Appendix 3

	Cabinet 27 July 2026
	Report from the Corporate Director, Finance and Resources
	Lead Member - Deputy Leader & Cabinet Member for Finance and Resources (Councillor Gwen Grahl)

Medium Term Financial Outlook

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

1.1. This report sets out the overall financial position facing the Council and highlights the significant risks, issues and uncertainties with regards to the Council's Medium Term Financial Strategy (MTFS). It also sets out the proposed budget setting strategy for 2027/28, 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
- Medium Term Financial Strategy update
- Proposed revenue budget setting process for 2027/28
- 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. Agree the budget setting process for 2027/28, including the approach to consultation and scrutiny, as set out in section six of this report.

2.3. Note and agree the proposed 2025/26 capital budget carry forwards and capital virements for 2026/27 as set out in section seven of this report.

2.4. Note the financial position with regards to the Housing Revenue Account, as set out in section eight of this report; and

2.5. Note the financial position with regards to Schools and the Dedicated Schools Grant, as set out in section nine of this report.

3.0 Cabinet Member Foreword

3.1 This report sets out the Council's financial outlook to 2031/32 and provides an early assessment of the choices that will be required to maintain a balanced budget over the coming years. Brent enters this period in a stable position when situated in contrast to the many local authorities that have required government intervention. The Government's Fair Funding Review, the reset of the Business Rates Retention System and the first multi-year local government finance settlement in many years have provided a fairer share of resources and much-needed certainty for financial planning. That is a welcome change of direction and reflects a greater recognition of the pressures faced by councils like Brent, that support communities where deprivation remains an enduring factor. Nevertheless, this report is clear that these reforms have not removed the underlying financial challenge. Current modelling identifies a cumulative budget gap of around £50 million between 2027/28 and 2031/32.

3.2 This gap largely represents the additional cost of maintaining existing statutory provision in the face of inflation, demographic change and the growing complexity of need. Brent has already agreed £248 million of cuts since 2010, equivalent to almost half of the Council's current net revenue budget, including

£10.4 million of savings that is being delivered as we speak. There is therefore little scope for the Council to repeat the same choices of previous years. The task ahead must be approached strategically, by redesigning services, improving productivity, making better use of technology, generating further income and investing in earlier prevention.

3.3 The most significant risks remain in those services over which local government has the least control. An ageing population and increasingly complex care needs are driving higher adult social care costs, while new placements are often substantially more expensive than those that they replace. In children's services, a relatively small increase in highly specialised residential placements can have a significant financial impact. The Dedicated Schools Grant is under severe pressure as the number of children and young people with Education, Health and Care Plans continues to rise. Most immediately, the scale and cost of homelessness remain deeply concerning, with private rents, nightly paid accommodation and provider costs continuing to increase across London. Brent will continue to intervene early, but the solutions to these challenges require national action and further funded reforms.

3.4 The Council will also remain disciplined and purposeful in its approach to investment. The revised capital programme provides for more than £1.25 billion of investment over the next five years, including substantial programmes for affordable housing, regeneration, South Kilburn, public assets and additional places for children and young people with SEND. It also includes practical investment in highways, family wellbeing facilities, new CCTV and essential repairs to homes and community buildings. Alongside this, the Pride in Place programme will bring up to £40 million of long-term investment over ten years to Harlesden and St Raphael's, with local neighbourhood boards helping residents shape priorities and direct funding towards the improvements that matter most to their communities. Taken together this investment is not just about improving places and public services. By building new homes, unlocking development and supporting economic growth, the Council can also strengthen its own financial base through additional Council Tax, Business Rates and Community Infrastructure Levy income. Growing Brent's economy and housing supply is therefore essential both to meeting residents' needs and to sustaining the services on which they depend.

3.5 The multi-year settlement gives Brent a valuable period in which to prepare, rebuild resilience and shape a new Council Plan that does things differently. That plan must recognise that investment, unlocking opportunity and driving visible change must be a cornerstone of everything that we do. The Embrace Change programme will be central to this approach, bringing together transformation, prevention and neighbourhood working across the Council. The challenge is substantial, and difficult decisions will still be required, but Brent remains financially resilient, focused on delivery and ambitious to make change felt across every corner of the borough.

