

	Cabinet 28 July 2025
	Report from the Corporate Director, Finance and Resources
	Lead Member - Deputy Leader and Cabinet Member for Finance & Resources (Councillor Mili Patel)
Medium Term Financial Outlook	

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
List of Appendices:	N/A
Background Papers:	N/A
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1.0 Executive Summary

1.1 This report sets out the overall financial position facing the Council and highlights the significant risks, issues and uncertainties with regards to the Council's Medium Term Financial Strategy (MTFS). It also sets out the proposed budget setting strategy for 2026/27, which is the Council's minimum legal duty in respect of local authority budget setting, in order to maximise the period of consultation with residents, businesses and other key stakeholders.

1.2 This report is structured as follows:

- Recommendations for Cabinet to approve
- Cabinet Member Foreword
- Economic context

- Local Government funding reforms
- Medium Term Financial Strategy update
- Proposed revenue budget setting process for 2026/27
- Capital programme
- Housing Revenue Account
- Schools and Dedicated Schools Grant (DSG)
- Financial Resilience

2.0 Recommendation(s)

That Cabinet:

- 2.1 Note the contents of the report and the potential financial impact on the Council's Medium Term Financial Strategy
- 2.2 Note the summary of the Spending Review and Local Government Funding reform consultations, as set out in section five of this report.
- 2.3 Agree the budget setting process for 2026/27, including the approach to consultation and scrutiny, as set out in section seven of this report.
- 2.4 Note and agree the proposed 2024/25 capital budget carry forwards and capital virements for 2025/26 as set out in section eight of this report.
- 2.5 Note the financial position with regards to the Housing Revenue Account, as set out in section nine of this report; and
- 2.6 Note the financial position with regards to Schools and the Dedicated Schools Grant, as set out in section ten of this report.

3.0 Cabinet Member Foreword

- 3.1 This Medium-Term Financial Outlook sets out the stark reality facing Brent and councils across the country. The cost-of-living crisis is far from over, and while inflation may be easing, its legacy upon household budgets, on service demand and on our financial resilience; remains both deep and enduring. The national funding system continues to prioritise funding away from London, and the long promised reforms are still on the horizon.
- 3.2 We are preparing for the future with honesty and ambition, recognising that a £30 million budget gap over the next three years will require clear choices, innovation and discipline. We are not waiting for the next crisis but planning for it, ensuring that through the Embrace Change programme we transform how we deliver services, support residents and manage resources to meet the challenges ahead.
- 3.3 The pressures we face are real and intensifying. In adult social care, the number of service users increased by 7 per cent in 2024 to 2025, with average weekly costs also rising by 7 per cent, while in children's services the number of children in residential care grew by nine in just one year, with the cost of a single high needs placement now exceeding £500,000 annually. In housing,

we are contending with a perfect storm of rising demand, declining supply and escalating costs, with the average private rent in London having risen by 8.4 per cent in the year to April 2025, and the number of households in temporary accommodation continuing to grow.

- 3.4 We are responding with action and focus. The Housing Needs and Support budget has been increased by £14 million, and we are investing in additional housing supply through i4B and the Local Authority Housing Fund while implementing a new model of resident support, underpinned by £1 million of recurring funding.
- 3.5 Nevertheless, we cannot meet these challenges alone. While we welcome the government's commitment to a multi-year funding settlement and announcements in the Fair Funding Review, it is clear that without a fundamental rethink of how the sector is funded, councils like Brent will continue to face impossible and unsustainable choices.
- 3.6 This report is not just a financial plan but our blueprint for survival, shaped by our values and driven by our determination to stand up for the people of Brent. We will continue to fight for a fairer future, for our residents, our communities and for local government as a whole.

4.0 Economic Context

- 4.1 In the current and medium term, the economic environment is weak, with domestic output stagnating in the second half of 2024, and many people and organisations still suffering from the cost-of-living crisis. The outlook has also become more uncertain due to upward pressure on defence spending and a tightening of global trade restrictions in recent months.
- 4.2 Inflation has fallen from a peak of over 11% in 2022, to close to the Bank of England's 2% target since the middle of 2024. The Bank forecasts that inflation will rise temporarily to 3.7% in 2025 (3.4% at May 2025), partly because of higher energy prices, before falling back to the 2% target after that. As a result, interest rates remain relatively high at 4.25%, having most recently been cut in May 2025, but are forecast to fall below 4% in 2026.
- 4.3 The residents of Brent face an equally challenging economic environment with the effects of the cost-of-living crisis exacerbated by levels of unemployment above national and London averages. After effects of the recent high level of inflation, and continuing high interest rates, combined with global instability, mean that the cost-of-living crisis is unlikely to end in the near future.

5.0 Local Government Funding Reforms

Spending Review 2025

- 5.1 The government's Autumn Statement and Local Government Finance Settlement provided figures in sufficient detail to enable effective resource planning for 2025/26. The settlement was the seventh annual one-year

settlement for local government, ahead of Spending Review 2025 that was delivered on 11 June 2025, setting out the departmental budgets for the three year period from 2026/27 to 2028/29.

- 5.2 At the Spending Review, it was announced that Core Spending Power across England would increase by an average of 2.6% a year in real-terms between 2026/27 and 2028/29, assuming maximum council tax increases of 4.99% a year. There was some limited additional revenue funding for children's and adult social care, but overall the impact on current funding assumptions is still unclear.
- 5.3 The spending review was heavily constrained by economic reality, the relatively sluggish performance of the UK economy has limited the scope for movement, and at the same time, demographic pressures, especially an ageing population, are increasing demands for services. In the medium term, the focus of the Spending Review was to increase capital funding, especially for Housing and Transport, with the goal of improving the UK economy.
- 5.4 The government has also committed to fundamental reform of local government financing from 2026/27, with particular focus on diverting resources to authorities that need them most and delivering the first reset of the business rates retention system since it was created in 2013. As part of these reforms, the government has confirmed its intention to deliver a multi-year funding settlement to local authorities for 2026/27. This will provide greater certainty within which to plan budgets for future years.
- 5.5 The Spending Review also confirmed an extension to the Dedicated Schools Grant Statutory Override, which allows councils to exclude DSG deficits from their balance sheets, until the end of 2027/28. At 31 March 2025, the DSG deficit for Brent was £13.6m, meaning that the ending of the Statutory Override in 2026 represented a key immediate risk to the Council's MTFS. However, this move has only delayed the need for a permanent solution to the Special Educational Needs and Disabilities (SEND) crisis, with total deficits across England now exceeding £3bn and the new deadline being within the anticipated multi-year settlement period.
- 5.6 To make the system more inclusive and improve outcomes for all children and young people, the government will reform the current SEND system. Details of the government's intended approach to SEND reform will be set out in a Schools white paper in the autumn. The Council will review the implications of the proposed reforms for the MTFS and a further update will be provided to Cabinet in the 2026/27 draft budget in the autumn.

Fair Funding Review 2.0

- 5.7 The government recognised in the Spending Review that funding alone will not address the challenges facing local government. To support long-term financial sustainability, a consultation on proposals to update and reform the funding system, The Fair Funding Review 2.0, (FFR) was announced on 20 June 2025.

- 5.8 The FFR consultation sets out the seven principles behind the funding reforms:
- Simplicity
 - Transparency
 - Dynamism
 - Sustainability
 - Robustness
 - Stability
 - Accountability
- 5.9 The Government proposes to calculate updated local authority funding allocations by bringing together an updated assessment of relative need, an adjustment for the relative ability of authorities to generate Council Tax income and transitional arrangements across the three year settlement to ensure that authorities are able to plan sufficiently for the changes.
- 5.10 The consultation document includes details of all proposed formulae, the results of the relative need calculations at a local level for each of the formulae, as well as the results of the whole-council relative need assessment which is achieved by combining formula scores in line with the relative size of expenditure on various services. The consultation does not provide information of how much funding is within scope of this assessment. There are seven formulae proposed – adult social care, children’s social care, foundation formula, fire and rescue, highways maintenance, home-to-school transport and temporary accommodation.
- 5.11 The consultation also assesses the relative differences in cost of providing the same unit of service through area cost adjustments. These adjustments measure differences between ‘labour’ costs (e.g. wage differences, travel times) and ‘rates’ costs (e.g. premises costs).
- 5.12 The Government is considering using projections for residential population, council tax base and council tax level growth within the distribution methodology. For population, latest Office for National Statistics (ONS) projections would be used and the Government would apply judgement in terms of forecast future council tax level change and taxbase growth.
- 5.13 The Government is proposing a three-year phased transition period. The Government intends to protect a ‘vast majority’ of councils through a cash flat (0%) funding floor which would assume full use of council tax flexibilities. However, some councils (i.e. those whose current share of funding is the furthest from the new share and are therefore facing largest losses) will need bespoke arrangements, suggesting they will not receive 0% floor protection. The consultation signals that requests for further council tax flexibility will continue to be assessed on a case-by-case basis, rather than a blanket relaxation of the referendum policy.
- 5.14 The Government is also proposing to simplify existing Settlement grant funding within the Revenue Support Grant and to consolidate smaller grants

within wider service areas into single consolidated grants, distributed according to bespoke distributions for those grants. The four consolidated grants proposed in the consultation are:

- **Homelessness and Rough Sleeping Grant** – This will bring together funding for all homelessness and rough sleeping revenue funding, except for temporary accommodation funding, which will be rolled into RSG;
- **Public Health Grant** – This will consolidate the existing Public Health Grant with other service-specific grants related to Public Health activities;
- **Crisis and Resilience Grant** – This will consolidate the existing Household Support Fund and Discretionary Housing Payment Grants into a single fund to enable local authorities to build the financial resilience of their communities and assist those facing financial crisis;
- **Children, Families and Youth Grant** – This will consolidate the Children’s Social Care Prevention Grant and the Children and Families Grant, alongside further investment in children’s social care reform.

5.15 Specifically, the Government proposes to end the New Homes Bonus (£1.9m for Brent in 2025/26) in its current form and roll this funding back into the Revenue Support Grant (RSG), as well as rolling in the social care funding (Local Better Care Grant, Social Care Grant and the Market Sustainability and Improvement Fund), which was a total of £56.7m of funding for Brent in 2025/26. Whilst the future of the Recovery Grant (£5.8m for Brent in 2025/26) is not discussed in the consultation, the ministerial foreword states that this was a *“one-off grant to sustain councils with historical low tax bases and higher levels of deprivation, through to the upcoming multi-year settlement”*. Therefore, it is expected that this grant will also be rolled into the settlement to be distributed in line with the revised needs assessment.

5.16 While adult social care grants will be consolidated into the settlement, the Government is considering including a bespoke ‘notional’ line within the funding allocation to indicate how much of the settlement is deemed to be allocated for adult social care, including the adult social care council tax precept. If this notional amount was to be included, this would reduce the flexibility of local authorities to allocate the available funding according to local need. However, in practice, demand for adult social care is rising at a faster rate than funding, meaning it is likely that the Council would exceed such a notional amount when allocating funding to adult social care within the new settlement.

