, especially those in Supported Accommodation which saw a 11% increase in the average weekly costs.

6.16 The table below shows the average weekly rates in the last quarter of 2023/24 compared to the average for North West London (NWL) authorities. It is important to note that there are factors that can have an impact on the benchmarking data such as the size of the borough, where placements are being made (in borough or out of borough) and the number of placements, which is the case with residential placements. The data in the table below shows that Brent is higher than the average in NWL however Brent has a lower than average number of service users placed in residential care in line with the strategy to promote independence.

Table 1: Older Adults - Average Weekly cost benchmarking data Q4 2023/24

Borough	**Average Placement**	**Average Residential**	**Average Residential Dementia**	**Average Nursing**	**Average Nursing Dementia**
		Weekly Costs			
Brent	**£1,022**	**£1,017**	**£853**	**£1,062**	**£1,183**
Average North West London Boroughs (NWL)	£1,047	£964	£892	£1,141	£1,208
Highest NWL	£1,192	£1,182	£1,072	£1,624	£1,378
Lowest NWL	£989	£848	£853	£992	£1,007

6.17 Staffing remains a critical factor for adult social care and managing recruitment, retention, and the costs associated with staffing will be key to maintaining the quality and sustainability of services. There is a continued reliance on the use of agency staff who are more expensive than permanent staff. Also, as care shifts towards more complex community-based services, investment in staff training and development will become increasingly important to ensure that the workforce have the skills required to deliver high-quality, person-centred care. The department currently has a retention strategy in place for hard to fill roles and has been successful in converting a number of agency staff to permanent staff.

6.18 The council is also working closely with the care provider sector to manage challenges such as recruitment and retention and service quality.

6.19 The Social Care funding reforms planned for October 2025 will no longer go ahead and this introduces further risk and uncertainty as the sector is uncertain about any plans in place to address the funding pressures and unmet need in the system. Social care funding is reliant on the Adult Social Care Precept and various social care grants such as the Better Care Fund (BCF), the Social Care grant, the discharge grant and the Market Sustainability and Improvement Fund (MSIF), to support services. The budget assumes continuity of these funding sources except for the discharge grant, which is assumed to cease in 2025/26. This would lead to delays in hospital discharge and put further pressure on the social care system. A longer term financial settlement for social care, incorporating the various grants that are provided, will reduce uncertainty and enable sustainable services.

Public Health

6.20 The ring-fenced Public Health grant contracts are also likely to be impacted by inflationary increases. Most public health services are commissioned from the NHS and the government has commenced the 2025-26 NHS pay round and depending on the agreed rate of increase, there is the risk that the national Agenda for Change pay awards will again significantly outstripped uplifts in the public health grant. There continues to be increasing levels of need for a number of public health services, notably sexual health services, as a result of demographic change, increased levels of infection and substance misuse where there is considerable unmet need for services.

6.21 The future of the additional time limited grant funding awarded by Office for Health Improvement and Disparities (OHID) mainly for drug and alcohol services in 25/26 is currently unknown, with a decision expected later this calendar year. In the meantime, officers are preparing a contingency plan utilising public health grant reserve to avoid a “cliff edge” in services should the grants not be continued.

Leisure Services

6.22 The Leisure Service continues to face challenges due to factors such as increases in energy costs, the slow return to leisure centres post the 2020 pandemic, the impact of cost of living crisis on residents, inflationary costs of running the centres, increases in the London Living Wage, reduced income and ageing facilities. The council continues to work with leisure providers to ensure the continuity of an affordable service and review the required investment to enable the leisure assets continue to be financially viable in the long term.

Children and Young People (CYP) General Fund

6.23 The challenges faced by Children and Young People are largely in line with the national picture and over the past few years the overspends in the department have arisen from rising demand due to the volatility of placement costs; recruitment and retention challenges which have led to reliance on qualified social worker agency staff; increasing number of children requiring Education, Health and Care Plans (EHCP) and the impact of rising inflation driving increased costs of services.

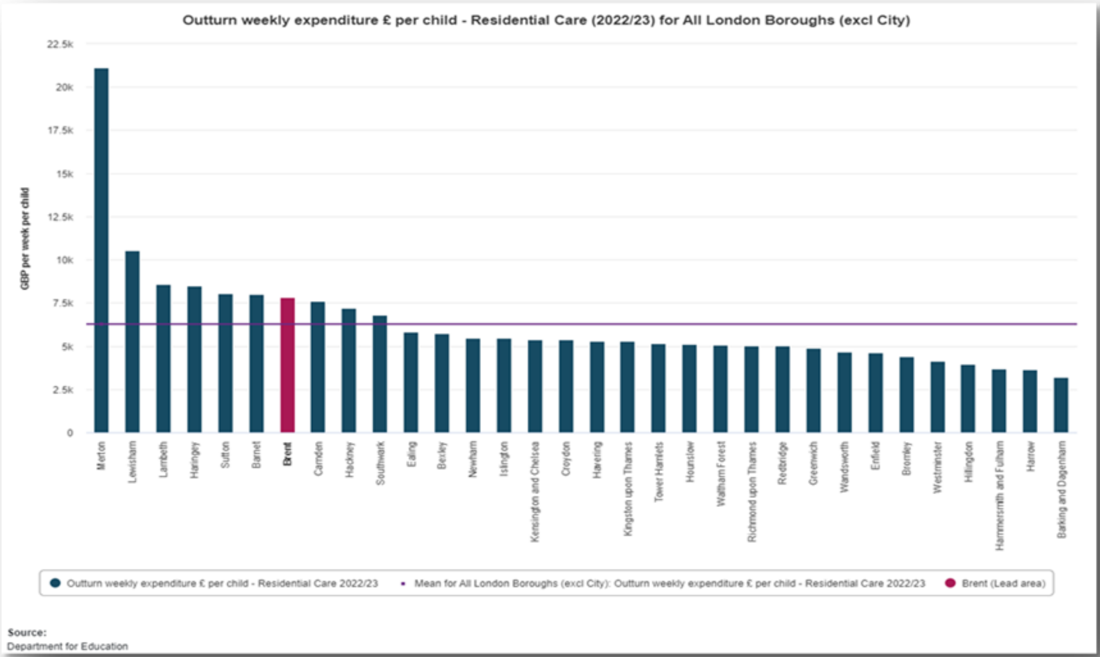
6.24 Brent has followed the national pattern with a reduction in expenditure during the austerity years that targeted savings at preventative services, as these are not generally statutory in nature. As a result, in subsequent years, the reduction in preventative services has led to increased demand for later interventions and over half of the current CYP general fund budget is being spent on placements for children in care.

6.25 Pressures continue to arise due to increased cost of placing children in care, particularly in residential and secure placements, although the number of children and young people receiving support in Brent has remained stable in the last year. Pressures against the placement budgets arise from a combination of the impact of inflation and increased costs, particularly as Brent's looked after children often enter care late, with complex needs and require higher levels of support.

6.26 A significant challenge is securing suitable placements, largely due to difficulties within the national residential market, as highlighted in a national review of children's social care. Consequently, more customised placements have been required, which can be extremely costly. A key factor driving these costs is staffing ratios, with providers often insisting on much higher staffing levels than those recommended, as a condition of accepting placements. The impact of inflation and the shortage of available placements is expected to further increase costs in 2025/26. Brent is currently in the process of opening a new in-house care home which is expected to open by May 2024. This would help alleviate some of the market pressures and achieve cost avoidance savings of c£0.3m, by comparing the cost of running the home to the cost of placements with independent foster care agencies.

6.27 As of August 2024, there were 295 (319 in August 2023) Looked After Children (LAC) in Brent. The directorate continues to effectively manage demand by keeping children at home with their families when it is safe to do so. The current average weekly cost for a residential placement in 2024/25 is £6,492 (£6,413 in 2023/34). Additionally, there are typically two clients in secure accommodation throughout the year, with an expected annual cost of £1m. The average weekly costs of the top six residential placements involving complex needs currently range between £7,000 and £13,500, with these costs set to see inflationary increases in 2025/26.

6.28 The chart below shows the weekly residential placement costs across 32 London boroughs in 2022/23 (latest available) with Brent ranking the 7th highest average spend of just under £7.5k.