4.0 Economic Context

4.1. UK economic growth remains weak in the short term, with GDP forecast at around 1.0–1.1% in 2026. Growth is expected to recover gradually from 2027, but the outlook remains subdued, limiting Government fiscal headroom and continuing to constrain funding for local government. This reduces the ability of councils such as Brent to expand services beyond core statutory provision.

4.2. Inflation remains above target and has become more uncertain due to rising global energy prices. CPI inflation is currently at 2.8% (at April 2026), having fallen from 3.3% in March and is expected to increase further in 2026, potentially peaking at just below 4%, before returning to the Bank of England's 2% target during 2027. This will prolong cost-of-living pressures for residents and increase costs for Council services, particularly where inflation exceeds general CPI.

4.3. The Bank of England has held the base rate at 3.75% since December 2025, with the outlook for interest rates now more uncertain. Rates are expected to remain relatively high in the near term to manage inflation, with risks of further tightening depending on external pressures. For the Council, this continues to place upward pressure on borrowing and financing costs.

5.0 Medium Term Financial Strategy Update

5.1. Section four of this report has set out the challenging economic context within which Brent Council is operating. This financial year is also the first following substantial reforms to local government funding implemented through the Fair Funding Review and a reset of the Business Rates Retention System. This preceded a multi-year local government finance settlement that provided some much needed clarity on funding for the three-year period from 2026 to 2029. The funding settlement was positive for Brent Council, but additional pressures that have arisen in 2025/26, which are expected to continue into 2026/27, mean that the medium-term outlook remains difficult. These pressures are discussed in further detail in the Financial Outturn 2025/26 and Quarter 1 Financial Forecast 2026-27 reports that are also on this agenda.

5.2. This section provides an update on the MTFS position based on the current assumptions contained in the MTFS. The section is structured as follows:

- Current MTFS position
- Funding assumptions
- Service specific pressures, risks and mitigations
- Revised MTFS position
- The Embrace Change Portfolio
- Contribution to Borough Plan objectives

Current MTFS position

5.3. 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.

5.4. The budget for the forthcoming financial year, alongside the revised Medium-Term Financial Strategy (MTFS), is developed progressively throughout the preceding financial year. This process involves extensive modelling to identify and understand budget pressures, including both recurring and historic cost challenges. Detailed financial modelling and sensitivity analysis are undertaken to assess the potential impact of these pressures, enabling the estimation of likely growth requirements and the identification of key risks to the forecasts. This structured approach ensures that emerging budget gaps are identified at an early stage, providing sufficient time to develop and implement mitigating savings and strategies to achieve a balanced budget.

5.5. In February 2026, the Council agreed a budget for 2026/27 which closed the assumed budget gap with a package of agreed savings of £10.4m. This package of savings takes the total savings since 2010 to £248m (49% of the net revenue budget for 2026/27). In contrast to previous years, a new collaborative approach has been developed to address the Council's medium-term financial challenge and identify sustainable savings.

5.6. This new approach to identifying savings focuses on identifying high-impact opportunities, including cross-directorate working, improving productivity, better use of digital solutions, and increasing income generation. This approach to delivering savings enables the Council to meet its obligation to balance the budget in a way that supports transformative change, but it must be acknowledged that delivering these savings will be challenging and non-delivery of savings is a key risk to the 2026/27 budget and the MTFS.

5.7. Further detail on the progress of delivering the savings for 2026/27 is included in the Quarter 1 Financial Forecast 2026-27. At the time the budget was agreed in February 2026, no specific savings had been identified in respect of 2027/28 or 2028/29.

5.8. This report should be read alongside the Financial Outturn 2025/26 report and the Quarter 1 Financial Forecast 2026/27 report. The significant overspends detailed in these reports demonstrate that the financial position of the Council has worsened since the February budget report, which has resulted in additional underlying pressures that were not forecast in February, but must be addressed through the MTFS. These pressures are in addition to those already anticipated for future years.