5.17 At this stage there are serious concerns about the Children and Young People’s Services formula that was developed by the Department for Education. A modified version of this formula is now being used to determine the funding local authorities receive. Based on current modelling, London boroughs’ collective funding share could be reduced by £1.5 billion (or 27%) due to changes in the children’s formula. At this state it is difficult to

understand how children's services needs would have shifted so significantly as to warrant this significant shift in funding. This is the single biggest impact to London boroughs' funding in the government's funding reform proposal.

- 5.18 It is important that DfE and MHCLHG allow time for the formula to be properly scrutinised and examined by the local government sector and explain the rationale behind any changes.
- 5.19 Officers will work to assess the implications of the reforms for Brent Council's budget and MTFS. The consultation did not provide detailed models or provisional allocations at local authority level, so at the time of dispatch of this report, it is not possible to determine the specific impacts of the reforms for Brent, pending the development of tools by partner organisations that will assist with the modelling.
- 5.20 The FFR consultation will last for 8 weeks until 15 August 2025. Brent Council will comprehensively review all relevant aspects of the consultation and provide a detailed response to support the Government in developing a multi-year settlement from 2026/27 in line with the objectives set out in the consultation documents. This work will inform the development of the draft budget for 2026/27, which will be presented to Cabinet in the autumn, in advance of the first multi-year local government finance settlement to be delivered by the Government before the end of the year.

Reset of the Business Rates Retention System (BRRS)

- 5.21 The current Business Rates Retention System (BRRS) was introduced in April 2013 with two core principles: firstly, to reward local growth with the retention of a portion of growth in business rates, and secondly, to ensure that core funding reflected relative need for each authority. Each authority was assigned a Baseline Funding Level (BFL), which determined how much of its relative funding need was to be met through retained business rates income. This was then compared to a measure of their individual ability to raise business rates, the Business Rates Baseline (BRB).
- 5.22 Where a local authority raises more in business rates income than their assessed level of need (their BRB was higher than their BFL), they would be required to pay a tariff of the additional income. Conversely, if an authority's BRB was lower than their BFL, they would receive a top-up. Under the current BRRS, Brent receives a top-up.
- 5.23 The tariffs and top-ups were fixed in real-terms until the point of the next reset of the BRRS, which meant that local authorities would retain any growth in business rates income above their BFL. The original intention was for the BRRS to be reset in 2020, but instead the current system has lasted for a further six years beyond this period, with changes only made to reflect the impact of the business rates revaluations in 2017 and 2023. This means that additional income has been accrued by authorities with greater ability to raise business rates income, regardless of the relative needs of those authorities.

- 5.24 Therefore, the Government has been clear that resetting the BRRS in 2026/27, alongside the FFR is crucial to the aim of ensuring that funding is targeted to where it is needed most and restoring the balance between aligning funding with need and rewarding business rates growth. The reset of BRRS will also coincide with the next revaluation of business rates in April 2026.
- 5.25 At the reset, each authority will receive a new BRB and BFL. The new BFLs will be based on the updated assessment of need in the FFR. This will also reset whether each authority pays a tariff, or receives a top-up, which authorities are required to pay a levy on growth (currently tariff authorities) and when authorities would receive a safety net payment (currently when income from business rates falls below 92.5% of their BFL). The Government intends to deliver a full reset from 2026/27, meaning that all growth accumulated to date is potentially subject to redistribution. Any growth accumulated after the 2026/27 reset will be retained until the next reset thereafter, which continues to reward authorities for local business rates growth, subject to the payment of a levy where applicable.
- 5.26 The Government proposes that further periodic resets should coincide with multi-year settlements and business rates revaluations, whether this be at three or six year intervals. This means that the next reset is likely to be in either 2029/30, or 2032/33. The Government will confirm the timing of the reset by the end of the multi-year settlement period, providing certainty to local authorities in planning for the impacts of this reset.
- 5.27 In the FFR consultation, the Government proposed to temporarily increase the safety net threshold, which exists to limit the losses that local authorities incur if their business rates income falls below their baseline. Safety net payments are paid from levies collected on business rates growth generated by authorities whose BRB is above their BFL. Brent does not pay a levy under the current business rates retention system. In recent years, more levies have been collected than have been paid out in safety net payments, with the resulting surplus being distributed across all local authorities. Brent has been receiving c.£0.7m per annum in additional unbudgeted income through this system. The increase in the safety net threshold to protect authorities who see losses in income as a result of the changes, is likely to require a higher call on the levy account. It is therefore highly likely that Brent will not continue to receive this income.
- 5.28 The Government is also considering whether to continue with pooling arrangements from 2026/27 in light of the proposed changes to the BRRS. Future resets on a shorter cycle would limit the opportunity for business rates growth to be accrued that provides the financial incentive to pool. The suggested three-year transition period would potentially provide some benefit in the early part of the multi-year settlement, but the Government may be minded to remove pooling at the start of the new settlement in order to ensure simplicity in the new system. Brent is currently forecast to receive £3.7m in 2025/26 from pooling, so the removal of pooling is a risk to the Council's MTFS.

Modernising and improving the administration of Council Tax

- 5.29 On 20 June 2025, Government launched a further consultation until 12 September 2025, seeking views on the administration of Council Tax, including how Council Tax is billed and how payments are collected and enforced. The consultation does not seek views on fundamental reform of the Council Tax system.
- 5.30 The consultation includes some firm proposals and broader calls for evidence. Following consultation, the Government intends to work with stakeholders to develop guidance on collection and enforcement processes and clarify responsibilities and expectations for both councils and taxpayers. The areas included are:
- Changing the default billing from 10-months to 12-months
 - Removal of the requirement to separate the social care precept on the bill and provide more information on the spending of council tax
 - Considering whether the Government can do anything to remove barriers to effectively challenging Council Tax bandings
 - Changes to collection arrangements to ensure households are 'free from concerns of disproportionate enforcement action'
 - As with the FFR consultation, officers will work to assess the impact of the proposals for Brent and gather evidence that could be submitted to assist with the Government's work in this area. A full response to the consultation will be prepared and a further update will be provided to Cabinet later in the year.

6.0 Medium Term Financial Strategy Update

- 6.1 Sections four and five of this report have set out the challenging economic context within which Brent Council is operating and the evolving landscape of local government finance that makes financial planning in both the short-term (setting the 2026/27 budget) and the medium-term (ensuring a balanced budget over the Medium Term Financial Strategy period) more difficult than in most financial years.
- 6.2 The Fair Funding Review and reset of the Business Rates Retention System in 2026/27, on which the Government is currently consulting, will have profound implications for the future of how local government is funded and the relationship between central and local government. At this time, the precise details of what this means for Brent Council are not known, but officers are committed to fully understanding those impacts and supporting the Government to develop a new local government funding system that is fit for purpose and that enables all local authorities, including Brent, to sustainably provide the services that their residents rely upon.
- 6.3 The confirmation that the 2026/27 local government finance settlement, expected in late 2025 will be the first multi-year settlement for local government in a decade is a welcome development. Taken together with the proposed transitional arrangements to be included in the funding reforms, this

will enable Brent Council to plan more effectively over the full MTFS period, knowing how much funding will be available to support the Council's needs and priorities.

- 6.4 However, the timing of the settlement also presents an immediate challenge to Brent Council as the work on developing the 2026/27 budget has already begun. Section seven sets out the proposed process for developing this budget. As in previous years, a draft budget will be brought to Cabinet in autumn 2025, following the creation of new savings proposals to close the budget gap for 2026/27 to 2028/29 outlined in the report to Council in February 2025.
- 6.5 This approach is necessary to ensure that Brent Council can meet its statutory duty to balance its budget for 2026/27. If enough detail on the allocation of funding for 2026/27 becomes available between now and the draft budget to suggest that the budget gap is different to that previously identified, then the Council will adjust the draft budget to account for these changes. However, the detailed funding allocations are not usually released until the provisional settlement, which the Council considers to be too late to have sufficient time to make major changes to the 2026/27 budget.
- 6.6 Therefore, it is possible that the provisional settlement for 2026/27 will deliver a surplus of funding for the Council's budget, relative to the prudent assumptions outlined in this report. If this is the outcome of the settlement, then the Council will use the additional funding to replenish the Council's reserves which have been severely depleted in recent years. This would allow the Council to rebuild its financial resilience after several difficult years and plan for 2027/28 and beyond with greater confidence.
- 6.7 It is also possible that the funding reforms will lead to a settlement for Brent that results in a widening of the budget gap. The Council has set prudent assumptions, which reduces the risk of this outcome, but if this does happen, Brent will use the existing reserves to the extent that this is possible. Beyond this, further savings would be required, both in 2026/27 to close the gap and in future years to provide for replenishing the reserves in order to ensure the continued financial resilience of the Council.
- 6.8 This section provides an update on the MTFS position based on the current assumptions contained in the MTFS, which have not been adjusted for the recent Spending Review and funding reform announcements in line with the approach outlined above. The section is structured as follows:
- Current MTFS position
 - Funding assumptions
 - Service specific pressures, risks and mitigations
 - Corporate Peer Challenge
 - The Embrace Change Portfolio
 - Contribution to Borough Plan objectives

Current MTFS position

- 6.9 The aim of the MTFS is to ensure a long term, stable and sustainable financial position that will allow the Council to achieve its strategic objectives. It reflects the impact of central government funding decisions and the national and local economic context. It also provides a robust financial framework to support achievement of the Council's overall objectives and delivery of services.
- 6.10 In February 2025, the Council was able to produce a balanced budget for 2025/26 based on a package of agreed savings, including amending the Council's Council Tax Support Scheme, which provides support with Council Tax bills for vulnerable residents, to require a greater contribution from all residents. This package of savings takes the total savings since 2010 to £238m (55% of the net revenue budget for 2025/26).
- 6.11 Alongside developing the budget, the MTFS was extended to cover the three-year period from 2026/27 to 2028/29. At the time this was expected to cover a three-year local government finance settlement from 2026/27. Whilst the exact length of the confirmed multi-year settlement has not yet been determined, it is likely that the settlement will be for this three-year period, in line with the period covered by the Spending Review.
- 6.12 Table 1 shows the budget gap for 2026/27 to 2028/29 included in the February 2025 budget report.

Table 1: Budget gap 2026/27 to 2028/29 (February 2025)

	2026/27 (£m)	2027/28 (£m)	2028/29 (£m)
In year budget gap	9.3	9.3	9.4
Cumulative budget gap	9.3	18.6	28.0

- 6.13 The Financial Outturn 2024-25 report, which is on the agenda for this meeting, shows that the General Fund outturn position for 2024/25 improved by £2.5m from the Quarter 3 forecast, but there was an overspend of £15.5m, driven by the significant ongoing pressures in the provision of homelessness services, temporary accommodation and supported exempt accommodation.
- 6.14 Since the Covid-19 pandemic, demand for homelessness services and temporary accommodation have increased rapidly, at the same time that the cost of securing accommodation has also increased sharply. Whilst the 2025/26 budget included growth to increase the service budget to cover these pressures, a continuation of the trend would result in the gap increasing again. With inflation currently above 3% and housing costs rising above inflation, such an outcome is not unlikely to occur. Therefore, the budget gap at July 2025 is increased to £30m, split evenly across the MTFS period, resulting in a savings target of £10m per annum (Table 2). The proposed approach to developing these savings is set out later in this report.