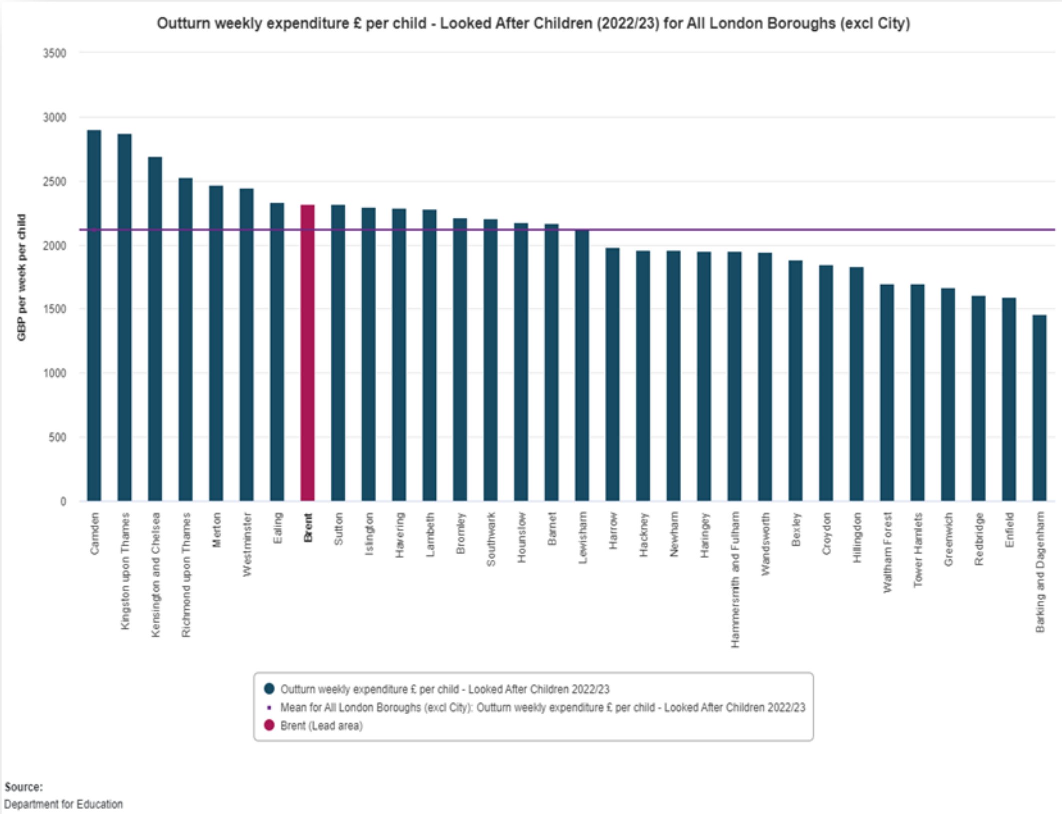


6.29 The table and chart below show the weekly expenditure per child for Looked After Children (LAC) in Brent from 2018/19 to 2022/23 with an average weekly cost of £2,320 in 2022/23. The table shows that over the years, the LAC unit costs in Brent have been in line with the average unit costs when compared to our statistical neighbours. That being the case, the chart shows that Brent had the 8th highest weekly cost compared to other London Boroughs.

Table 2: Weekly expenditure per child for Looked After Children (LAC)

	Outturn weekly expenditure £ per child - Looked After Children			
	GBP per week per child			
Period	Brent	Minimum for All local authorities in London	Mean for All local authorities in London	Maximum for All local authorities in London
2018/19	1,390	1,140	1,580	2,375
2019/20	1,385	1,290	1,709	2,370
2020/21	1,925	865	1,837	2,835
2021/22	1,865	1,335	1,913	2,780
2022/23	2,320	1,455	2,141	2,975

Source:
Department for Education



Charts and table source: LG Inform

6.30 The directorate also provides support to Care Leavers, who are entitled to support from the local authority until the age of 25. The number of Care Leavers receiving support has risen in recent years and currently stands at 567, with further increases anticipated in the new financial year.

6.31 The CYP directorate relies on health contributions from the Integrated Care Board (ICB) to fund health-related expenses associated with placement costs and the health component of a Special Education Needs and Disabilities (SEND) child's Education, Health, and Care Plan (EHCP). Brent continues to collaborate with health partners to secure maximum contributions through a Joint Funding Panel which challenges placement decisions on a case-by-case basis.

6.32 The recruitment and retention of skilled and experienced social workers remains a national challenge, resulting in a continued reliance on agency staff, who are more costly than permanent employees. Additionally, many of the cases handled by social workers are complex, and high caseloads remain a concern. At the end of 2023/24, the Localities and LAC & Permanency service had 2,774 cases, 10.9% above the budgeted level of 2,500 cases, although this reflects a reduction compared to the previous year. Competing offers from other local authorities, which include attractive benefits and more manageable caseloads, continue to present challenges for Brent’s recruitment and retention efforts. CYP management continues to take steps to improve the recruitment and retention of social workers.

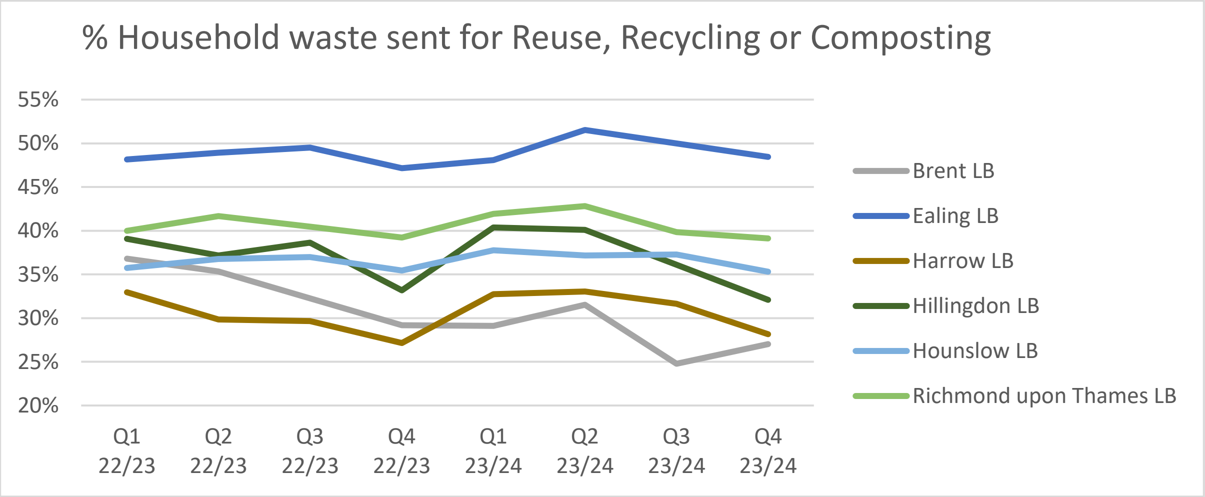
Neighbourhoods and Regeneration

Public Realm

6.33 The new contractual arrangements for a number of key services within Public Realm, such as parking and waste management, commenced in 2023/24. The largest of these contracts is the waste management contract, which is experiencing pressures due to some operations not being as expected pre-contract commencement.

6.34 Within 2024/25, residual waste collected is expected to increase 8% compared to the previous year. The main drivers for this appear to be the poor quality of communal recycling, this means it cannot be recycled and therefore has to be disposed of as residual waste. There has also been an increase in fly-tipping in recent years. Both of these issues have programmes in place in order to improve the service and bring down residual waste volumes, but there still remains as a pressure going into 2025/26.

6.35 The below chart shows the percentage of household waste sent for recycling alongside the other London Boroughs making up the West London Waste Authority.



Source: Q100, Waste data flow

6.36 Brent is actively working to improve its recycling rate, which has historically been the lowest among the west London boroughs. The Council is addressing challenges such as the high number of estate-type properties that rely on communal bins, which can sometimes lead to contamination and waste diversion. Additionally, Brent is embracing its unique diversity and working to overcome language and cultural barriers, as well as addressing high levels of deprivation and the significant number of HMOs. These efforts are aimed at fostering better waste management behaviours and enhancing the overall recycling outcomes for the community.

6.37 A new recycling system was introduced last year that has seen performance settle and improve. There is still work to do to improve recycling at flats, such as rolling out food waste at these properties to further improve performance. In addition, the waste education team has transferred from Veolia to be part of the Brent service so that resources can be better directed to combat negative behaviours and reduce rates of contamination.

6.38 At the same time as waste tonnage is increasing, the price per tonne disposal cost has also risen significantly. In 2024/25 it is up 8.5% compared to the previous year, and a 15.7% increase when comparing this year to 2021-22. These costs are largely out of the control of the Council and are a reflection of high levels of inflation in recent years which has led to increasing contract prices for waste disposal.