5.9. To fund the overspend in 2025/26, a drawdown from earmarked reserves of £16.7m was required, leaving a balance of £24.3m of generally usable reserves (reserves that are not earmarked for a specific purpose). Of this, £20.7m is the General Fund Balance, which represents the Section 151 officer's assessment of the adequate level of reserves required to maintain the Council's financial sustainability (5% of the net revenue budget).

5.10. Based on the Quarter 1 forecast, without mitigation the Council would be required to utilise part of the General Fund balance to balance the 2026/27 budget. In this event, the Council would need to make provision for replenishing the General Fund balance in 2027/28, in addition to the existing budget gap identified in this report. The Council will need to consider how this risk can be mitigated, while committing to increase reserves over the next two years to enhance its financial resilience and sustainability.

5.11. In response to budget pressures experienced in recent years, the Council introduced a range of spending controls which successfully reduced expenditure and helped mitigate overspending. These measures included proactive vacancy management, tighter controls over agency expenditure and staff payments, and increased scrutiny of spending decisions across all directorates. These controls are now considered business as usual and have been embedded within the Council's day-to-day financial management arrangements to support effective budget control, financial resilience and sound decision-making.

5.12. However, spending controls alone are unlikely to be sufficient to manage the scale of the challenge. Therefore, with the exception of expenditure required to maintain health and safety, meet statutory obligations or fulfil contractual commitments, all other spending decisions will be subject to enhanced challenge and may be deferred where possible. Directorates will also be required to identify additional in-year savings, cost avoidance measures and opportunities to reduce expenditure wherever possible.

5.13. The modelling and analysis has been refreshed to enable the Council to embark on a two-year budget planning cycle for 2027/28 and 2028/29, which will lead up to the end of the current Spending Review and is covered by the funding provided in the multi-year local government finance settlement. Beyond this, the MTFS has been refreshed to provide a longer term five-year rolling forecast, which now covers the period to 2031/32.

5.14. It is important that the refreshed MTFS closely aligns with the new Council Plan. Further detail on the Council’s approach to this is set out in section 5.144 (Alignment of the Medium Term Financial Strategy with the Council Plan).

5.15. The following sections set out the updated assumptions included in the MTFS, followed by a summary of the revised MTFS position, including the forecast budget gap for the five-year period from 2027/28 to 2031/32.

Funding assumptions

5.16. This section sets out the funding assumptions underpinning the revised budget gap in Table 5.

Council Tax

5.17. Council Tax is one of the most significant sources of funding for the Council, making up £190.5m (or 38.0%) of total core funding in 2026/27. At the multi-year settlement in December 2025, the referendum threshold limit (excluding the Greater London Authority (GLA) share) for the financial years 2026/27-2028/29 was set at 5%, including 2% for the Adult Social Care Precept.

5.18. As set out when the 2026/27 budget was agreed, there was an implicit assumption from the Ministry of Housing Communities and Local Government, built into the multi-year settlement, 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 2026/27 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 4.1% in 2026/27 to provide additional funding for services including the Metropolitan police and Transport for London.

5.19. The referendum limits for 2029/30-2031/32 will not be known until the next Spending Review, so the current assumption is for an extension of the 5% limit, which has been in place since 2023/24. Therefore, the MTFS assumption for a 4.99% pa increase in Council Tax in 2027/28 and 2028/29 is unchanged and is extended to 2031/32. It is assumed that Brent will bring forward the budgets for these years on the basis of such an increase in Council Tax. This would take the Brent share of a Band D Council Tax charge to c.£2,200 in 2031/32 (£1,724.76 in 2026/27). The GLA share of the Council Tax will be subject to a separate referendum limit that was not confirmed in the Spending Review.

5.20. 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 5 will increase, requiring further savings to offset the loss of funding. For each 1% that Council Tax is increased by below the referendum limit, the Council loses c.£2m of funding as of 2027/28.