Table 2: Budget gap 2026/27 to 2028/29 (July 2025)

	2026/27 (£m)	2027/28 (£m)	2028/29 (£m)
In year budget gap	10.0	10.0	10.0
Cumulative budget gap	10.0	20.0	30.0

- 6.15 The report to Full Council in February also stated the Council's ambition to extend the MTFS further to five years once the Government has completed the funding reforms. It is expected that sufficient detail will not be available to achieve this aim until after the multi-year provisional local government finance settlement in late 2025. An update on progress towards this aim will be included in the 2026/27 budget report to Full Council in February 2026, with a view to providing a full five-year MTFS forecast from the July 2026 update to Cabinet.
- 6.16 It is important that the refreshed MTFS closely aligns with the Borough Plan for which it is the funding statement. It should also be closely linked to individual service plans for which it provides the funding sources and the Capital Strategy, which is key to sustaining the Council's services and investment in future improvements.

Funding assumptions

- 6.17 The following sections set out the current funding assumptions underpinning the budget gap in Table 2. At this time the impact on Brent of the local government funding reforms discussed in Section five are not known, but where possible commentary is provided on what was included in the Government's announcements and consultations to date.

Council Tax

- 6.18 Council Tax is one of the most significant sources of funding for the Council, making up £178.4m (or 41.4%) of total core funding in 2025/26. In 2025/26, the referendum threshold limit (excluding the Greater London Authority (GLA) share) was set at 5%, including 2% for the Adult Social Care Precept.
- 6.19 As set out when the 2025/26 budget was agreed, there was an implicit assumption from the Ministry of Housing Communities and Local Government, built into future funding settlements, that all local authorities would increase council tax by up to the referendum limit. As the increase would permanently increase the council tax income, it would also reduce the significant funding pressures in 2025/26 and beyond, and support the unprecedented pressures within social care and homelessness. In addition, the GLA precept, which makes up around 23% of the overall Council Tax bill and is subject to their own decision making, was increased by 4.0% in 2025/26 to provide additional

funding for services including the Metropolitan police and Transport for London.

- 6.20 The spending review confirmed that the referendum threshold would remain unchanged at 5% pa inclusive of a 2% adult social care precept. Therefore, the MTFS assumption for a 4.99% pa increase in Council Tax from 2026/27 to 2028/29 is unchanged and it is assumed that Brent will bring forward the budgets for these years on the basis of such an increase in Council Tax. This will take the Brent share of a Band D Council Tax charge to c.£1,900 in 2028/29 (£1,642.77 in 2025/26). The GLA share of the Council Tax will be subject to a separate referendum limit that was not confirmed in the Spending Review.
- 6.21 The decision on whether to increase Council Tax is a decision for Full Council at the time of setting the budget for each financial year. However, if the Council Tax is not increased by 4.99% per annum over the MTFS period, the budget gap identified in Table 2 will increase, requiring further savings to offset the loss of funding. Further savings may be required in future years to address the permanent loss of funding relative to the Government's assumed level of Council Tax included in the local government finance settlement.
- 6.22 Brent Council and the GLA recognise that substantial rises in Council Tax cause difficulties for some households and the Collection Fund continues to fund a Council Tax Support scheme for households who are financially vulnerable. In 2025/26 around £26m is being provided to around 23,000 households. In addition, the Council has created a £1.5m Council Tax Support Hardship Fund, supported by £0.4m from the GLA to support vulnerable residents through the transition to the new Council Tax Support Scheme from 1 April 2025. Furthermore, the Resident Support Fund has made available £1m of additional funds for residents who are having difficulty as a result of the cost-of-living crisis.
- 6.23 The Council's ability to generate Council Tax income to support local services is only partially driven by the Government's decisions on the level of the Council Tax charge. Another significant contributing factor, which the Council has a limited ability to control is the tax base, which is set for budget setting purposes each year by General Purposes Committee (usually in December of the preceding financial year). There are multiple variables that affect the tax base, with varying degrees of control that Brent Council can exercise over them:
- Number of dwellings in the borough
 - Discounts and exemptions applied to bills
 - Council Tax Support
 - Long-term collection rate
- 6.24 The largest single factor affecting the tax base is the number of dwellings in the borough. In 2025/26, in the absence of any discounts and exemptions, the Council would receive an additional £1m of funding for every 609 properties added to the Council Tax list, providing a strong incentive to increase the number of dwellings.

- 6.25 The Government calculated the Council Tax included in Brent's Core Spending Power in the 2025/26 Local Government Finance Settlement on the basis of the average annual growth in the tax base between 2020/21 and 2024/25. Table 3 shows this calculation.

Table 3: Growth in Brent's Council Tax base 2020/21 to 2024/25

Year	Tax base in preceding financial year	Tax base in current financial year	Increase in tax base	% Increase in tax base
2020/21	96,639	97,605	966	1.0%
2021/22	97,605	98,450	845	0.9%
2022/23	98,450	98,730	280	0.3%
2023/24	98,730	101,187	2,457	2.5%
2024/25	101,187	103,577	2,390	2.4%
			Average	1.4%

- 6.26 The MTFS is currently assuming average tax base growth of 1.7% pa (additional 0.3% or c.£0.5m pa) based on recent trends, the ongoing regeneration of the borough, including sites such as Wembley Park, and the commitments made in the Borough Plan and Local Plan to deliver thousands of new homes in the borough to meet identified housing need as a result of expected population growth.
- 6.27 It is possible that external factors present in the economy, e.g. high interest rates and low economic growth will weigh down on housebuilding in Brent, but recent Government policy announcements on housing targets and proposed changes to planning legislation, increase the likelihood of further tax base growth above the recent average, which was partly dampened down due to the effects of the COVID-19 pandemic.
- 6.28 In 2025/26, the growth in the tax base was 4.9%. However, this included the effect of the amendments to the Council Tax Support Scheme, with the growth in the underlying tax base being 1.3%, just below the 5-year average to 2024/25.
- 6.29 Also included in the tax base calculations are some mandatory discounts and exemptions and Council Tax Support for pension age claimants, which reduce the tax base. For example, where only one person who is not disregarded for Council Tax purposes is resident in a property, the individual is eligible to claim a 25% Single Person Discount (SPD). The SPD and other mandatory discounts and exemptions are created as a result of Government policy and their application is controlled by legislation. Brent cannot control these factors directly, but must take them into account when producing tax base forecasts.

- 6.30 There are also discretionary schemes, such as the second homes premium (increase) and Council Tax Support for working age claimants, on which the decision to apply the schemes is taken by Brent Council. Where such schemes are amended, as was the case with the Council Tax Support Scheme in April 2025, the decision is taken separately by Full Council, with the implications then feeding into future tax base calculations.
- 6.31 The final element of the tax base calculation is the long-term collection rate. This calculation makes an assumption about the amount of the overall Council Tax liability that the Collection Fund expects to collect in the long-term, with the remaining income set aside as an impairment for doubtful debt. For 2025/26, this long-term collection rate assumption was reduced to 97.0% (97.5% in 2024/25), resulting in an immediate reduction in available resources for the 2025/26 budget of £0.9m.
- 6.32 This decision was based on a downward trend in Council Tax collection rates that has been seen since the COVID-19 pandemic. Further discussion of the low collection rates and the actions being undertaken to reverse this trend and return the collection rates to a sustainable level can be found in the Financial Outturn 2024-25 and Quarter 1 Financial Forecast 2025/26 reports which accompany this report.
- 6.33 It is crucial that the Council makes an accurate assessment now of the amount of the Council Tax income that can be collected, while ensuring that the Council attempts to collect what is due. Any income that must be written off over the amount that was set aside in the impairment will have to be repaid from future revenue budgets. Therefore, if the Council's efforts during 2025/26 to improve the collection of Council Tax are not successful, it may be necessary to reduce the long-term collection rate further in 2026/27. Each reduction of 0.1% in the target collection rate will result in a further reduction of resources of c.£0.2m.
- 6.34 A full forecast of the Council Tax base to cover the MTFS period and the anticipated multi-year settlement will be developed over the summer and reported to Cabinet in the draft 2026/27 budget in November. This will include a proposed draft tax base for 2026/27 to be agreed at General Purposes Committee in December 2025/January 2026.

Business Rates

- 6.35 Section five set out the Government's proposed approach to the reset of the Business Rates Retention System (BRRS) in 2026/27, the first reset of that system since 2013.
- 6.36 The current MTFS assumptions in relation to BRRS are a simple assumption of CPI inflationary increases (2% pa) on the Baseline Funding Level and the Section 31 Grants, in line with how the current BRRS system has operated in recent years.

- 6.37 Work on developing a full forecast of business rates income, including the impact of changes to reliefs and the difference between the actual business rates income that is collectable and the amount assumed by Government in the Local Government Finance Settlement, has been on hold pending the full business rates reset in 2025/26, which will reset the baselines. Once the reset is complete, a full forecast will be incorporated into the MTFS to ensure that the Council can understand what is impacting its income from Business Rates under the new BRRS and what resources will be available in the medium-term.
- 6.38 Two particular areas of the current BRRS represent a risk for the MTFS ahead of the 2026/27 budget:
- Pooling – the Fair Funding Review suggested that pooling is unlikely to continue. Brent is currently forecast to receive £3.7m in 2025/26. Some of this income may be returned to Brent through the levy account surplus, if increased levy payments lead to a surplus on the levy account to be redistributed to all local authorities. However, the FFR also proposed increasing the safety net threshold, which would potentially lead to the use of the extra levy payments to fund the additional safety net payments.
 - Growth – Since the current BRRS was created in 2013, Brent has benefitted from growth in its NNDR income above the baseline assumed by Government, from developments such as the London Designer Outlet in Wembley Park, which have increased the tax base. The new BRRS will redistribute such growth as part of the new baselines to ensure funding is allocated according to need. Brent may receive a relative share of this funding back, but the exact proportion will not be known until the Provisional Local Government Finance Settlement in late 2025. Any growth generated after the reset of the BRRS is expected to be retained locally once again, so the incentive to drive growth in the borough will remain.

Government Grants

- 6.39 Revenue Support Grant (RSG), of which Brent received £31.4m in 2025/26 is currently forecast to increase by CPI inflation of 2% pa. The proposals in the Fair Funding Review (Section Five) to roll in multiple grants into RSG mean that the amount of RSG received by Brent is likely to increase significantly in 2026/27, but how much of this will be new funding is uncertain at this time.
- 6.40 The MTFS also includes a number of specific grants. The current assumptions and a commentary on the future of these grants following the Spending Review and FFR consultations is set out in Table 4. In all cases, the amount of grant that is expected to be received following the funding reforms will not be known until the Provisional Local Government Finance Settlement in late 2025.