6.39 Linked to this, is the first year of the new recyclate reprocessing contract, where fluctuations in material volumes, rejection rates, and market prices combine to create pressures for the affordability of the contract. The first year's operation of this contract highlighted some financial pressures, due to some factors not being as anticipated.

- Less tonnage is being collected/processed and more loads are being rejected. There has been a downturn in DMR (Dry Mixed Recycling) tonnage across the country and this is largely down to purchasing habits changing and manufactures using less packaging. At the same time the total accepted tonnage has been largely impacted by acceptance criteria at the recyclate reprocessing centre, with more materials being rejected at the front end.
- Recyclate material prices not as anticipated. Material prices are difficult to forecast due to significant variations of prices across all materials. The table below shows the variation in the basket prices of some of the most valuable materials in the waste stream experienced last year.

Table 3: Variation in the basket prices

Material	High	Low	Swing
Alu Cans	£17.22	£6.41	63%
Mixed Paper	£15.65	£6.13	61%
Cardboard	£14.70	£2.81	81%
Pots & Tubs	£4.61	-£0.67	115%

Inclusive Regeneration & Employment

6.40 Economic challenges have seen the scaling back or cancellation of some major developments. This has created issues for Inclusive Regeneration & Employment, as it is heavily dependent on commercial planning income and related items, such as income in building control. 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.

6.41 Whilst it is hoped that the economy will recover there is uncertainty about when this could reflect in a recovery of planning income. In the short term, an increase in planning fees could help to mitigate some of the impact. However, the change by the BSR is more difficult to mitigate against.

Partnerships, Housing and Resident Services

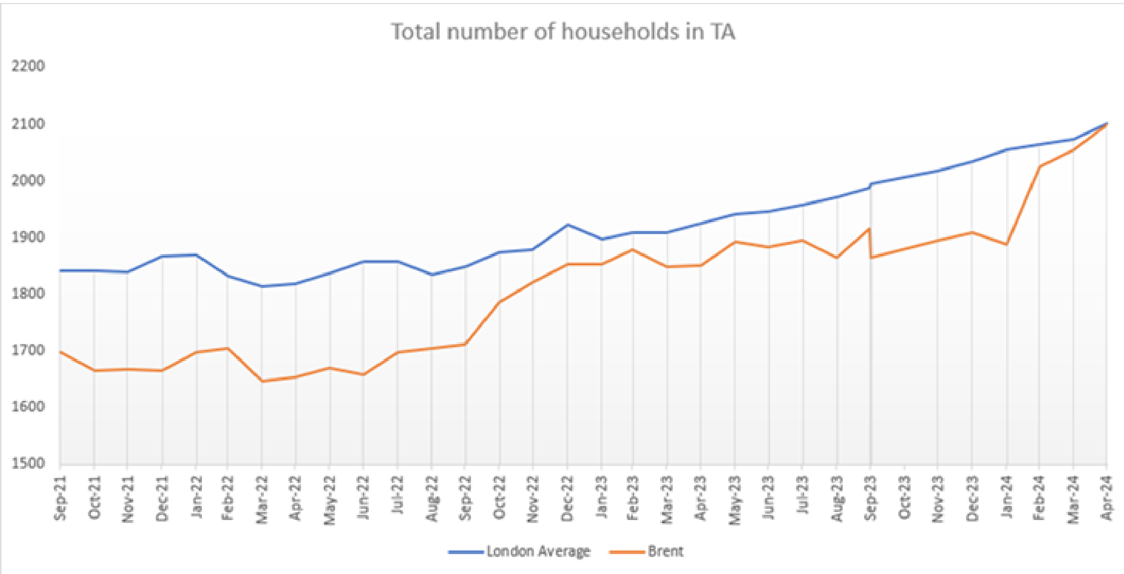
Homelessness

6.42 Housing Needs and Support continues to be the most significant area of pressure for the Partnerships, Housing and Resident Services department. It is forecast to result in a £15.2m budgetary pressure in 2024/25. An extremely elevated level of demand for housing services and emergency accommodation is a national issue that is particularly acute in London. The Housing Needs Service in Brent has seen a 12% increase in the number of homelessness presentations received in 2023/24 (7,300) compared to 2022/23. The total number of households in temporary accommodation in Brent has increased to 2,054 (by 8%) over the same period, and the number of families in emergency temporary accommodation has increased by 36%. As at the end of quarter two in 2024/25, the total number of homeless households living in emergency type accommodation had risen to 1062, with the service placing an average of 30 households every week. This is a 15% rise in comparison to April 2024 that had 922 households in stage 1 temporary accommodation.

6.43 Homeless households placed in temporary accommodation who are entitled to it can claim housing benefit to go towards their housing costs. Local authorities pay the cost of that housing benefit upfront and then are paid back by the Department for Work and Pensions (DWP) through subsidy arrangements. Households receive the full housing benefit they are entitled to, however the amount the council can claim back is limited to 90% of the Local Housing Allowance (LHA) rates from 2011. This means that if the cost of the housing benefit claim is higher than those rates, the local authority loses money. The council is essentially bridging the gap between rent and the amount the council is allowed to recover in housing benefit subsidy from the Department of Works and Pensions. The resulting subsidy loss is included in the overall Housing Needs and Support forecast. If the cap for how much the local authority can claim back from the DWP were to be removed and brought back in line with Local Housing Rates for the current year, this could partially help alleviate the current pressure by around £3.8m.

6.44 The Housing Benefit caseload has reduced from 17,786 in April 2024 to 14,573 in October 2024. The reduction is due to working age customers moving to Universal Credit. There are currently 8,456 working age cases still remaining with the Council. It is anticipated that at the end of March 2025 the Council will still have around 4,000 cases. Post 2025, the Council will carry on with the responsibility of Housing Benefits for Temporary Accommodation (TA) cases, Supporting Exempt Accommodation (SEA) cases and Pensioner cases. A reduction in the working age caseload does not result in a reduction in subsidy loss. This is because these cases are generally receiving the current Local Housing Allowance for 2024/25 or are in Housing Association properties. Housing Benefit cases remaining with the Council for TA and SEA are causing high subsidy losses. The caseload for these categories has increased from 1,847 in April 2024 to 2,180 in October 2024.

6.45 London Councils conducted analysis and benchmarking of peers that help to gauge the situation in London. This showed that Housing pressures are increasing rapidly compared to budgeted levels and that Councils' net deficit on homelessness service spending was projected to be 9.2% (£34.3m) higher in 2024/25 than it was in 2023/24. Data from 24 councils showed that the gross total monthly spend on temporary accommodation across London for April 2024 reached £64.7m. A median weekly rate paid across all temporary accommodation types at Brent was £363.63, which is just above the London average standing at £335.81. London local authorities report 24.7% more families living in B&B accommodation than a year earlier and 41.2% more families living in B&Bs beyond the six-week limit than the year before. The table below shows the total number of households in temporary accommodation in comparison to the London average, based on the latest but unaudited values.



6.46 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 expensive provision 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.

6.47 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 available under Private Sector

Leasing (PSL) schemes, as owners not renewing the lease for existing stock when the lease ends and there is less appetite from landlords on any new approaches. London's Private Rented Sector (PRS) is affected by multiple factors driving a reduction in the availability of properties for rent. The demand for housing is continuing to increase while supply is reducing across the whole market. Greater reliance on the PRS to house lower income households and increasingly limited housing benefits are making accommodation less affordable and available. Factors such as taxation, interest rate changes and uncertainties about future regulation are reducing availability at the lower end of the PRS.

6.48 London Councils reveal that only 5% of private rental listings in London are affordable to low-income households that are using Local Housing Allowance (LHA) to cover their rent. From April 2021 to December 2023, 4.3% of London's rental properties were sold without replacement, with more affordable properties having been particularly impacted. London's PRS is shrinking. During 2023, availability of more affordable PRS stock reduced by 3.3% per month in comparison to 2.6% per month across the rest of London. The reduction in more affordable properties particularly affects the ability of low-income households to access the PRS, which makes it harder for local authorities to prevent and relieve homelessness. This contraction and availability of the PRS market for low income households coupled with the limited impact that would be had of removing the cap on subsidy Councils can secure from DWP show how widespread fundamental changes are needed to address the current homelessness pressure.