5.21. Even if the full increase was applied in subsequent years, a 1% lower Council Tax increase applied in 2027/28 would result in a relative reduction of the Council’s funding by £2.5m in 2031/32 and the cumulative reduction in funding across the five year period would be £11m. These figures would be £5m and £20m respectively if the lower increase was also applied in 2028/29. 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.

5.22. 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 2026/27 around £28m is being provided to around 23,531 households. In addition, the Council, in partnership with the GLA, created a £1.5m Council Tax Support Hardship Fund in 2025/26 (£0.4m from the GLA) to support vulnerable residents through the transition to the new Council Tax Support Scheme from 1 April 2025. Through this hardship fund a total of 13,124 households were provided support in 2025/26 with the full amount of funding utilised. Furthermore, for 2026/27 the hardship fund is remaining at £1.5m with the GLA providing £0.4m of the funding.

5.23. 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.

5.24. 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

5.25. The largest single factor affecting the tax base is the number of dwellings in the borough. In 2026/27, in the absence of any discounts and exemptions, the Council would receive an additional £1m of funding for every 580 properties added to the Council Tax list, providing a strong incentive to increase the number of dwellings.

5.26. The Government calculated the Council Tax included in Brent's Core Spending Power in the 2026/27 Local Government Finance Settlement on the basis of the average annual growth in the tax base between 2021/22 and 2025/26. Table 2 shows this calculation.

Table 2: Growth in Brent's Council Tax base 2021/22 to 2025/26

Year	Tax base in preceding financial year	Tax base in current financial year	Increase in tax base	% increase
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%
2025/26	103,577	108,617	5,040	4.9%
			Average	**2.2%**

5.27. This average includes the effect of the one-off changes to the Council Tax Support Scheme that were introduced on 1 April 2025. These changes resulted in a large one-off increase to the taxbase, which as part of the local government finance settlement, the government have assumed will continue.

5.28. The MTFS is currently assuming average tax base growth of 1.7% 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.

5.29. The net effect of the use of this average by the Government is that Council Tax included in Core Spending Power for Brent at the 2026/27-2028/29 settlement was higher than the amount included in the budget/MTFS by £1.5m in 2026/27, £3.2m in 2027/28 and £5.3m in 2028/29. By 2028/29, this is the equivalent of 2,788 additional Band D properties.

5.30. However, this difference represents only 1% of Brent's total Core Spending Power by 2028/29, meaning that it should not have a material impact on Brent's relative funding position when Core Spending Power is used to discuss this. Furthermore, Brent's increase in Core Spending Power was 9.6%, 7.4% and 7.0% across the settlement, significantly above the thresholds for requiring a funding floor. Therefore, as a result Brent did not lose any funding it would otherwise have received had the assumptions taken into account one-off changes to Council Tax Support.

5.31. 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. 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, but progress against this nationally has been slow.

5.32. However, taking into account the available data on housebuilding in Brent currently and the pipeline of major schemes that are being delivered, the central assumption remains that annual tax base growth of c.1.7% is reasonable, in line with recent trends. The data will be monitored and analysed further throughout the summer and the assumption will be revised upwards or downwards in the 2027/28 Draft Budget in November.

5.33. 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.

5.34. There are also discretionary schemes, such as the second homes premium (increase) and Council Tax Support for working age claimants (decrease), 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.

5.35. 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 2026/27 and all other years in the current MTFS, this long-term collection rate assumption is unchanged at 97.0%.

5.36. This reflects that collection remains lower than before the Covid-19 pandemic, representing a key risk to the MTFS, but that work is also ongoing to improve the recovery of debt and in-year collection of Council Tax, with further investment in the services being made in 2026/27.

5.37. 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 continued efforts during 2026/27 to improve the collection of Council Tax are not successful, it may be necessary to reduce the long-term collection rate further in 2027/28. Each reduction of 0.1% in the target collection rate will result in a further reduction of resources of c.£0.2m. Conversely, if the efforts are successful, it may be possible to increase the long-term collection rate, thereby increasing the resources available to fund Council services.