Table 4: MTFS Specific Grants

Grant	2025/26 Amount (£m)	Current MTFS Assumption	Fair Funding Review Proposal
Social Care Grant	34.3	CPI inflation (2% pa)	Consolidated into RSG – with a possible ‘notional’ value of social care funding included in the settlement
Market Sustainability and Improvement Fund	5.9	No increase	Consolidated into RSG – with a possible ‘notional’ value of social care funding included in the settlement.
Local Authority Better Care Grant	16.5	No increase	Continued as a separate grant, with pooling arrangements with the Better Care Fund. To be funded on an ongoing basis through a top-slice of the RSG allocations for authorities with social care responsibilities.
Children’s Social Care Prevention Grant	1.4	No increase	Consolidated into the new Children, Families and Youth Grant.
Recovery Grant	5.8	No increase	Not explicitly confirmed, but labelled as a “one-off” measure that was part of the transition to new funding allocations, so this grant is likely to be consolidated into RSG and redistributed according to the new relative

			needs formulae in 2026/27.
Employer National Insurance Contributions Grant	2.9	No increase	Not mentioned in the report. Based on treatment of other grants and the principles of the reforms, it is most likely to be consolidated with other small grants into RSG. However, the risk remains that this funding was a “one-off” grant despite the ongoing cost of the increase to the National Insurance contributions.
New Homes Bonus	1.9	Removed from 2026/27	For the first time, Government has confirmed that NHB in its current form will be removed from 2026/27. This was previously funded from a top-slice of RSG, so it will be returned to RSG to be redistributed according to relative need in the new system.
Public Health	26.0	CPI inflation (2% pa)	Consolidated with other service-specific grants to create a wider Public Health Grant.
Discretionary Housing Payments	1.6	No increase	Consolidated with the Household Support Fund to form the Crisis and Resilience

			Grant. This grant will be a long-term replacement within the settlement for the temporary HSF and DHP schemes funded outside of the settlement.
Other small grants	2.0	No increase	In line with the principle of simplicity, these are likely to be consolidated into RSG or one of the 4 new consolidated grants

6.41 As set out in Section five, the FFR proposes the creation of four new consolidated grants to simplify the funding arrangements where it is not appropriate to consolidate the funding into RSG. In addition to the consolidations detailed above, the Government has proposed the following, which would bring more grants within the settlement and the scope of the MTFS:

- Homelessness and Rough Sleeping Grant – This will bring together funding for all homelessness and rough sleeping revenue funding, except for temporary accommodation funding, which will be rolled into RSG;
- Children, Families and Youth Grant – This will consolidate the Children’s Social Care Prevention Grant and the Children and Families Grant, alongside further investment in children’s social care reform.

Service specific pressures, risks and mitigations

6.42 The following sections set out the specific pressures, risks and mitigations for each of the main service Directorates.

Service Reform and Strategy

6.43 The adult social care sector continues to face significant and interconnected risks that affect the quality, accessibility, and sustainability of services. These challenges are particularly acute as local authorities operate within increasingly constrained financial environments. Key risks include demographic and inflationary pressures, workforce instability, and rising service demand.

- 6.44 Brent has experienced a 6% increase in adult social care service users, comparing 4,266 in May 2024 to 4,505 in May 2025. Weekly home care hours also increased by 10%, from 24,099 to 26,574 hours over the same period. This growth is driven by an ageing population, a rise in long-term health conditions, and increasing mental health needs. A growing number of individuals are presenting with multiple and complex conditions, resulting in higher-cost care packages.
- 6.45 Rising inflation is impacting the cost of care, particularly for new and spot placements. Providers are seeking to recover increased operational costs, which places additional pressure on council budgets. Brent commissioners are actively reviewing placement fee increase requests to ensure service continuity and maintain care quality.
- 6.46 To manage within existing resources, Brent is implementing innovative approaches, including the use of technology to streamline operations and improve care delivery. The council continues to prioritise alternatives to residential and nursing care, such as supported living, extra care, and home-based care, in line with its Market Sustainability Plan.
- 6.49 Brent works closely with other councils in the West London Alliance to manage care home costs. This includes setting regional price bands and negotiating annual rates for residential and nursing care. Information sharing across boroughs supports more effective commissioning and cost control.
- 6.50 The sector continues to face national shortages in care staff, with high turnover and vacancy rates. The UK Government's immigration policy changes announced in May 2025 are expected to further restrict overseas recruitment, impacting both care providers and the recruitment of permanent social workers. The reliance on agency staff to fill vacancies increases financial pressure and can affect the continuity and quality of care. Unfilled positions also place additional strain on existing staff.
- 6.51 To address these challenges, Brent continues to invest in workforce development through the Adult Social Care Skills Academy and is a signatory to the London ADASS Memorandum of Understanding, which aims to reduce agency costs and promote workforce stability across the capital.
- 6.52 The 2025/26 Better Care Fund (BCF) pooled budget between Brent Council and the North-West London Integrated Care Board (ICB) is £56.1m, representing a 1.3% increase from 2024/25. However, due to national NHS reforms and cost-saving measures, the NWL ICB has reduced its additional contribution to the Brent BCF by 50%, from £1.2m to £0.6m. While this reduction is not expected to significantly impact key BCF outcomes, it will be closely monitored through regular reporting to the Health and Wellbeing Board.
- 6.53 The NHS and Local Authority minimum contributions to the BCF have continued as planned, with the total allocation increasing from £28.8m in 2024/25 to £29.2m in 2025/26.

- 6.54 The June 2025 Spending Review announced a new transformation fund to support preventative care and community partnerships. Funding includes: £15m in 2025/26, £40m in 2026/27 and £45m in 2027/28. The methodology for distribution is yet to be confirmed.
- 6.55 By 2028/29, up to £4 billion in additional funding will be made available for adult social care through the BCF. This includes an annual uplift to the NHS minimum contribution, projected at approximately 3% per year, assuming alignment with real-term NHS funding increases.
- 6.56 The department also manages the ring-fenced Public Health grant of £26.1m and the allocation for 2025/26 increased by 6%. The allocation includes an uplift for the additional recurrent pay pressures due to the 2024/25 NHS pay awards and includes additional funding for supervised toothbrushing. Levels of need for several public health services, most notably sexual health services, are increasing because of demographic changes and increased levels of infection. These challenges are also compounded by widening health inequalities.
- 6.57 The Office for Health Improvement and Disparities (OHID) have made additional time limited funds available to local authorities through bidding or allocation rounds for specific purposes. The grant conditions on these additional funds are more prescriptive than for the main grant and such grants have allowed significant investment particularly in drug and alcohol services. In 2025/26 the Council will receive an additional £2.5m for non-recurrent grants namely Drug and Alcohol Treatment Recovery and Improvement Grant (£1.4m), Family Hubs and Start for Life (£0.8m), and the local stop smoking services and support grant (£0.3m).
- 6.58 The Leisure Service remains reliant on income generation, which is essential to offset rising operational costs—particularly those driven by increasing energy prices. Over recent years, these utility costs have significantly impacted the financial sustainability of leisure operations.
- 6.59 The Willesden Sports Centre within the service is operating under a Private Finance Initiative (PFI) agreement set to expire in 2031 and continues to face substantial financial pressures. These are primarily due to rising indexed unitary charges and high utility expenses. To manage short-term cash flow fluctuations, the council had previously established a smoothing reserve. However, it is now anticipated that the remaining £0.4m balance of this reserve will be fully drawn down in 2025/26.
- 6.60 The council is actively working with leisure providers to develop a sustainable delivery model, and this includes exploring new income generation opportunities to reduce the financial burden on the council. The financial pressures for the future years have also been estimated in the Medium-Term Financial Strategy (MTFS) to ensure proactive planning and resource allocation.

Children, Young People and Community Development (CYP&CD)

- 6.61 The financial outlook for the CYPCD directorate's budget continues to be impacted by the volatility and unpredictability of placement costs for Looked After Children (LAC), particularly those with complex needs requiring residential care or secure accommodation. This remains a significant financial risk for the medium term.
- 6.62 A key challenge for the authority is the limited availability of suitable placements, particularly for high-needs and remanded young people. This supply shortage continues to drive up provider fees. Costs for individual high-need placements can exceed £0.5m per annum, with the most expensive residential placement recorded in 2024/25 costing £16k per week. These costs reflect not only the complexity of needs but also ongoing market conditions.
- 6.63 The overall LAC position is low, with a further reduction in the overall number of LAC in Brent compared to neighbouring boroughs during 2024/25 (see Table 5). Early indications for the first quarter of 2025/26 suggest numbers will increase in 2025 with an increase already seen in the first quarter of the year. The reliance on high-cost placements, combined with a limited supply of affordable alternatives, continues to exert sustained pressure on the budget. Sustained efforts will be critical to ensure children are placed in more suitable and cost-effective settings wherever possible, while maintaining high standards of care and safeguarding, in line with the Sufficiency Strategy for LAC children and Care Leavers as per "The Best Start in Life". (One of the five priority areas of the Borough plan).

Table 5: Comparison of numbers of LAC in Brent to statistical neighbours
2021-2024

Number of LAC	2021	2022	2023	2024
Brent	289	341	319	307
Statistical Neighbours	325	347	358	339

- 6.64 In addition, broader market factors such as increases to employer National Insurance contributions and the London Living Wage are expected to increase pressure on provider fees, potentially impacting unit costs over the medium term.
- 6.65 Another emerging pressure relates to young people on remand. At the beginning of 2025/26, six young people were placed in secure remand, five of whom were linked to the same serious incident. This represents significant financial risks. While the number of remand cases fluctuates and is inherently difficult to forecast, current volumes are notably higher than typical levels and will require close monitoring.
- 6.66 The opening of the Council's in-house residential children's home, which is intended to help alleviate placement pressures and reduce reliance on high-cost external provision as part of the LAC and Care leavers sufficiency strategy ("The Best Start in Life"), has been delayed. Originally scheduled to

become operational in April 2025, the revised timeline now anticipates opening in the second quarter of the 2025/26 financial year. This delay which impacts the anticipated savings within the budgets held for placements is primarily due to processing delays with Ofsted and the service continues to monitor progress with the department. Once operational, the new home is expected to provide more stable and cost-effective placement options for some children with complex needs, supporting the broader strategic objective of developing sustainable local provision.

6.67 The two workstreams introduced in 2024/25 by the Placements Commissioning Board, led by the Corporate Director of CYPCD to reduce spend, have delivered different degrees of success:

- **The introduction of a new and competitive package for in-house carers** has not yet resulted in an increase in the number of carers. However, this has not placed pressure on Independent Fostering Agency (IFA) budgets, largely due to a reduction in the overall number of LAC. The groundwork laid through this initiative is expected to strengthen future recruitment as the offer becomes more established. As part of the Borough plan, the Council is committed to promote the retention of in-house foster carers and more Brent Children living with a Brent foster carer. (“Best Start for Life”: Continue to develop meaningful and consistent parental/carer engagement).
- **Promoting greater independence** has yielded clear financial and service delivery benefits. The service has successfully reduced the unit cost of supported accommodation placements by ensuring that care leavers claim Housing Benefit where eligible, with deductions made at source from providers. This streamlined financial approach contributed to the savings achieved in the last financial year and is expected to support further cost reductions going forward. This contributed towards one of the department’s priorities, to achieve income generation aligned with services priorities. (“Supporting and Enabling Services of the Council’s Borough plan).

6.68 Looking ahead, further substantial savings are anticipated through continued partnership working with Housing, particularly in securing sustainable move-on accommodation for care leavers. However, this area also presents a significant risk. The ongoing housing crisis in the borough creates challenges in identifying affordable and suitable accommodation, which could limit the pace and impact of planned cost reductions. To mitigate this, the service is working closely with the housing department to explore innovative housing solutions, including access to social housing pathways and improved commissioning of semi-independent placements. Additionally, there is a focus on enhancing transition planning earlier in the care journey to reduce delays in step-down arrangements and ensure care leavers can move on safely and sustainably.