6.49 The Council has designed a programme of works to focus on containing the projected pressures. Several 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 that would allow the Council to move some of the most expensive cases with the aim of reducing costs for the Housing Needs service. Officers also continue to carefully consider and assess the needs of homelessness applications. At the end of the second quarter in 2024/25, the average percentage of approaches that had successfully been prevented or relieved in 2024/25 reached 53%.

6.50 i4B is continuing its street property acquisition programme and had a target to acquire 25 homes, which has already been exceeded. i4B is a housing company wholly owned by Brent Council set up to acquire, letting, and manage a portfolio of affordable, good quality PRS properties. Properties are let to homeless families at Local Housing Allowance (LHA) levels. This 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. The rise in LHA rates has enabled i4B to increase its acquisition price caps. i4B continues to be self-financing and the current portfolio results in an annual saving in excess of £4m in Temporary Accommodation costs. Whilst building and new acquisitions would not solely resolve the homelessness crisis, the Council is doing everything within its powers and the funding available to source new supply.

Any new supply would help to avoid additional housing costs and mitigate the risk of the projected overspend increasing.

Supported Exempt Accommodation

6.51 In addition, the supported exempt accommodation properties are leading to growing financial pressures on the Council and present a new budgetary risk. This is because providers are not constrained by the LHA caps like other landlords and are able to charge a higher rent once they justify that they are providing support. The amount of Housing Benefits subsidy is dependent on the Rent Officer decision and is awarded based on the claim related rent. This is a national challenge as there is a need for better regulation around the agreed criteria that a provider should meet to be considered as a Supported Exempt Accommodation provider and further clarity on what constitutes as minimal care would enable a universal approach when considering an individual's support needs. In Brent, the resulting subsidy loss to the Council is forecast to be in the region of £5m - £9m for 2024/25 and this pressure is expected to remain in 2025/26.

6.52 A dedicated working group has been set up within the Council and its work aims to minimise the opportunities for exploitative landlords to join the Supported Exempt Accommodation market by introducing a clear strategy on the Council's mechanisms to review landlords that enter this market and those already established. Reviews will also be carried out to consider the individual's support care needs and to verify whether the provider is providing the appropriate amount of care.

7.0 Council-wide Themes

Employee Costs

7.1 The Local Government pay award for 2024/25 has been agreed, with the outer London increase being the higher of 2.5% or £1,491. In absolute terms, this is similar to the pay award for 2023/24, but broadly equates to an average of 3.4% increase in pay (5.7% in 2023/24), ranging from 5.8% at the lowest level of pay and 2.5% at the highest level of pay. This is estimated to cost £4.5m in 2024/25. Provision has been made for this in the Council's budget for 2024/25, 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 2025/26 has yet to be agreed and the type of pay award 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 and 2024/25). This uncertainty makes budgeting for future pay awards challenging. However, the growth assumed for pay inflation in the MTFS for 2025/26 is £3.5m, which is sufficient for an average pay award of 2.5%. At the present time, this is deemed prudent as inflation in 2025/26 is not expected to be as high as in previous year, 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.

Fees and Charges

7.3 Setting the level of increase in fees and charges is going to be difficult this year due to the growing disparity in income between those in work and those out of work. Whilst the Council is committed to supporting the borough's residents through the current economic challenges, a freeze on increases in fees and charges is not an affordable option. Further, the forecast increase in wages for those in employment suggest that some residents will be able to afford increased fees and charges.

7.4 Where the Council has discretion over charges for services provided, detailed advice and guidance has been issued. In setting fees and charges consideration needs to be given to the recovery of both direct costs (staffing, materials, bought in services) and indirect costs (office accommodation, back office support) of the service.

7.5 The Council will also consider the likely impact of any increase in fees and charges, and to what extent these will be affordable to the particular customers they serve.

7.6 The outcome of the review of fees and charges and the proposed increases for 2025/26 will be set out for Full Council in February 2025.

Council Tax

7.7 Council Tax is one of the most significant sources of income for the Council, making up £162.1m (or 42%) of total core funding in 2024/25.

7.8 In the 2024/25 Local Government Finance Settlement (LGFS), Central Government set the referendum limit at 3% with a 2% adult social care precept. The Government's Council Tax policy for 2025/26 is currently unknown, however it is widely expected to remain at current levels.

7.9 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.

7.10 Taking into account the unprecedented pressures within social care and 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.

7.11 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 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.

7.12 The Mayor of London's 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.

7.13 In 2023/24, by 31 March 2024 only 92.2% of the net collectable debit for 2023/24 had been collected, 1.8% below the 94% in year target and 2.1% lower than the equivalent figure for 2022/23. Based on the collection in the year to date, a similar level of collection can be expected at the end of 2024/25, indicating that the issues that have been negatively affecting the collection of Council Tax are continuing. The most prominent of these impacts is likely to be the ongoing cost-of-living crisis, which has been exacerbated in Brent by levels of unemployment above national and London averages.

7.14 Furthermore, analysis of the trends in the Council Tax collection over several years has shown that the collection has been falling since before the Covid-19 pandemic, meaning that the short-term shocks have only accelerated the longer-term trend. The service are currently utilising external resources to enable a deeper analysis of the outstanding Council Tax debts and the reasons for non-payment. The analysis will also enable the service to segment the debts based on the likelihood of collection, ensuring that appropriate actions can be taken which maximise the collection within the internal resources that the Council has available.

7.15 The results of this work and the effect that it has on the long-term forecast for Council Tax collection will determine whether it is possible to continue with the current long term collection target for setting the 2025/26 budget. Current assumption is for a 97.5% long term Council Tax collection for all years. The current low in year collection does not necessarily mean that the target needs to be reduced and every effort will be made by the Council to achieve this target if possible. However, if it is necessary to reduce the target, this will reduce the funding available to the General Fund for 2025/26 by approximately £0.9m for every 0.5% reduction.

7.16 In the current uncertain funding environment for local government there is potential significant risk to the Council's financial resilience. Any budget gap arising from reduced expectations for collection will have to be met either from reserves in the short term or from additional budget savings. The Council has already committed to a challenging programme of savings for 2025/26 and the reserves have been depleted in recent years due to high inflation and demographic pressures.

7.17 Recent years have seen some of the pressure from the reduction in Council Tax collection be mitigated by higher than average tax base growth, which has been driven by the regeneration work ongoing within the borough. Based on the homes we have delivered to date and those expected to complete within our pipeline, the Council will exceed the target to deliver approximately 1000 homes by the end of 2024. Brent also 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. With interest rates at their highest level for over a decade and expected to remain high, it is not yet clear what effect (if any) this will have on the building of new homes in Brent.

Business Rates

Business rates - Eight authority pool

7.18 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.

7.19 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 outturn position for the 2022/23 pool delivered an overall benefit of £40.8m, with Brent's share being £3.5m. For 2023/24, the pre audited benefit is £19m, of which Brent's share is £1.6m. For 2024/25, the estimated benefit for Brent is £1.5m. Therefore, pooling still represents further resources to be generated for Brent that would not be generated through the retained business rates regime as an individual authority. Likewise, modelling has been undertaken to see if a London wide pool would be financially beneficial, which suggests a pan-London pool would result in a deficit overall. On that basis a pan-London pool for 2025/26 has not been recommended.