5.38. A full forecast of the Council Tax base to cover the MTFS period will be developed over the summer and reported to Cabinet in the draft 2027/28 budget in November. This will include a proposed draft tax base for 2027/28 to be agreed at General Purposes Committee in December 2026.

Business Rates

5.39. In 2026/27, the Government have delivered the most significant changes to the Business Rates Retention System (BRRS) since it was created in 2013. The key components of the changes are as follows:

- Full reset of the BRRS
- Changes to the statutory definition of Non-Domestic Rating Income
- Changes to the Levy/Safety Net
- Implications for Business Rates Pooling
- Revaluation of Business Rates liabilities
- Three new multipliers for businesses, including two for Retail, Hospitality and Leisure (RHL) businesses replacing the RHL relief

Full reset of the BRRS

5.40. The full reset of the BRRS is detailed in full in the Budget and Council Tax 2026/27 report which was sent to Full Council in February 2026. The outcome for Brent's MTFS was:

- New Baseline Funding Level of £132.4m, calculated based on Brent's new relative needs share of the adjusted national Business Rates pool. Section 31 Grants for funded reliefs were included and inflation at September 2025 CPI (3.8%) was added, along with the accumulated growth since 2013. Compensation for historic under-indexation of the multipliers, which was previously included in Core Spending Power as a separate grant, but included in Brent's budget as part of the Business Rates funding line was moved to Revenue Support Grant.

- New Business Rates Baseline of £60.6m. This increased from 2025/26 due to the amendments to the statutory definition of non-domestic rating income (see section 5.41-5.43).

- New Top-Up Grant of £71.8m. This is lower than the grant would have been if the definition of non-domestic rating income had remained unchanged.

- The Baseline Funding Level is then assumed to increase by CPI in September of the year before each financial year (September 2025. The current MTFS assumption is for 2% increases pa, but with inflation currently at 2.8% and expected to increase further during 2026, this will be kept under review.

Changes to the statutory definition of Non-Domestic Rating Income

5.41. Amendments to the Non-Domestic Rating (Rates Retention) Regulations 2013 from April 2026 moved the BRRS from a system calculated based on Net Rates Payable to a system calculated based on Gross Rates Payable. This widens the definition of non-domestic rating income to include the effects of funded reliefs, with the Section 31 grant compensation for those reliefs now being paid to the Collection Fund rather than from MHCLG to the preceptors.

5.42. The impact of this on Brent is that increases or decreases to funded reliefs, particularly empty property relief (previously unfunded), no longer have a positive or negative effect on the amount of income received through the BRRS. The risk (and reward) from this system has been taken on by central government and local authorities have greater certainty over budgeting for NNDR income.

5.43. The amount that Brent receives from the BRRS system is not affected by this change as that was determined separately as Brent's share of the total non-domestic rating income using the relative needs formulae arising from the Fair Funding Review.

Changes to the Levy/Safety Net

5.44. In 2026/27, the Safety Net level, by which an authority's total income from Business Rates cannot fall below that proportion of their Baseline Funding Level, is set at 100%. This is a transitional mechanism designed to protect authorities against any short-term reductions in funding because of the reset.

Brent's budgeted NNDR income for 2026/27 per the NNDR1 form in January 2026 was £59.5m, giving a total NNDR income of £131.3m. This is a shortfall of £1.1m, meaning that Brent will receive a safety net payment in 2026/27 of £1.1m.

5.45. In 2027/28, the Safety Net will be set at 97% of the Baseline Funding Level, before returning to the pre-reset level of 92.5% in 2028/29. Brent will therefore only receive a safety net in future years if the income falls further. The current assumption based on historic trends is that growth in the taxbase will result in the income recovering to the Baseline Funding Level in 2027/28 and remaining in line with government assumptions thereafter.

5.46. If in future years, Brent's tax base growth is sufficient to produce NNDR income that exceeds the Baseline Funding Level, in contrast to 2025/26, a levy will be payable on the growth. Brent will still retain most of that growth, but a small portion (10% on the first 10% of growth), increasing with the level of growth will be payable, which funds the safety net.