6.69 Workforce development is a key priority of the CYP service plan in order to support the five priority areas of the Borough plan. Recruiting and retaining

skilled, experienced social workers continues to be a national challenge, often resulting in a dependence on more costly agency staff. However, proactive management within the directorate has led to a notable reduction in agency staffing costs during 2024/25. For instance, at the start of the financial year in April 2024, the weekly expenditure on agency staff was £119k, with an estimated 95 agency workers. By the end of February 2025, this had decreased to approximately £67k per week, with the average number of agency staff falling to 52. Sustained monitoring and management efforts will be crucial in 2025/26 to maintain this positive progress.

- 6.70 The transfer of Brent Transport Services to CYPCD, combined with growing demand and rising costs linked to inflation, the London Living Wage and employer National Insurance increases, poses further financial strain on the budgets. The successful implementation of the Travel Assistance Policy Implementation Plan (TAPIP) will be critical in 2025/26 to manage this budget. In addition to that, one of the priorities of the Borough Plan is “A Cleaner, Greener Future” and this policy will be key to achieve more sustainable methods of transport used by SEND children and young people in Brent.

Neighbourhoods and Regeneration

- 6.71 Within Public Realm there is expected change in the coming years due to the impact of changes to national waste policy. These policy changes will link with Brent’s Borough Plan priority of ‘A Cleaner, Greener Future’. In order to comply with these policies Brent will target improving the recycling rate and reducing waste contamination; which will in turn assist to achieve a cleaner borough, and a climate friendly, sustainable borough.
- 6.72 The first of these national waste policies to be implemented is the Extended Producer Responsibility for packaging. From 2025, some organisations and businesses will have to pay a fee for the packaging they supply to or import into the UK market. In the first year (2025/26) Local Authorities will receive a basic payment based on publicly available and existing data and data about tonnages, operations and unit costs gathered from a representative sample of LAs across the UK. From the second year (2026/27) the basic payment and any adjustments will be based on data Local Authorities submit to the Scheme Administrator.
- 6.73 Brent will use the funding to maximise recycling and drive down packaging waste. This will be done by refining key services to improve participation, reduce contamination and reach locations within the Borough currently underserved. In order to see the benefits within Brent we will have to see an improvement in recycling performance. Without this there is the risk that the funding provided in future years will not be sufficient and create a cost pressure.
- 6.74 Simpler Recycling regulations were introduced under the Environment Act 2021 and will come into force on 31 March 2026 for household waste. The reforms are designed to streamline collections and make recycling easier. Brent is largely in compliance with the reforms in terms of the required

collections, but work is ongoing to improve compliance and influence behaviour change.

- 6.75 Looking further ahead there are additional changes for which we await detail on both the specific requirements and funding that would be available to ensure compliance.
- 6.76 The Deposit Return Scheme which is now planned to be introduced in Q2 of 2027/28. This will require a deposit to be paid for certain recyclable containers, which will be repaid when the empty container is returned. This is likely to change the volume and composition of the materials collected by the council, and therefore likely to affect collections and the funding mechanism.
- 6.77 The UK Emissions Trading Scheme (UK ETS) is expanding to include energy from waste (EfW) facilities starting in 2028. This is likely to have a significant impact to Brent and the other partners of the West London Waste Authority due to the way that waste is currently disposed.
- 6.78 Alongside this the Waste service have been operating under new contractual arrangements since 2023/24, which has led to some challenges for the service around increased waste tonnages, recycling compliance and recyclate material prices. As the contract progresses there is better understanding of the issues, and which require improvement through targeted campaigns.
- 6.79 Initiatives to reduce contamination levels in recycling collections to lower processing costs are underway in 2025/26. Education and campaigns around food recycling, promoting repair, reduce and reuse messages to help with reduction of general household waste is ongoing. Early indicators suggest these measures are having a positive impact, which is hoped to continue and alleviate budget pressures going forward.
- 6.80 Within Neighbourhoods & Regeneration, Inclusive Regeneration and Climate Resilience depend heavily on commercial planning income and related items, such as building control. The changes in recent years within Building Control operation have resulted in a loss of market share due to almost all major project work now being assigned to Local Authorities through the BSR (Building Safety Regulator). This restricts the Council from bidding on further work and therefore reduces the potential income able to be generated. Referrals from the BSR in the last year have been much lower, and this is likely to stay consistent for future years. The increase in Planning application fee charges in December 2023 has helped, in the short term, to mitigate some of the loss of income for the Department but this continues to be closely monitored.

Residents and Housing Services

- 6.81 The Residents and Housing Services department continues to experience significant pressures predominately attributable to the high level of demand on housing services. The Housing Needs and Support budget experienced a substantial overspend of £15.3m in the 2024/25 financial year. This was

primarily driven by an exceptionally high and sustained level of demand for homelessness services, compounded by a persistent shortage of affordable Private Rented Sector (PRS) accommodation. In response, the 2025/26 budget was increased to close the budget gap, incorporating £3.4m in additional funding through the main Homelessness Prevention Grant. This enhancement in funding aims to support the department in managing the ongoing pressures and escalating costs associated with providing temporary and emergency accommodation, while continuing to deliver vital homelessness prevention and support services. Multiple projects and interventions focused on increasing housing supply have been developed, and officers are proactively working to contain costs within the expanded budget envelope. Projections and financial forecasts are under continuous review, incorporating the latest data on service demand and cost trends to ensure the budget remains responsive to emerging pressures.

- 6.82 The department has also been proactive in mitigating the impacts of the ongoing cost-of-living crisis on Brent residents and businesses. The Household Support Fund (HSF) grant has been extended through 31 March 2026, providing additional resources to assist vulnerable households. Brent's allocation for this period reflects a £600k decrease compared to the previous year and is earmarked for households receiving free school meals, Care Leavers, Disabled households on Housing Benefits, Credit Union, Immigration advice, Debt advice, Employment support and external partners . A portion of the grant is reserved for reactive support, enabling timely assistance to residents experiencing acute hardship.
- 6.83 In April 2024, a new model of support for Brent residents was developed for three years through the piloting of Cost-of-Living Outcome Based Review (OBR) projects and guided by a series of design principles. The approach has a single, joined-up model including the Community Wellbeing Programme aligned with the Resident Support Fund (RSF), to support residents to be more resilient in the longer term and aligns closely with strategic priorities and related projects. The RSF supports the Council's approach towards addressing key community needs through strategic funding and partnerships, ensuring impactful and sustainable support for residents. £1m of recurring funding has been allocated in the Medium Term Financial Strategy (MTFS) to support this model.
- 6.84 Housing Needs and Support remains the most significant financial pressure within the department. As of the end of 2024/25, Brent received 6,281 homelessness support applications, including 3,538 from single individuals and 2,743 from families. This volume equates to approximately 121 new applications per week, underscoring the sustained and intense demand for housing services.
- 6.85 Ongoing benchmarking and analysis conducted by London Councils reinforce the scale of housing pressures faced across the capital. Their latest data projects a 18.9% increase in net deficits related to homelessness services in 2025/26 compared to 2024/25, far exceeding budgeted assumptions. Brent has experienced a 15% rise in its homelessness service deficit between

2023/24 and 2024/25. The total monthly expenditure on temporary accommodation across London rose by over 86% year-on-year as of March 2025, with the number of households placed in temporary accommodation increasing by 10.2%. These figures illustrate both the scale of the challenge and the pressure on temporary accommodation budgets.

- 6.86 The availability of suitable B&B and Annex accommodation remains severely constrained throughout London, forcing councils to rely on higher-cost accommodation providers and placements outside their own boroughs. Such arrangements increase financial pressures through elevated accommodation costs and impose additional social and logistical burdens on families, including travel expenses related to children attending schools in Brent. The supply of settled temporary accommodation properties, especially those leased under Private Sector Leasing (PSL) schemes, has declined due to reduced procurement of new properties and landlords' reluctance to renew leases upon expiry. This decline further exacerbates the challenge of moving families out of costly emergency accommodation into more stable housing.
- 6.87 Multiple factors are driving the contraction in PRS availability across London. Demand for housing continues to outstrip supply, while affordability is squeezed by tighter housing benefit restrictions and cost pressures affecting landlords. Changes in taxation, rising interest rates, and uncertainty about future regulatory frameworks are particularly impacting the supply of lower-cost rental properties. The Office for National Statistics reported that average private rents increased by 2.7% UK-wide in the year to April 2025, with London experiencing the highest inflation at 8.4%, further complicating efforts to secure affordable housing options.
- 6.88 The Council has implemented a targeted programme of work encompassing multiple workstreams aimed at improving the affordability of temporary accommodation and exploring new and alternative housing supply options. Officers are engaged in renegotiating contract prices and identifying opportunities to relocate some of the highest-cost cases to more cost-effective solutions. The department continues to rigorously assess homelessness applications to prevent or relieve demand where possible; in 2024/25, 51% of approaches were successfully prevented or relieved.
- 6.89 In the 2025/26 financial year, i4B is continuing its street property acquisition programme with an initial target of acquiring 15 homes. i4B, a housing company wholly owned by Brent Council, was established to acquire, let, and manage a portfolio of affordable, high-quality PRS properties. This self-financing portfolio generates annual savings exceeding £6m by reducing reliance on temporary accommodation. These properties are leased to homeless families at Local Housing Allowance (LHA) rates, enabling the Council to prevent or discharge homelessness duties, thereby reducing reliance on temporary accommodation and associated costs while ensuring families have access to secure and responsible landlords. i4B remains self-financing, with the current portfolio generating annual savings in temporary accommodation costs. While new builds and acquisitions alone will not fully resolve the homelessness challenge, the Council is actively utilising its

available resources and powers to expand housing supply. Any additional supply secured through i4B will contribute to mitigating the risk of overspending and help manage future housing costs.

- 6.90 Supported exempt accommodation presents an additional financial and budgetary risk. Providers in this sector are not bound by LHA caps and may charge higher rents by demonstrating the provision of support services. Housing Benefit subsidy levels are determined by Rent Officer assessments of claimed rents, creating a challenge in managing costs. This issue reflects a national concern, highlighting the need for clearer regulatory frameworks and consistent criteria to define supported exempt accommodation and assess minimal care requirements. Historically managed within central corporate budgets, this area saw a £4m overspend in 2024/25 and remains under close scrutiny.
- 6.91 To address these challenges, the Council has established a dedicated working group focused on reducing opportunities for exploitative landlords in the supported exempt accommodation market. The group is developing a clear strategy for reviewing both new and existing landlords and verifying the adequacy of care provision. In February 2025, a government consultation on the implementation of the Supported Housing (Regulatory Oversight) Act 2023 was launched. This legislation introduces national standards and a locally led licensing regime for supported housing, aiming to improve quality and oversight. The Council continues horizon scanning to ensure alignment with emerging regulatory requirements and to inform future operational and financial planning.
- 6.92 As part of the recent Spending Review, the government has announced that £100m is going to be provided towards early interventions focusing on preventing homelessness, including £87m from the Transformation Fund in 2026/27 and 2027/28. Precise allocations have not been announced, however based on previous methodologies used for homelessness grant allocations, this could mean an additional c£2m for Brent.
- 6.93 The government has also set out plans to end the use of hotels to hold asylum seekers by 2029, which may shift the responsibility to local authorities and create further pressures for the Housing Needs budget. Councils are legally obligated to provide housing for individuals once their asylum claims are processed, resulting in additional temporary accommodation placement costs. This is in an environment of existing financial strains due to rising homelessness and limited housing stock.
- 6.94 The above overview outlines the key financial risks, pressures, and mitigation strategies associated with the Housing Needs and Support service within the Medium Term Financial Strategy, providing a picture of the challenges faced and the Council's proactive response to manage demand, control costs, and protect service delivery.
- 6.95 While Housing Needs and Support remains the most significant area of financial pressure within the department, other services across the Residents

and Housing directorate, though not without challenges, are currently managing within their allocated budget envelopes. These services continue to experience pressures linked to inflationary increases, rising service demand, and wider socio-economic conditions. However, robust budget monitoring arrangements are in place, supported by regular horizon scanning to identify emerging risks early. Where financial pressures are identified, appropriate mitigating actions are developed and implemented in a timely manner to maintain financial sustainability and ensure the continued delivery of core services.