7.20 For 2025/26 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 reforms to business rates in general.

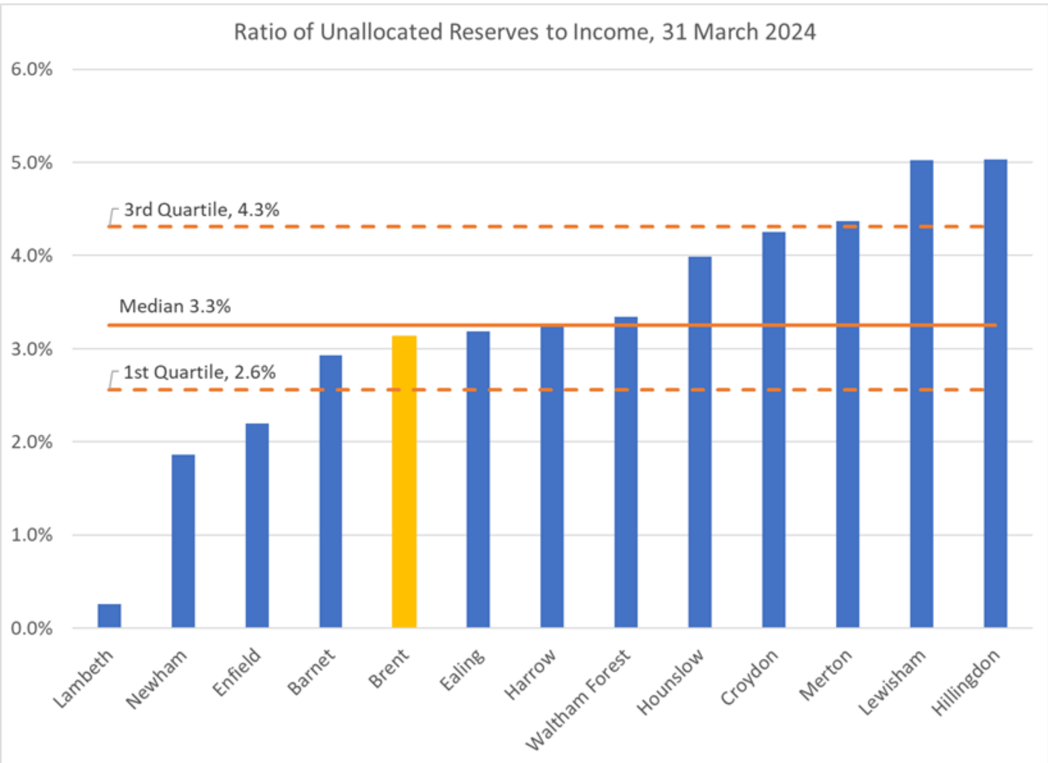
7.21 As part of the February 2023 Budget Report, decisions on entering into and remaining a member of a Business Rates pool were delegated to the Corporate Director of Finance and Resources. A decision on this is not therefore required. If there is a risk to the pool making a loss, which is currently 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.

Reserves Strategy and Financial Resilience Assessment

7.22 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 £20m, from £18m, to ensure that this reserve is adequate – this represents 5% of net expenditure, which is the minimum prudent level determined by the Section 151 Officer.

7.23 Comparing the level of unallocated reserves to income, across Brent's nearest neighbours, Brent (3.1%) was just below the median level (3.3%) of unallocated reserves to income as at 31 March 2024 as shown below. This gives assurance that Brent has broadly comparable level of unallocated reserves to its comparator boroughs. (This methodology has been based on CIPFA's approach for its Financial Resilience index, as the net expenditure approach relies on Brent specific numbers).

7.24 That being the case, this ratio has been falling across Brent and its nearest neighbours. The overspends in 2023/24 reduced reserves in Brent, and the overspend expected in 2024/25 will further reduce reserves. As the ratio of reserves to income decreases the council becomes more vulnerable to smaller financial shocks, therefore the council needs to stabilise the level of reserves to income to help ensure its financial resilience.



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

7.26 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 are also ring-fenced by statute to specific purposes (Community Infrastructure Levy and Public Health are examples of this).

7.27 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.

7.28 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 £20m would be exhausted in just over 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.

7.29 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).

7.30 A full FRA was undertaken as part of the 2024/25 budget agreed by Full Council in February 2024. A further FRA will be undertaken as part of the 2025/26 budget to be presented to Full Council in February 2025, as the FRA needs to consider the Section 151 Officer's assessment of the adequacy of reserves and robustness of estimates under section 25 of the Local Government Act 2003.

8.0 Savings Proposals

8.1 In February 2024, Council agreed the budget for 2024/25 which included £8m of savings, profiled £3.6m in 2024/25 and £4.4m in 2025/26. 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 for services and inflationary pressures being experienced, scenario analysis suggested a central case budget gap of £16m.

8.2 The Council has therefore now brought forward a series of new proposals totalling £9.4m (£4.4m of savings proposals from services and £5m resulting from changes to Council Tax Support), which, if approved following consultation and scrutiny, would be implemented in 2025/26. A further, £6.5m of operating efficiencies have been included in the draft 2025/26 budget, enabling the £16m identified gap to be filled. These operating efficiencies are in large part an extension of existing spending controls and savings from the voluntary redundancy scheme.

8.3 On the Council Tax Support scheme, these changes are subject to a separate consultation and Cabinet approval process. This has been updated in the MTFS through increasing the projected Council tax base, which then increases the Council Tax income for 2025/26 by £5m. If these changes are not implemented in April 2025, then a further £5m of savings will need to be identified.

8.4 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.

8.5 The table below sets out the new savings proposals by directorate.

Table 4: Savings by directorate

Savings by directorate		
	Savings 2025/26	**Proposals**
Directorate	**£m**	**No.**
Community, Health and Wellbeing	1.7	4
Children and Young People	0.4	3
Neighbourhoods and Regeneration	0.4	5
Partnerships, Housing and Resident Services	1.3	7
Law and Governance	0.3	5
Finance and Resources	0.3	1
Council Tax Support	5.0	1
Total	**9.4**	**26**

8.6 The table below sets out the savings by category:

Table 4: Savings by category

Savings by category	
	Savings 2025/26 £m
Service Transformation	1.0
Restructure	1.4
Reduction in provision	5.6
Procurement	0.2
Income generation	1.0
Digital	0.2
Total	**9.4**

8.7 Officers and members have reviewed the proposals to ensure the plans are realistic and deliverable. Detailed budget templates have been produced, set out in 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.

8.8 A summary of the overall draft 2025/26 budget is set out in the table below.

Table 5: Overall summary of 2025/26 draft budget

Proposed Budget	2025/26
	£m
Expenditure	
Base Budget from 2024/25	387.0
Growth	
Demographics	7.2
Inflation	7.8
Temporary Accommodation	14.0
	29.0
Total Expenditure	**416.0**
Income	
Revenue Support Grant	(31.4)
Specific Grants	(75.0)
Council Tax	(173.2)
Business Rates	(116.1)
Total Income	**(395.7)**
Budget Gap (Expenditure less Income)	**20.4**

Savings	
Savings Proposals (agreed in February 2024)	(4.4)
New Savings Proposals (for agreement in February 2025)	(16.0)
Total Savings	**(20.4)**
Budget Gap (After Savings)	**0.0**

8.9 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 2024. 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 The pressures on social care and temporary accommodation spending detailed above mean that the risks of serious, sustained overspends have increased in recent years. The council's risk management approach is shown by the forecast reduction in spending in 2024/25 to help offset overspends, and the significant savings proposed in this draft budget.

9.3 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 6.13 - 6.52), risks were extensively explored and in the detailed savings proposals (Appendix B) risks and mitigating actions are also considered.

10.0 Statutory process of consultation, equalities and scrutiny

Consultation

10.1 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.

10.2 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 2025/26. In addition, it is proposed that a presentation on the draft budget be delivered to each of the five Brent Connects meetings between November 2024 to January 2025.

10.3 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.

10.4 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.

10.5 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 X, to disseminate reminders and encourage residents to participate in the consultation process.

Scrutiny

10.6 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

10.7 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.

10.8 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.

11.0 Schools and Dedicated Schools Grant (DSG)

11.1 Following the recent formation of a new government, the Department for Education (DfE) has delayed the announcement of the provisional DSG allocations for 2025/26. The allocations are now expected to be released after the autumn budget announcement on 30 October.

11.2 The Council will continue to set a local funding formula for mainstream schools in 2025/26, 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 all local authorities towards the direct NFF.

11.3 The DfE announced nearly £1.1bn through the Core Schools Budget Grant (CSBG) to help schools manage their overall costs in the 2024/25 financial year, particularly following confirmation of the 2024 teachers' pay award. Brent's indicative grant allocation for mainstream schools (excluding special schools) in 2024/25 is £2.56m, while special schools will receive funding at £703.05 per place. This funding for mainstream primary, secondary, and all-through schools will be incorporated into core budget allocations for 2025/26, as it will be rolled into the National Funding Formula (NFF) for that year.

11.4 The number of Brent schools experiencing financial difficulties remains high with 73% of 56 maintained schools projecting an in-year deficit and 29% of these planning to use over 50% of reserves to balance their budgets. A few Brent Primary schools continue to experience falling rolls, and details of this will be set out in the 2024-2028 school place planning strategy refresh to be presented to Cabinet in November 2024. This is leading to significant reductions in funding and therefore schools must make strategic decisions to mitigate the financial impact, including the consideration of staffing restructures. Schools also continue to feel the impact of rising inflationary costs along with teachers' pay set to increase by 5.5% from September 2024. The DfE expects schools to fund 2% of the increase within existing budgets, and the government will provide additional funding for all costs above this.