5.47. At the time of the Fair Funding Review and the Business Rates reset the government indicated that future resets of the system would be more frequent, without confirming when the next reset would take place. Depending on how long this time period is, this would limit the amount of growth that can be built up in the system before the reset takes place and redistributes it again.

5.48. It is not currently expected that a reset will take place during the period of the current MTFS to 2031/32, with the most likely date of the next reset being 2032, to coincide with the three-yearly revaluation cycle. Therefore, the MTFS does not currently assume any changes to the operation of the BRRS during this period.

Implications for Business Rates Pooling

5.49. Until 2025/26, Brent was part of the Eight Authority Business Rates Pool, generating £3.7m of additional income for Brent in 2025/26. The changes to the levy system in 2026/27 mean that all of the eight authorities would now pay a levy on any growth. This removed the incentive for the authorities to pool together and as a result the decision was taken to end the Eight Authority Pool arrangement at the end of 2025/26. The income budget for the Pooling Gain was removed in the 2026/27 budget and Brent is now operating as a single authority for the purposes of NNDR.

5.50. At this time, it is not expected that this situation will change during the MTFS period, but Brent will continue to consider all of the available options including reforming the Eight Authority Pool (subject to agreement with the other authorities), forming a new pool with a different set of authorities and not joining a pool if it continues to be financially unviable.

Revaluation of Business Rates Liabilities

5.51. From 1 April 2026, liabilities for business rates are based on the rateable value (RV) of properties on 1 April 2024, the first revaluation to take place following the introduction of the Non-Domestic Rating Act 2023, which made three-yearly revaluations a statutory requirement. Revaluations are carried out by Government, with Brent Council not having any responsibility for the setting of business rates.

5.52. This revaluation resulted in a change to the business rates bills for individual businesses in line with the change in the open market annual rental value of the property between 2021 and 2024. Overall, Brent's RV increased to £452.6m, an increase of 21% on 2023.

5.53. Under the BRRS, revaluations have a nil impact on the funding received by the Council as the government adjusts the amount receivable by the Council to its Baseline Funding Level. For individual businesses however, the increases in RV would result in increases to the liabilities of those businesses if the multipliers remained unchanged. As it is, revaluations are also revenue neutral, meaning that the existing multipliers were reduced to ensure that the overall Business Rates income at the national level remained the same as it would have been if the revaluation had not taken place.

5.54. This means that businesses with an above average increase in RV will have seen an increase in their liability, while businesses with a below average increase or a decrease in RV will have seen a decrease in their liability. Furthermore, in 2026/27 some businesses will receive transitional relief to partially offset large increases in their bills, which will then unwind over the revaluation period to 2029. Businesses not eligible for transitional relief or the Supporting Small Business Scheme will pay a transitional relief supplement of 1p on top of their normal multiplier. Bills will also take into account any other reliefs that a property is eligible for, such as small business rates relief, ensuring that individual businesses are not disproportionately affected by changes to their RV.

5.55. The next revaluation is scheduled to take place in 2029, with affect during years three to five of the MTFS period. It is expected that this revaluation will take place in the same way as the 2026 revaluation, with no implications for MTFS funding. Brent Council is liable to pay business rates on its commercial properties where it is the tenant or the property is unoccupied, the largest of which is the Brent Civic Centre. The 2026 revaluation did not result in a material change to this liability and the same is currently assumed for 2029. If future forecasts suggest that the liability will increase by a material amount in 2029, provision for this will be made in a future MTFS.

New Multipliers

5.56. In 2026/27, the Government has increased the number of multipliers to five, by introducing new small business and standard multipliers for Retail, Hospitality and Leisure (RHL) hereditaments at 5p below the National small business and standard multipliers and a High-value multiplier set 2.8p above the National standard multiplier, applicable to all hereditaments with an RV of £500k or above. The RHL multipliers permanently replace the Retail, Hospitality and Leisure relief for which a Section 31 grant was previously paid by government.