- 6.96 As part of the Spending Review it was announced that the government is to allocate £842m per year across England over the Spending Review period to transform the Housing Support Fund (HSF) and Discretionary Housing Payments (DHP) into the Crisis and Resilience Fund (CRF). The HSF is valued at £742m for local authorities and total DHP is £100m in 2025/26. Therefore, there is no increase in overall funding in the CRF from 2026/27, compared to the existing schemes.
- 6.97 At Brent, the 2025/26 allocation from the HSF is £4.9m (0.7% of total funding) and for DHP is £1.6m (1.6% of total funding). No detail was provided as part of the Spending Review on the methodology for allocating the funding within the CRF. This creates further uncertainty because the CRF may be distributed in a different way to the current distributions of the HSF and DHP and there is a risk that funding for Brent may be reduced. For example, if the CRF is distributed using the same formula as the HSF, Brent would receive £5.6m, an overall reduction in funding of £0.9m (14%).
- 6.98 The Council's housing needs and support services are closely aligned with its broader financial strategies and budget monitoring through a focus on prevention, sustainability, and long-term cost efficiency. The priority to create more affordable and accessible housing directly supports efforts to reduce reliance on expensive temporary accommodation, which continues to be a significant budget pressure. By investing in social housing, early interventions and prevention, the Council aims to stabilise housing supply and reduce emergency housing costs over time. In addition, the Council's commitment to tackling poverty and improving health outcomes supports targeted interventions that reduce homelessness risk and associated costs, enabling more effective budget forecasting and monitoring. These priorities ensure that resources are allocated where they have the greatest impact, supporting both fiscal responsibility and social outcomes.
- 6.99 The department's use of the HSF and the Cost-of-Living OBR model directly support Brent's financial strategy by focusing on early intervention and long-term cost reduction. These initiatives align with the "Prosperity and Stability" priority by targeting support to vulnerable households, helping to prevent homelessness and reduce demand for costly temporary accommodation. The £1m recurring funding in the MTFS reflects a strategic investment in resilience-focused services, while the earmarked and reactive elements of the HSF enable flexible, responsive budget management. This integrated

approach supports effective budget monitoring, ensuring resources are used efficiently and aligned with Brent's wider priorities.

Corporate Peer Challenge

- 6.100 Brent invited the Local Government Association (LGA) to undertake a Corporate Peer Challenge (CPC) in January 2025.
- 6.101 A CPC is a highly valued improvement and assurance tool that is delivered by the sector for the sector. It is available, at no cost, to all English councils wherever they are on the improvement spectrum and involves a diverse team of experienced peers comprising senior local government councillors and officers.
- 6.102 The peer team undertake a review of key finance, performance and governance information and then spend up to four days at the council to provide robust, strategic, and credible challenge and support.
- 6.103 We have developed an action plan in response to the CPC's recommendations, which serves as a whole organisation product, where all staff will work together to deliver the recommendations. Delivery of the action plan is the collective responsibility of all council officers, with lead officers owning specific actions and milestones. The LGA will return to Brent in November 2025 for a progress review visit, including opportunities for council officers and Members to share successes and challenges with peers, and fully review progress against the CPC recommendations.
- 6.104 Some of the recommendations are as follows:
- **Breaking down Silos**: requires collaborative behaviours with a genuine sense of curiosity which needs to be modelled by the CMT, Senior Leadership Team (SLT) and all managers to effectively break down silos;
 - **Change and Transformation Programme**: involves advancing the change and transformation programme (see below) and developing evidence-based business cases that deliver the spending reductions;
 - **Addressing the temporary accommodation crisis**: this recommendation will require the whole-organisational ownership and a collective response to tackle both the immediate pressures and the underlying systemic issues arising as a result of the crisis;
 - **Voluntary and Community Sector (VCS)** consider a refresh of the Compact/partnership strategy to align shared priorities and values;
 - **Shared vision for the future of Brent**: work with partners across the public sector, VCS and private sector to co-create a shared, medium- to long term vision for Brent that goes beyond the council's immediate priorities;

- **Community and Tenant Engagement**: refresh the council's approach to community engagement by conducting a comprehensive review of all existing engagement methods;
- **Housing allocations and waiting list**: review and update the council's Housing Allocations Policy and undertake a re-registration exercise for households on the waiting list to obtain an accurate, up-to-date picture of housing needs across Brent;
- **Adults and Children's Services**: seize the opportunity for service transformation within both Adults and Children's services, leveraging the current position of below average overspends;
- **EDI**: refresh the council's Equity, Diversity and Inclusion (EDI) priorities to ensure that activity is aligned with cultural competency/appropriateness and improving outcomes for residents. Ensure that there is a broader focus on EDI across all underrepresented groups.

6.105 Further recommendations have been highlighted in the action plan and financial recommendations have been set out below.

6.106 Progress is being made towards delivering the actions set out in the action plan. Full details of the action plan can be found as Appendix B to Agenda Item 10 of the Cabinet meeting of 7 April 2025.

6.107 The Corporate Peer Challenge also found that Brent has a strong record of financial stewardship, demonstrated through the successful delivery of savings and effective financial controls. However, rising demand pressures – particularly in temporary accommodation and social care – have made delivering balanced budgets increasingly challenging. Large overspends experienced over the last three years have been managed through the use of reserves, but this approach has led to a significant depletion of general fund reserve levels in recent years. As a result, the council is now exposed to a higher degree of risk, with external auditors highlighting this as a significant financial weakness.

6.108 Therefore, there are three financial actions agreed as part of the Corporate Peer Challenge:

- To develop a long-term financial strategy that aligns with the Council's corporate priorities and the embrace change programme;
- To rebuild reserves to a sustainable level; and
- To enhance its organisation grip on issues such as debt recovery and council tax collection rates.

The Embrace Change Portfolio

6.109 The Embrace Change Portfolio is designed to harness our strengths, focus our ambitions, and ensure that as an organisation we improve and evolve to

tackle current and emerging challenges in meeting the needs of our local communities. The Portfolio is structured into change programmes, change projects, and enablers, underpinned by a number of principles. At the heart, we are developing a culture that enables us to work much more collaboratively with each other, with partners, and, crucially, with our residents, establishing a real sense of place. There are six change programmes:

- Radical Place Leadership;
- Capacity and Capability Building;
- Resident Experience;
- Adult Social Care Transformation;
- Early Help and Children's Social Care;
- Preventing Homelessness.

6.110 There are three cross cutting change enablers that support or help to deliver each Programme:

- Organisational Culture and People Strategy;
- Digital, Data and Insight;
- Property and Assets.

6.111 The challenge of delivering the savings required over the next three years to close the budget gap set out at the start of this section is always a difficult task. In the context of the £238m savings delivered since 2010, this challenge is even more significant.

6.112 The Embrace Change Portfolio is therefore a key component of the Council's response to this challenge and delivering the actions agreed following the Corporate Peer Challenge. The CPC recommended that breaking down silos should be a priority action and the Council is committed to doing this by taking a different approach than in previous years to developing the savings. The programme is fundamental in contributing to the Council's Medium Term Financial Strategy by enabling transformation, enhancing service efficiency, and supporting more sustainable and accountable financial management across the organisation.

Contribution to Borough Plan objectives

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

6.114 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

6.115 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. The CPC action plan and the ongoing Embrace Change Portfolio outlined above are further opportunities for the Council to enhance the work in this area by aligning any improvements identified with Borough Plan priorities. By doing this, the Council will achieve the overarching objective of Moving Brent Forward Together, whilst balancing the budget for 2026/27 and ensuring financial sustainability over the medium term.

7.0 Proposed revenue budget setting process for 2026/27

7.1 The proposed budget setting process following this Cabinet meeting is as follows:

1. Draft budget for 2026/27 and new savings proposals are presented to Cabinet in November 2025.
2. The proposals, together with any changes made by Cabinet, will form the basis of consultation between November 2025 and February 2026 with residents, businesses and other key stakeholders;
3. The Budget Scrutiny Task Group will review the budget proposals and report accordingly;
4. The General Purposes Committee will review the calculation of the Council Tax base in December 2025; and
5. After the statutory processes of consultation, scrutiny and equalities have concluded, a draft budget will be presented to Cabinet to recommend a final budget and Council Tax to the February 2026 Council meeting.

8.0 Capital programme

8.1 In 2024/25 the Council spent £238.9m of the £283.9m approved budget outlined in Table 6.

Table 6 – 2024/25 Final Outturn Position							
Portfolio / Programme	Budget as at Feb 2025	Budget Changes since Feb 2025	Final Budget 2024/25	Outturn	Over / (Under) Spend to Budget	Over / (Under) spend split	
						2024/25 Slippage C/FWD	Underspend for Repurpose and Removal

	£m	£m	£m	£m	£m	£m	£m
Corporate Landlord	13.5	0.2	13.7	11.6	(2.1)	(2.1)	(0.0)
HCIB - GF	75.6	6.0	81.6	71.0	(10.5)	(9.4)	(1.2)
HCIB - HRA	54.7	0.0	54.7	60.9	6.1	4.4	1.7
Public Realm	24.9	0.5	25.4	18.1	(7.3)	(3.0)	(4.3)
Regeneration	45.6	0.3	45.9	34.6	(11.3)	(11.2)	(0.1)
CYP & Community Development	28.3	0.4	28.7	22.1	(6.6)	(6.1)	(0.5)
South Kilburn	33.4	0.0	33.4	20.4	(13.0)	(0.9)	(12.1)
St Raphael's	0.5	0.0	0.5	0.2	(0.3)	(0.3)	0.0
Grand Total	276.5	7.4	283.9	238.9	(45.0)	(28.5)	(16.5)

8.2 The 2024/25 outturn position was lower to the revised budget by £45.0m. Further details on the outturn position are contained within the Financial Outturn Report for 2024/25. It is proposed that the slippage, accelerated spend and overspends are adjusted in 2025/26 removing any underspends that are no longer required for their original purpose. This amounts to a £2.4m reduction to the proposed 2025/26 budget.

8.3 Table 7 below set outs virements and reprofiled budgets from 2025/26 to 2029/30 with the rationale for adjustments provided further below.