11.5 There remains a significant shortfall in funding for high needs education, which could worsen depending on the allocations for 2025/26. An anticipated 3% increase in grant funding, based on previous years' trends, is unlikely to be sufficient to address future budget pressures, rising inflationary costs, and the increasing number and complexity of need of children requiring EHCPs.

11.6 Demand pressures in Brent continue to rise, with an 8% increase in EHCPs as of August 2024 compared to August 2023. To set a balanced DSG budget for 2025/26, the local authority will, as in previous years, seek approval from the Schools Forum for a 0.5% transfer from the Schools Block. The ongoing pressures on the High Needs Block budgets have resulted in a £13.2m deficit carried forward from 2023/24, and further forecasted pressures of £0.3m in 2024/25 are expected to increase the deficit to £13.5m.

11.7 The table below shows the year-on-year increase in EHCPs over the past 5 years compared to the national average. Between January 2020 and January 2024, the number of children with EHCPs increased by over 1000 (44%). This growth has placed significant pressures on the HNB budget where funding has not increased at the same pace.

Table 6: Growth in EHCPs (SEN2 annual return to the DfE)

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%	11.4%

11.8 A statutory override that has been put in place to enable local authorities to hold deficit balances is due to end at the end of 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.

11.9 Brent is currently participating in the DfE's Delivering Better Value (DBV) in SEND programme, which provides targeted support and funding to help local authorities reform their high needs systems. Brent has been awarded a £1m grant over the 2023/24 and 2024/25 financial years. The analytical phase of the DBV programme for Brent identified several opportunities to address rising demand, including supporting children's goals without requiring an EHCP through targeted interventions, ensuring EHCPs are appropriately time-limited, and focusing on fewer support hours when children first start school, with support increasing as needs develop. Key Performance Indicators (KPIs) have been established to monitor progress on the workstreams developed as part of the DBV programme to achieve cost avoidance benefits of £2m by 2026/27. These KPIs are regularly reviewed by a strategic task group led by the Corporate Director of Children and Young People (CYP) and the

Corporate Director of Finance & Resources. At this stage the targets are on track to be delivered based on an estimated 3% increase in the High Needs Block funding over the next two years and an expectation for the number EHCPs to reduce by 1% over the same period through targeted intervention and support to schools and settings. However, as indicated in the table above, the increase in the number of EHCPs in Brent has varied over the last five years averaging c10% and this poses a risk in achieving the agreed cost avoidance targets in future years.

11.10 A Deficit Management Plan agreed by the Schools Forum is 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. These measures achieved cost avoidance benefits of £2m in 2023/24 with a target of £2.2m to be achieved by the end of 2024/25.

11.11 In the Spring Budget of March 2023, the government announced a significant expansion of early years childcare entitlements, to be distributed to local authorities, including Brent, between April 2024 and September 2026. The proposals include offering 30 hours of funded childcare for every child of working parents aged nine months to five years by September 2025, an increase in the hourly rate paid to providers for delivering existing free childcare hours, and grants for new childminders. Additionally, the government will invest in the development of wraparound childcare for school-aged children, with a commitment that families will have access to childcare from 8am to 6pm during the school day. Brent is expected to receive £0.9m from the wraparound care grant.

12.0 Housing Revenue Account

12.1 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 11,851 dwellings.

12.2 Each year, the HRA budget is set 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 that the HRA can continue to remain financially secure and deliver on its commitments to:

- Expand and accelerate the development of new Council homes
- Continue to maintain and improve existing Council homes
- Transform and continuously improve front line services to tenants and leaseholders

12.3 The HRA budget setting from 2016/17 to 2019/20 was principally directed by the Welfare Reform Act 2016, which imposed a 1% rent reduction for four years. This has resulted in a reduction of rental income and bottom-line surpluses previously assumed in the business plan. The resulting £23m loss of income, along with increased capital expenditure on major works, has led to the full utilisation of the major repairs reserve to finance investment in the existing housing stock. Efficiency savings targets are incorporated into the budget setting process. A 0.5% efficiency target is set across management and repairs in the first 5 years of the HRA Business Plan, followed by 1% per annum over the course of the remaining 25 years, equating to an average saving of £0.3m per annum over 30 years.

12.4 The rent cap of CPI plus 1% cent has been in place since its introduction in 2020/21, with the exception of 2023/24, when the government intervened with a rent rise limitation of 7%. This ceiling resulted in an estimated £2m reduction of income to the HRA when compared to the standard policy of CPI plus 1% policy. There was then a reversion to the standard rent setting arrangements in 2024/25 and the government extended the current CPI plus 1% rent settlement by one year to cover 2025/26. For 2025/26, CPI plus 1% equates to 2.7%, allowing the potential to increase rental income by £1.6m. A £1.6m increase in rent has the effect of an additional £48m investment in the HRA over a 30-year period.

12.5 HRA rent setting needs to be considered in the context of the ring-fence and the 30-year business plan. A return to the CPI plus 1% model helps to provide some stability, however longer-term rent policy decisions would help to provide more certainty over planned investment in the stock, service improvement and new development, at least in the medium-term. The approach beyond 2026 remains uncertain, but continuation of the CPI plus 1% formula is probable.

12.6 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.

12.7 In September 2024 CPI stood at 1.7%, which means that rents are allowed to be increased by 2.7% in line with the CPI plus 1% policy for 2025/26. The increase is essential for inflation led growth and to continue capital investment in the Council’s existing housing stock. However it does 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. These pressures together with uncertainty around the inflation and interest rates pose significant financial pressures to the HRA and a risk that spend could exceed income generated through rent and service charge collection. There is a continuous requirement for the fund to make savings in order to deliver a balanced financial position. Any investment plans must be approached cautiously and allow for flexibility.

Bad Debts

12.8 It is recognised that the current economic climate and increased rental charges can have an adverse impact on the level of rent collections. Whilst approximately a third of rental charges are covered through housing benefit payments, the remainder is expected to be paid directly by tenants who are in employment or in receipt of universal credit and are at risk of increased levels of non-collection. Collection rents currently stand at circa 97% and for every 1% drop in collection, the loss of income is estimated to be £0.6m.

Repairs and major works

12.9 The repairs contract for planned and responsive repairs is currently outsourced to one contractor and is due for re-procurement. The new approach will represent 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. Inflation on re-tendered contracts is estimated to range between 5% to 10%. The contract was originally due to expire in September 2024 and a budget allowance has already been made in the 2024/25 budget, however there is a risk that the cost of the new delivery model could be higher than anticipated, which could create a further budget requirements ranging between £0.5m to £2m in 2025/26.

Pay Award

12.10 Staffing budget for 2024/25 is £9.5m. The pay award for 2025/26 is has now been agreed and is estimated to result in a budgetary requirement of circa £0.2m.

Voids

12.11 The HRA is experiencing continued increase in cost associated with expenditure on void properties in order to bring them to lettable standards. Additional requirements such as measuring and dealing with damp and mould could potentially require additional resources within the property management team. 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 could require additional funding estimated at £0.5m - £1m.

Savings

12.12 Difficult decisions are required to be made to re-appraise HRA budget priorities and service delivery methods in order to achieve savings across the HRA required to maintain a balanced budget. This is in addition to annual saving targets that are already incorporated into medium-term financial plans.