5.57. The Government's changes to the RHL multipliers mean that Retail, Hospitality and Leisure businesses will permanently pay lower rates than businesses in other sectors occupying properties with similar rateable values, recognising the significant impact that higher rates can have on the ability of that sector to operate. However, the new RHL multipliers represent a significantly lower reduction than the relief they replace, which coupled with the revaluation has resulted in some very large increases in business rates bills for some of the businesses in the sector.

5.58. The government subsequently announced in January 2026 that a new additional relief for pubs and live music venues would apply for the next three financial years. This provides an additional discount of 15% in 2026/27, with bills for eligible businesses then frozen in real terms in 2027/28 and 2028/29. Brent will be fully compensated for the reduction in income through Section 31 grants.

5.59. At this time, no further government support is expected for this or any other sector and it is not clear whether the support provided will extend beyond the 2029 revaluation.

Revenue Support Grant

5.60. Revenue Support Grant is another significant source of funding for Brent's revenue budget. Having declined in importance since 2010, the Fair Funding Review has reversed this trend with the consolidation of multiple grants into RSG. At £103.2m in 2026/27, this is 21% of Brent's total Core Funding. However, this consolidation, whilst providing increased flexibility with the funding, does not remove the need for the expenditure previously funded by the separate grants.

5.61. The transitional arrangements in the Fair Funding Review will unwind, resulting in further increases in 2027/28 and 2028/29. Finally, inflationary increases at 2% per annum are currently included in all years. By 2031/32, RSG is forecast to be £146.6m, or 23% of Core Funding.

Specific Grants

5.62. The Fair Funding Review and the multi-year local government finance settlement that followed resulted in the consolidation of multiple grants into Revenue Support Grant, thereby significantly reducing the amount of different grants provided through the settlement. However, the government also recognised the need for some key funding streams to remain separate to continue delivering on those priorities.

5.63. In order to achieve this, the Government created three new consolidated ringfenced grants, along with expanding the existing Public Health Grant (£28.5m). The three new grants are:

- Homelessness, Rough Sleeping and Domestic Abuse Grant (£8.1m)
- Children, Families and Youth Grant (£9.0m)
- Crisis and Resilience Fund (£7.8m)

5.64. The Homelessness, Rough Sleeping and Domestic Abuse Grant brought together the homelessness element of the Homelessness Prevention Grant, the Rough Sleeping Prevention, Recovery and Accommodation Grant and the Domestic Abuse Safe Accommodation Grant. The two housing grants were previously outside of the settlement and received as part of the service area funding. The temporary accommodation element of the Homelessness Prevention grant was rolled into RSG.

5.65. The Children, Families and Youth Grant brought together multiple former grants including the Supporting Families element of the Children and Families Grant, which was previously received by the service (and had itself been consolidated from multiple smaller grants in previous years) and the Children's Social Care Prevention Grant, which was included in the 2025/26 settlement. The allocation also included additional funding (£4.5m in 2026/27, reducing to £3.4m in 2028/29), which has been invested in further prevention activities. The Holiday Activities and Food Programme and Pupil Premium Plus Post-16 Grant (both separately ringfenced) were also brought into this grant.

5.66. The Crisis and Resilience Fund brought together the Household Support Fund and Discretionary Housing Payments, whilst retaining some requirement to maintain the separate streams of support for residents. Both of these grants were previously outside of the settlement.

5.67. The funding settlement also provided allocations for 2027/28 and 2028/29, thereby providing increased certainty for budget planning for those years. At this time, all of the consolidated grants are assumed to continue to 2031/32 at the 2028/29 level, with the exception of Public Health to which a 2% inflationary uplift is applied.

5.68. In 2026/27, the Local Authority Better Care Grant (£16.5m) remains unchanged from 2025/26. At the local government finance settlement, the allocations for 2027/28 and 2028/29 were included in RSG, but with the expectation that the requirement to pool the funding with the Better Care Fund will continue, resulting in no actual change to where the funding is allocated to. The MTFS currently assumes that this grant will continue to 2031/32 at the same level and for simplicity is included in Specific Grants.