Table 7 - Budget Adjustments Breakdown 2025/26 to 2029/30						
	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£m	£m	£m	£m	£m	£m
2024/25 Brought Forward	(2.4)					(2.4)
Additional New Budget						
Barham Park Refurbishment	0.3					0.3
Roy Smith House	0.6					0.6
Neasden Civic Partnership Programme	1.7	5.9	2.8			10.5
DfT Highways Maintenance	0.8					0.8
Footways Reconstruction	3.3					3.3
Welsh Harp Post 16 Centre		2.5				2.5
Public Realm Attributable Costs	0.5					0.5
Removals						

Clock Cottage	(1.0)	0.1				(0.9)
Reprofiling (in 2024/25)						
Family Wellbeing Centre – Phase 3	0.1					0.1
Kilburn Library Development	0.2					0.2
Church End	(3.0)					(3.0)
Fulton Road	(1.3)	(1.7)				(3.0)
Total	(0.3)	6.8	2.8	0.0	0.0	9.3

8.4 The budget adjustments set out in Table 3 above include:

8.5 Additional New Budget

- £0.3m approved by Barham Park Trust for asset enhancement works.
- £0.6m approved for works to fit out commercial space at Roy Smith House.
- £10.5m approved as part of the Neasden Civic Partnership Programme to deliver public realm, community programming and highways improvements
- £0.8m following additional funding received from the Department for Transport for the carriageways works programme.
- £3.3m approved following confirmation of the footways reconstruction programme into 2025/26.
- £2.5m approved for the Welsh Harp Post 16 Centre. This project is no longer being delivered as a split-site provision hence the need for enhancements to the original proposals for the Welsh Harp development. This is being funded through High Needs Capital Grant.
- £0.5m additional attributable costs for the delivery of Public Realm schemes.

8.6 Budget removal

- Removal of £0.9m budget relating to the Clock Cottage development.

8.7 Budget re-profiling undertaken post budget approved in February 2025

- Reprofiling of the Phase 3 Family Wellbeing Centre works and Kilburn Library works.
- Reprofiling of the Church End project by £3m into 2024/25 from 2025/26 following updated delivery timescales.
- Reprofiling of Fulton Road by £3m into 2024/25 from 2025/26 and 2026/27 following the earlier completion expected for the delivery of homes.
- Minor reprofiling of budgets within Corporate Landlord Board totalling £0.01m in line with updated project timescales.

8.8 The revised budget position for 2025/26 to 2029/30 is summarised in Table 8 below.

Table 8 - Capital Programme Revised Budget 2025/26 – 2029/30						
Board	2025/26 Revised Budget £m	2026/27 Approved Budget £m	2027/28 Approved Budget £m	2028/29 Approved Budget £m	2029/30 Approved Budget £m	Total 2025/26 to 2029/30 £m
Corporate Landlord	12.9	36.1	24.3	3.7	4.5	81.5
HCIB - GF	97.8	29.1	2.8	0.0	0.0	129.7
HCIB - HRA	39.6	94.1	28.0	13.9	11.1	186.7
Public Realm	25.0	4.7	1.6	6.2	0.2	37.7
Regeneration	119.4	39.5	26.1	14.1	0.0	199.1
CYP & Community Development	23.0	29.1	5.8	5.3	0.0	63.2
South Kilburn	25.1	20.2	16.9	7.6	1.2	71.0
St Raphael's	3.5	3.9	12.5	0.0	0.0	19.9
Total	346.3	256.7	118.0	50.8	17.0	788.8
Approved Feb 25	346.6	249.9	115.2	50.8	17.0	779.5
Budget Adjustments	(0.3)	6.8	2.8	0.0	0.0	9.3

Capital Pipeline

8.9 The current programme includes £600.5m across 21 pipeline schemes. The capital pipeline is a list of potential future investment projects identified by each of the sub-boards. In evaluating the investment pipeline proposals several factors are considered. These include statutory requirements, demonstrable linkages to corporate priorities, with the ability for proposals to generate revenue savings and, to a slightly lesser extent, their potential to generate future capital receipts or other financial returns.

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

9 Housing Revenue Account

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

9.2 The HRA budget is set each year in the context of the 30-year business plan. The business plan is reviewed annually allowing for horizon scanning and the identification and mitigation of risks in the short, medium and long term. Early identification of risks enables planning and implementation of mitigations to ensure the HRA can continue to remain financially secure and deliver on its commitments to provide safe, secure and decent housing.

- 9.3 After four consecutive years of rent reductions, between 2016/17 and 2019/20, the Government set out its rent policy, which originally allowed rent levels to be increased by CPI plus 1% for the next five years starting from April 2020. However, in light of exceptional inflation levels, government had amended its rent setting policy for 2023/24 to introduce a 7% rent rise limitation, compared to 11.1% if CPI plus 1% was applied. This was estimated to equate to a circa £2m reduction in income in that year. Furthermore, rent increases in 2023/24 did not only affect that financial year, but also have an impact on future rent levels. Any rent increases below inflation means that the base for a rent increase in the following year is also lower and so on for future years. As part of the recent Spending Review, the government has announced that there will be a 10-year social housing rent settlement increasing at CPI+1% annually, and the government will soon launch a consultation on implementing social rent convergence.
- 9.4 Whilst the 10-year social housing rent settlement helps to provide some certainty over the future rent setting policy, current assumptions incorporated into the HRA, the 30-year Business Plan already includes rent increases at this rate over the life of the business plan and therefore accounted for within financial planning assumptions.
- 9.5 The rent convergence is a principle aimed at aligning social housing rents and ensuring that social housing tenants in similar properties within an area pay similar rents. This policy, which was originally implemented in 2002 and later abandoned in 2015, aimed to bring all social housing rents in line with a "formula rent" over time. The "formula rent" is a benchmark rent calculated using a formula that considers factors like property value, local earnings, and the number of bedrooms. Currently, there can be a considerable difference between a social rent and a "formula rent" due to a number of factors. When the UK government originally introduced rent restructuring, existing social rents were not immediately raised to formula rent levels to avoid rent shocks for tenants. Rent convergence was originally intended to happen over several years, but when the government ended it, it was not fully completed, especially in areas where rent convergence was delayed or halted, and some social rents have remained below formula rent. In 2015, a 1% annual rent reduction policy was introduced for four years, further widening the gap between actual social rents and formula rents. In high-value areas, the formula rent could yield higher rents, but existing social rents may still be lower due to historical rent levels. At Brent, if we were to inflate all our social housing rent to formula rent tomorrow, it would mean an additional £3.7m per annum in rental income. The reintroduction of rent convergence could help to mitigate some of the financial challenges currently facing the HRAs. This could help to provide a more sustainable financial model for social housing and address the impact of the rent cap.
- 9.6 For 2025/26, the government allowed rent rises in line with previous rent policies of CPI+1%. The average rent currently sits at £149.44 per week, an increase of 2.7% when compared to the previous year. This represented a £1.6m increase in investment. The HRA had to re-profile service delivery such as the capital programme and achieve considerable savings in order to close

the gap between the rental income raised and the increased cost of delivering the service as a result of high inflation and rent limitations in previous years.

- 9.7 HRA rent setting needs to be considered in the context of the ring-fence and the 30-year business plan. Based on Bank of England inflation forecasts of 2.5%, if the Council applies the CPI+1% rent policy for 2026/27 this would result in an average rent per week of £149.45 and give the potential to raise an additional £2m in income, with a cumulative effect of an additional £60m investment in the HRA over a 30-year period.
- 9.8 The HRA continues to face a complex range of financial and operational pressures, influenced by macroeconomic conditions and sector-specific developments. The sustained high inflationary environment, coupled with elevated interest rates, is exerting significant pressure on both revenue and capital budgets. Inflation is driving up the cost of materials, labour, and essential services, particularly within repairs and maintenance functions, while the cost of borrowing to fund new build and capital improvement programmes remains high.
- 9.9 A notable risk arises from the increased volume and complexity of responsive repairs, particularly related to damp, mould, and disrepair cases. These trends have placed a significant strain on available resources and are expected to continue, with the potential to exceed budgeted allocations. The recent implementation of new repairs and maintenance contracts adds a further layer of uncertainty, as these arrangements are still being embedded. The full cost implications and long-term efficiencies associated with these contracts remain under review.
- 9.10 Capital programme delivery is further constrained by the absence of sufficient government funding to meet statutory and strategic priorities, particularly around carbon reduction, fire safety, and energy efficiency. This funding gap complicates the Council's ability to address both compliance-driven and strategic improvement works, requiring a careful balancing of limited capital resources.
- 9.11 Additional risks are associated with the planned addition of new homes to the housing portfolio in the near future. While expansion supports strategic objectives, it also increases operational complexity and resource demands, potentially leading to higher costs and service delivery risks unless carefully managed.
- 9.12 The Council's recent self-referral to the Regulator of Social Housing for non-compliance with building safety requirements has introduced further financial risk. The regulatory judgement of C3, issued in May 2025, necessitates the development and delivery of a recovery plan to address compliance breaches related to fire safety, asbestos, water safety, and monitoring systems. The full cost of this work is yet to be confirmed.
- 9.13 Although the Council's HRA reserve level currently meets the target threshold of 5% of turnover, this remains below the average of comparable local

authorities, limiting flexibility to manage unanticipated cost pressures. This modest reserve position highlights the need for continued fiscal prudence, strengthened risk management, and the careful prioritisation of future investments.

- 9.14 The government's recent response to the consultation on reforming Right to Buy (RTB) receipts introduces several implications for the HRA. Most notably, newly built social and affordable housing will be exempt from RTB for 35 years, which is expected to support longer-term retention of stock within the HRA and reduce RTB-related sales income volatility. The indefinite extension of the temporary rule permitting 100% of replacement housing to be funded from RTB receipts beyond the original March 2026 deadline provides greater financial flexibility and certainty for capital investment planning within the HRA. Additionally, from 2026/27 onwards, Councils will be allowed to combine grant funding with RTB receipts for the delivery of social and affordable homes, potentially increasing overall funding capacity and enhancing development viability. The extension of RTB receipts usage to Arm's Length Management Organizations (ALMOs) will further broaden opportunities for affordable housing investment across different management structures. Finally, the planned increase in the RTB receipt spending timeframe from five to ten years starting 2027/28 will help to alleviate immediate financial pressure on councils, allowing for more strategic and phased investment decisions within the HRA.
- 9.15 The overall financial outlook for the HRA remains uncertain. Continued inflation, volatile interest rates, and increased service demands, particularly in repairs, may drive higher-than-anticipated expenditure. These pressures are being managed within the framework of the HRA Business Plan and MTFS through targeted efficiency savings, cost control measures, and continuous monitoring. However, the scale and complexity of the challenges underscore the need for cautious planning, ongoing review, and proactive mitigation strategies to safeguard the long-term sustainability of the HRA.