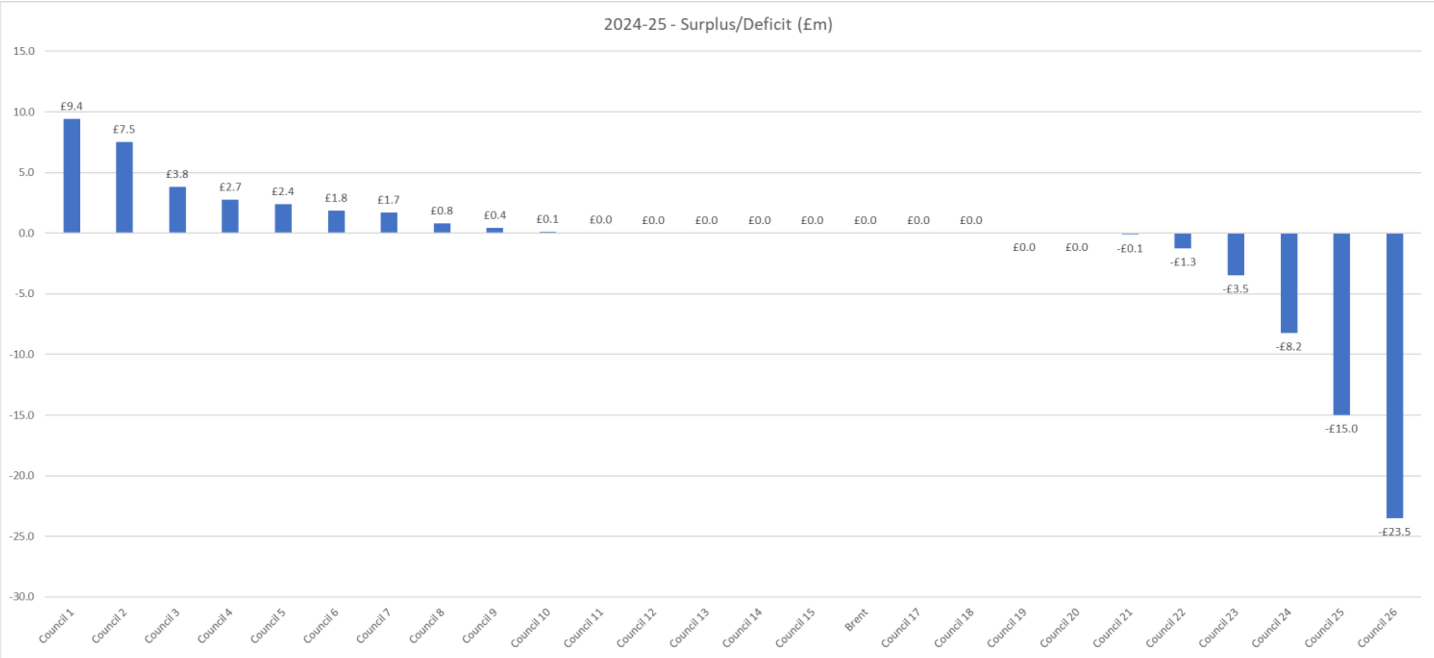
Tenants Service Charges

12.13 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.

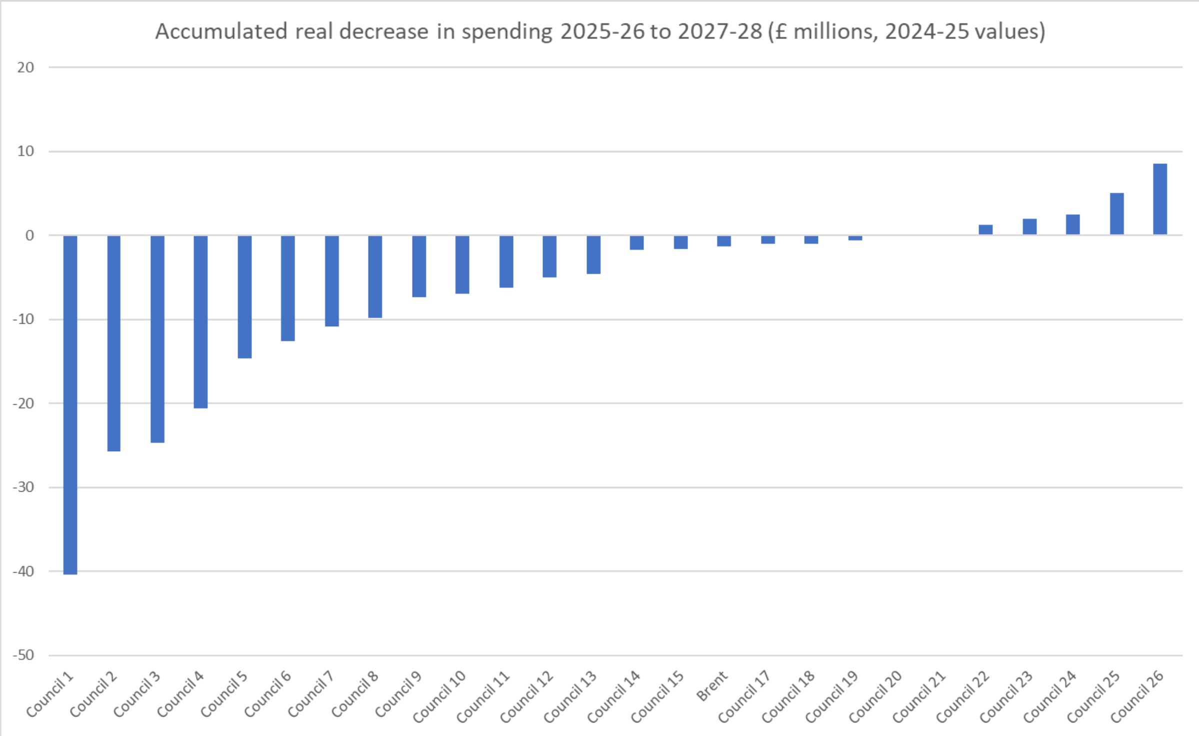
12.14 Unmetered communal lighting, heating and hot water charges are adjusted annually in line with the forecast energy supplier inflations. Unity Place in South Kilburn hosts the energy centre for the local district heat network for metered billing. It currently supplies heat and hot water to 235 properties and tenants are billed based on actual usage.

12.15 The operating reserve is also necessary for the HRA to manage unexpected deficits, or for smoothing in-year budget pressures. Brent’s reserve balance is currently £2.4m, which represents 4% of gross rent and is below the 5% target set within the Business Plan. It is also £8.4m lower than Brent’s peer average. The average reserve balance per unit of stock for peers is also higher, at £1,039 per unit, which is £747 higher than Brent, at £292 per unit of stock. The reserve is currently not projected to increase beyond £2.4m in the next five years while tower block programme and affordable housing supply require a significant investment at Brent.

12.16 London Councils reveal that a number of London's Boroughs HRAs are experiencing significant financial pressures and a few might be at a risk of insolvency.



12.17 Boroughs are only able to increase their maintenance, depreciation and administration costs at a rate below expected inflation (i.e. less than 2% per year) and are projecting a real term reduction of 4% in spending on supervision, management, repair and maintenance across London. The accumulated real terms decrease in spending from 2024/25 to 2027/28 is estimated to be over £170m across London, with most boroughs requiring these reductions to remain solvent.



12.18 The rent uplifts are being calculated and budgetary requirements, along with the required savings, are being finalised. The HRA draft budget and the 2025/26 HRA Business Plan will be updated accordingly 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 2025 for approval by Full Council.

13.0 Capital Programme

13.1 The Capital Programme below comprises of projects approved by Full Council at the February 2024 budget setting including new projects and a number of in year budget adjustments to existing projects.

Table 7 – Current Capital Programme Budget and Financing

Capital Programme Budget	**Forecast 2024/25 £m**	**Budget 2025/26 £m**	**Budget 2026/27 £m**	**Budget 2027/28 £m**	**Budget 2028/29 £m**	**Total £m**
Corporate Landlord	16.2	20.6	14.2	28.2	0.5	**79.7**
Housing GF	81.9	75.7	30.7	3.6	0.0	**191.9**
Schools	20.1	16.6	30.0	3.5	0.6	**70.8**
Regeneration	64.3	73.4	23.1	28.4	0.0	**189.2**
Public Realm	24.5	11.9	2.3	1.0	6.0	**45.7**
South Kilburn	33.6	3.9	3.9	0.0	0.0	**41.4**
St Raphael's	0.5	3.2	3.9	12.5	0.0	**20.1**
HRA	52.2	96.6	32.7	10.5	0.0	**192.0**
Total Capital Expenditure	**293.3**	**301.9**	**140.8**	**87.7**	**7.1**	**830.8**

Capital Programme Financing	Budget 2024/25 £m	Budget 2025/26 £m	Budget 2026/27 £m	Budget 2027/28 £m	Budget 2028/29 £m	Total £m
Grants & Other Contributions	46.3	23.5	7.3	3.2	0.0	**80.3**
S106 & CIL	26.2	16.6	0.0	0.0	0.0	**42.8**
Capital Receipts	1.8	28.2	23.2	26.1	0.0	**79.3**
Reserves	2.4	0.1	1.4	0.0	0.0	**3.9**
Major Repairs Allowance	22.9	21.4	0.0	0.0	0.0	**44.3**
Revenue Contribution	10.6	1.7	7.7	0.5	0.5	**21.0**
Prudential Borrowing	183.1	210.4	101.2	57.9	6.6	**559.2**
Total Capital Financing	**293.3**	**301.9**	**140.8**	**87.7**	**7.1**	**830.8**

13.2 The Capital Programme is facing significant pressures from a number factors including the rising costs of construction, a significant rise in the demand for affordable housing, with many families turning to the Council for temporary accommodation, funding constraints with many local authorities grappling with economic uncertainty influenced by factors such as the cost of living crisis, fluctuations in economic growth etc. Two thirds of the capital programme is dependent on debt financing, which creates further revenue pressure in the form of the need to service the loans by way an interest and Minimum Revenue Provision (MRP) charges to the revenue account. Interest rates are forecasted to remain at elevated levels throughout the foreseeable future which makes debt financing expensive relative to the prior years. The makes the affordability of potential capital schemes extremely challenging.