10 Schools and Dedicated Schools Grant (DSG)

- 10.1 At the end of 2024/25, the total school reserves balance decreased by £1m, marking an improvement compared to the previous year's reduction of £1.9m in 2023/24. While the pace of reserve depletion has slowed, schools continue to face financial pressures driven by rising staffing costs, increasing Special Educational Needs and Disabilities (SEND) demands, and inflationary increases in supplies and services, limiting schools' ability to build reserves.
- 10.2 At the end of the financial year 2024/25, eight schools were in deficit, compared to seven schools in the previous year. These schools will require licenced deficit agreements alongside recovery plans to restore financial stability. Of the seven schools that were in deficit last year, two have successfully returned to a positive reserves position, while three additional schools that previously maintained positive reserves have now fallen into deficit.
- 10.3 Brent has been experiencing a decline in pupil numbers in some planning areas, particularly in primary schools, due to factors such as falling birth rates

and the rising cost-of-living. This trend has led to excess school places in some parts of the borough, prompting the local authority to take measures such as reducing Published Admission Numbers (PAN), merging schools, and repurposing spare capacity for Special Educational Needs and Disabilities (SEND) provision. Schools experiencing falling rolls would require financial efficiency measures including robust budget monitoring and adjustments to resources.

- 10.4 The DSG ended the 2024/25 financial year with an in-year deficit of £0.4m, increasing the cumulative deficit from £13.2m in 2023/24 to £13.6m. This shortfall was primarily driven by a £2.1m overspend on the High Needs block, reflecting ongoing pressures in SEND provision. However, this was partially offset by a £1.5m underspend in Early Years block, alongside £0.1m underspend in both the schools block and Central School Services block. The Early Years underspend resulted from lower than expected take up of funded early education entitlements, which presents a potential risk, as the Department for Education (DfE) may claw back funding following its final in-year adjustment exercise in July 2025. To mitigate this risk, the surplus within Early Years block has been held in reserves, ensuring financial stability in the event of a funding reduction in the future.
- 10.5 The deficit balance is held in an earmarked reserve and has been carried forward to 2025/26. Brent has a Deficit Recovery Management Plan in place with longer-term actions to recover the deficit and regular updates on progress presented at Schools Forum. A combination of longer-term recovery actions includes managing demand by applying a graduated approach to reduce the need for an Education, Health and Care Plan (EHCP), improving sufficiency of places by establishing more SEND provision in the borough, improved financial management and anticipated government funding increases which will help to reduce the deficit. The risk also remains that the number of EHCPs will continue to rise. The trend in Table 9 shows that the number of children with EHCPs continued to grow, albeit at a reduced rate based on published data.

Table 9: Annual increase in EHCPs 2020-2025

Brent EHCPs as per SEN2 Return	Jan-20	Jan-21	Jan-22	Jan-23	Jan-24	Jan-25
Number of EHCPs	2426	2784	2938	3251	3500	3795
Brent % Increase	12%	15%	6%	11%	8%	8%
National % Increase	10%	10%	10%	9%	11%	TBC pending publication

- 10.6 As a result of the DSG being in deficit, Brent participated in the Department for Education's Delivering Better Value (DBV) in Special Educational Needs and Disabilities (SEND) programme, which supported local authorities in managing their deficits.

- 10.7 All agreed actions from the Diagnostic Phase (Stage 1) and Implementation Phase (Stage 2) of the programme have been delivered on time, meeting expectations and achieving measurable benefits against agreed KPIs.
- 10.8 Despite the programme's success, Brent continues to face an in-year overspend on its High Needs Block (HNB), largely due to insufficient funding uplifts related to rising demand and complexity of need.
- 10.9 The statutory override set out in the School and Early Years Finance Regulations 2021, which allows local authority to exclude DSG deficits from their broader financial accounts, preventing them from impacting Council's General Fund reserves, was initially scheduled to conclude at the end of the 2022/23 financial year. However, recognising the financial challenges faced by local authorities in managing DSG deficits, the government extended the arrangement for an additional three financial years, ending in March 2026.
- 10.10 The government confirmed in the Spending Review, that there will be a further extension of the statutory override to the end of March 2028. This protection ensures that overspending in the high needs block does not create immediate financial pressure on local budgets, allowing authorities more time to address structural funding challenges. Local authorities are actively pressing the government to write off all of the DSG deficits which are forecasted to reach £5bn by the end 2025/26 to relieve financial pressures on councils.

11 Financial Resilience

- 11.1 As detailed throughout this report and the accompanying Financial Outturn 2024-25 and Quarter 1 Financial Forecast 2025-26 reports, Brent Council is facing unprecedented financial challenges driven by funding not keeping pace with growing service demands and wider economic pressures.
- 11.2 To assess how well the Council can manage these ongoing risks, the Council's Internal Audit team undertook a review using elements of the CIPFA Financial Management model. The review focused on three key areas of financial resilience:
- Adequacy of reserves
 - Effectiveness of the Medium-Term Financial Strategy and quality of underlying assumptions
 - Capacity to withstand financial shocks
- 11.3 The overarching aim was to evaluate the Council's ability to maintain robust financial health in a volatile environment. The review comprised two parts: a self-assessment by the Finance team against CIPFA criteria and a workshop to validate and refine those insights.
- 11.4 On adequacy of reserves, the review found that the planned increase in the level of useable reserves in 2024/25 would provide a greater capacity to meet a one-off overspend or non-major financial shock, but that if the overspend experienced in 2024/25 continued, would result in the Council utilising all of its remaining useable reserves during 2026/27.

- 11.5 The review also found that the Council benefits from a transparent and methodical approach to classifying its reserves, with earmarked funds allocated for specific future commitments, such as Private Finance Initiative (PFI) contracts, and a comprehensive annual review of how these reserves are utilised.
- 11.6 On the Effectiveness of the MTFS, the review found the following:
- The limited use of the Zero-Based Budgeting (ZBB) approach potentially limits the extent to which the Council can precisely allocate resources and prioritise expenditure given current financial constraints
 - Expanding scenario and sensitivity analyses to combine multiple variables could further strengthen the Council's readiness for fluctuations in demand or funding levels
 - I4B (the Council's wholly owned housing company) helps reduce reliance on expensive temporary accommodation, delivering estimated annual savings of around £5 million and aligning with the Council's goal of providing stable housing for vulnerable residents. There remains an inherent risk that a sharp fall in property values could leave I4B unable to repay all outstanding debt. Fluctuations in rent collection, particularly among tenants receiving universal credit, could also affect I4B's liquidity and require further Council intervention. The Council is aware of and continues to monitor this risk closely.
 - The Council has a total borrowing of about £860 million, mostly from long-term Public Works Loan Board facilities, which reduces near-term refinancing risk. This level of debt sits within the mid-range of other comparable authorities.
 - Additionally, although Lender Option Borrower Option (LOBO) loans are being reduced, there remains a possibility that creditors may impose higher rates if they exercise their options, requiring the Council to repay or refinance at short notice. Maintaining close oversight of the Council's investments and borrowing and exploring ways to further reduce overall borrowing levels where feasible, will help ensure that the Council remains financially resilient and able to respond to any unanticipated challenges.
- 11.7 On the Capacity to Withstand Financial Shock, the review found the following:
- The Council demonstrates a solid foundation for managing financial shocks, supported by a systematic risk management framework and clearly documented risk registers at both corporate and departmental levels.
 - The Council's use of risk-based budget monitoring enables it to focus closely on high-risk services, such as adult and children's social care, where spending pressures are most acute. Additionally, annual financial resilience assessments strengthen accountability and communication regarding potential threats to long-term stability.
 - The Council's Finance/MTFS Risk Register requires more frequent updates and closer integration with the budget-setting process, to ensure it remains a relevant tool for prompt mitigation strategies.

- The pressures in temporary accommodation continue to expose the Council to overspends.
- Short-term funding settlements from central government complicate efforts to plan investments over a longer horizon. The recent Spending Review and FFR consultations have confirmed that from 2026/27 the Government will deliver a multi-year settlement.
- Current debt collection rates in certain areas require improvement.
- Although it has started to rebuild its reserve levels the Council's Housing Revenue Account balance is still relatively low at £2.4m. This needs to be closely monitored due to the emerging risks around housing, for example, damp and mould and repairs and maintenance, which could result in additional costs, capital and revenue being incurred and result in the HRA moving into a deficit position.
- By refining contingency plans, monitoring policies, and debt recovery processes, the Council can further strengthen its financial resilience and protect core service delivery.

- 11.8 The review identified a number of areas for further consideration, including:
- As planned, continue to increase the level of useable reserves to offer better protection against financial shocks.
 - Consider introducing Zero-Based Budgeting in targeted service areas to help identify true cost drivers and enable more precise resource allocation and prioritisation, even with limited staff and financial resources.
 - Expand scenario and contingency planning that captures multiple variables simultaneously and also review the current level of reporting to members on the scenarios considered and potential impacts.
 - Update the Finance/MTFS Risk Register more regularly, using it as a live tool to track emerging risks and inform prompt interventions.
 - The Council should ensure it continues to maintain a balanced approach to debt management. Consider reducing overall borrowing levels in the medium to longer term, where possible and commercially viable to do so, to improve the Council's medium and longer term financial sustainability.
 - Continuously review the monitoring regime in place to track savings ensuring that there is a clear plan of action in place if a discrepancy does occur between target and actual savings being achieved.
 - Maintain the ongoing monitoring and review of the business plan for i4B to ensure informed decision making and financial sustainability including approaches for managing the debt repayments due to the Council.
 - Continue to review the current debt collection strategy to ensure that includes clear targets, performance monitoring, and escalation procedures. Consider investing in specialist training, additional resources or systems to enhance collection rates.
 - Consider the integration of the development of climate action plans into the financial budgeting process to help identify any funding gaps and prioritisation of key initiatives to support the delivery of the Council's sustainability goals.

- Continue to monitor the Housing Revenue Account and 30 year plan closely to ensure that it remains sustainable and retains sufficient balances to meet an unexpected overspend or financial shock.
- 11.9 The review concluded with the following statement: “The Council has demonstrated a structured approach to financial management, evidenced by established modelling practices, clear reserve categorisation, and alignment of budgets with strategic objectives. However, continued pressures in key services, as well as external funding uncertainties, highlight the need to increase reserves and consider the areas set out in this report to further strengthen the Council’s ability to respond to a financial shock”.
- 11.10 As part of the Council’s ongoing work on developing the Medium Term Financial Strategy and conducting an annual Financial Resilience assessment, officers will respond to the findings of the review and provide an update to Cabinet on progress alongside the 2026/27 draft budget in November 2025.
- 12 Stakeholder and ward member consultation and engagement**
- 12.1 The detailed approach to the statutory consultation process for the setting of the 2026/27 budget will be set out as part of the draft budget report to be presented to Cabinet in November 2025.
- 13 Financial Considerations**
- 13.1 The financial implications are set out throughout the report.
- 14 Legal Considerations**
- 14.1 Standing Order 19 sets out the process that applies within the Council for developing budget and capital proposals for 2026/27. There is a duty to consult representatives of non-domestic ratepayers on the Council’s expenditure plans before each annual budget under Section 65 of the Local Government Finance Act 1992. The council also has a general duty to consult representatives of council tax payers, service users and others under Section 3 (2) Local Government Act 1999.
- 15 Equity, Diversity & Inclusion (EDI) Considerations**
- 15.1 There are no EDI considerations arising out of this report.
- 16 Climate Change and Environmental Considerations**
- 16.1 There are no climate change and environmental considerations arising out of this report.
- 17 Communication Considerations**
- 17.1 There are no communication considerations arising out of this report.

Report sign off:

Minesh Patel

Corporate Director, Finance and Resources