13.3 The 2025/26 budget is an indicative allocation based on best available information at the time of this report. Given the viability pressures and multi-year nature of capital projects, 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 2025. The key challenges, demand pressures and risks of the Capital Programme are set out below.

Temporary Accommodation and Social Housing

13.4 Local authorities face significant pressures in relation to temporary accommodation (TA) and social housing due to a combination of factors:

- Rising Demand: Increasing homelessness rates and a growing population have led to higher demand for temporary accommodation and social housing. Economic pressures, such as the cost of living crisis, exacerbate this demand.
- Limited Supply: There is a serve shortage of affordable housing. Many local councils are struggling to secure enough suitable temporary accommodation.

13.5 The above factors represent considerable risk for the Council in relation to its statutory obligation under the Homelessness Prevention Act 2017 to take proactive steps to prevent homelessness.

13.6 To alleviate the situation Brent is employing a range of strategies including:

- Increasing the supply of affordable housing through development or direct acquisition, ensuring, where available, utilising the various grants available including the Local Authority Housing Fund (LAHF).
- Partnership arrangements with the private sector and our own subsidiaries to develop properties.
- Efficient utilisation of empty properties – bringing properties in disrepair back into use as quickly as possible and employing homelessness prevention tactics such as early intervention services and partnerships with local charities and organisations.

Schools

13.7 To meet our target of becoming carbon neutral, there is substantial capital expenditure on replacing old heating systems with heat pumps within Schools. This will prevent the emission of millions of tonnes of carbon however affordability of these projects are challenging. It is essential that Brent builds more SEND schools in the borough, to reflect the growing complex special needs for children and young people as set out in the Schools Planning Places Strategy.

Public Realm

13.8 Brent has a very busy infrastructure of streets, highways, footbridges and carriageways to maintain. Immediate and medium-term funding pressures will affect the Council's ability to deliver their full works on time and on budget. Public Realm relies heavily on TfL grants to deliver their main programmes, but these grants have reduced in recent years so there is a need to find savings and turn to other sources of funding. The other strategic aim for Brent's Public Realm is to become carbon neutral and deliver a greener and sustainable environment, via alternative means of transport, moving to electric cars, and planting more trees and gardens.

Capital Financing Budget

13.9 The Capital Financing budget supports the Council's revenue expenditure associated with prudential borrowing that is used to finance capital expenditure. Expenditure covered by this budget includes interest payments on actual loans raised in the past to finance historical capital expenditure; interest payments on new loans needed to fund the capital programme; loan premiums where loans have been prematurely refinanced; and the Minimum Revenue Provision charge (MRP – the statutory repayment of debt). The budget also benefits from interest income which the Council is expected to receive through its treasury cash balances, service recharges contributing to interest payable, and loans advanced to third parties.

13.10 The Capital Financing Budget is expected to come under increasing pressure in the coming years. Loan interest charges are expected to remain at elevated levels following the significant increases in the Bank of England Bank Rate over the past two years , which is currently at 5.00%. There has also been an increase in UK Gilt rates upon which the PWLB loan rates are priced. A high Bank Rate impacts on short-term loans that are less than one year in duration thus making them expensive, whilst the Gilt rate impacts on long-term loan rates, thus resulting higher interest costs. The impact of higher interest rates is limited to maturing debt that requires refinancing at higher rates upon maturity, as well as interest on new borrowing taken out to support the capital programme. A high Bank Rate also results in higher investment income returns as the Council generates more interest income on its cash balances. The Minimum Revenue Provision (the charge to revenue made towards repaying the loans) is also expected to increase in-line with the higher borrowing demand as there is a statutory requirement to repay debt annually from the revenue budget.

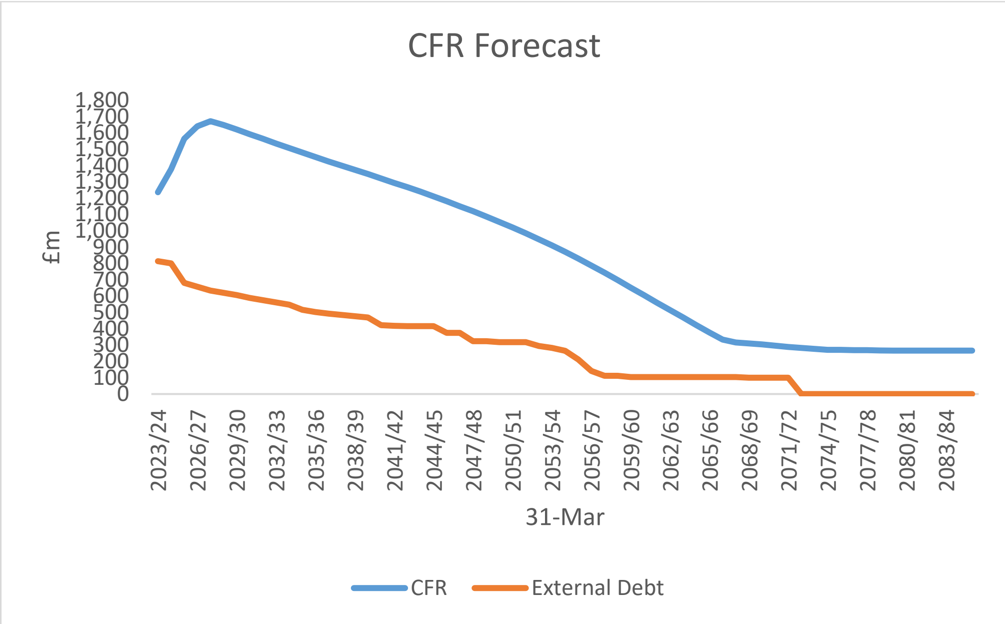
13.11 The extent to which the Capital Financing Budget will come under pressure will depend on how long interest rates for prudential borrowing remain at current levels, whether capital project plans continue as originally forecasted and the extent to which internal borrowing must be externalised.

13.12 The future demands of the capital programme means that the capital financing budget will need £7.0m of growth in 2025/26 to the existing budget of £27.8m (2024/25 adjusted for in year virements) to support the financing of the capital programme through prudential borrowing. The 2024/25 budget variance is expected to be financed through a capital smoothing reserve.

13.13 Two thirds of the capital programme between 2024/25 and 2028/29, as shown in Table 6, is dependent on debt financing to fund the in-year capital expenditure. A significant proportion of the capital schemes are invest to save opportunities where the project will generate revenue streams to contribute to the capital financing costs of the schemes which help mitigate the cost of delivering a scheme for the capital financing budget.

13.14 Further pressure on the capital financing budget may arise if there is a requirement to borrow to replenish the internal borrowing position of the Council. Internal borrowing is the difference between the Loan Capital Financing Requirement (CFR) and external debt and occurs due to timing differences when capital expenditure that is meant to be financed through external debt is instead paid for through cash resources that are intended for other purposes. Cash is replenished at a later date. As at 1 April 2024 the Council had an internal borrowing position of £422.3m. This approach saves the Council circa £20m per annum in cost avoidance however as the Council's internal cash balances are utilised there is a need to externally borrow to cover this cash demand and cause pressures for the Capital Financing Budget.

13.15 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). This is the amount of the Capital Programme, past and present, that is funded by borrowing and has not been paid for by revenue or other resources. The Capital Financing Requirement (CFR) is expected to increase to £1.6bn by the end of 2026/27. The chart below profiles the CFR and the current external loan portfolio.



13.16 Sensitivity analysis have been undertaken and a 25% reduction to the Capital Programme in 2024/25 to 2026/27 (as shown in Table 6) would reduce the forecast CFR by £44.5m and delay the immediate pressure for the Capital Financing Budget by £1.8m. 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 ten 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 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 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 Equity, 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 ten of this report.

Related documents for reference:

Cabinet (15 July 24): Medium Term Financial Outlook Report

<u>Report sign off:</u> ***Minesh Patel*** Corporate Director, Finance and Resources.