5.69. As part of the settlement, the government continued to allocate £5.8m of Recovery Grant to Brent across the settlement, as part of a commitment to provide un-ringfenced funding to areas with greater need and demand for services. This funding is taken from a top-slice of RSG, so what happens with this funding beyond 2028/29 is unclear. All options remain open to the government, including rolling it back into RSG and redistributing the funding according to relative need as per the Fair Funding Review. In this event, it is likely that Brent would still receive a high share of this funding as a result of its relative need. For simplicity, it has been assumed that Recovery Grant continues into 2031/32 at the same level.

5.70. In total, the Specific Grants across the MTFS period remain stable at around £76m, with small decreases in the Homelessness, Rough Sleeping and Domestic Abuse Grant and Children, Families and Youth Grant offset by inflationary uplifts to Public Health Grant.

5.71. At present it is not known what the funding environment for local government will be beyond 2028/29, although it is not expected that there will be any more fundamental changes that will result in redistribution of funding as took place in 2026. This will be determined by the next Spending Review, which will result in a pressure on government departments to reduce expenditure to fund increased commitments, particularly in areas such as defence and health. Therefore, the most likely scenario is that any increases to funding for local authorities at that time will be modest.

5.72. In common with the approach taken in previous years, these funding assumptions are cautious and actual funding in these years may be higher. However, this prudent approach has enabled Brent to successfully balance the overall budget in recent years, despite significant overspends on front line service budgets. By maintaining a cautious approach, the Council is able to set aside sufficient contingency and reserves to maintain the Council's financial resilience when faced with these unexpected pressures.

Service specific pressures, risks and mitigations

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

Service Reform and Strategy

5.74. The adult social care sector continues to face significant and interconnected pressures affecting the quality, accessibility and long-term sustainability of services. These challenges arise within a constrained financial environment and are driven by increasing demand, rising complexity of need, workforce pressures and sustained market cost inflation.

5.75. At a national and regional level, local government finances remain under significant strain, driven by rising demand, inflationary cost increases and long-term funding constraints. Analysis by London Councils highlights a widening funding gap across boroughs, with pressures of at least £500m across London in 2025/26, alongside increasing reliance on exceptional financial support to maintain statutory services.

5.76. External benchmarking using national datasets, including the Adult Social Care Finance Return (ASC-FR) and wider Department of Health and Social Care publications, confirms that expenditure growth and demand pressures are consistent across local authorities and reflect systemic rather than localised challenges.

5.77. Whilst overall growth in service user numbers has moderated, increasing by approximately 2% between May 2025 and May 2026, demand is increasingly characterised by higher levels of complexity, with individuals presenting later and requiring more intensive and higher-cost support.

5.78. This is reflected in the cost profile of care packages, with new placements typically 14-16% more expensive than those ending in the previous year. Benchmarking analysis confirms this trend across residential, nursing and supported living provision, where rising costs are driven by both acuity and sustained market pressures.

5.79. At Quarter 1, demand trends indicate a shift in placement types, with reduced reliance on homecare and increased demand for supported living and residential placements associated with more complex needs. This creates a potential financial risk of up to £3.5m if not effectively managed. The directorate is currently forecasting a breakeven position; however, this remains subject to volatility given the demand-led nature of expenditure.

5.80. Benchmarking across London and North West London (NWL) demonstrates that Brent is not a high-cost outlier and is managing adult social care expenditure broadly in line with comparator authorities.

5.81. Brent's average weekly cost per client (£916) sits within the mid-range of London boroughs and are lower than several neighbouring NWL authorities, including Ealing and Hounslow, and broadly comparable with Barnet. Residential and nursing placement costs are mid-range, with variation driven by need and market conditions rather than inefficiency. This position is reinforced by wider benchmarking through LG Inform, which shows that Brent's spend per head and activity levels are consistent with statistical neighbours and London comparators.

5.82. Benchmarking through the Adult Social Care Outcomes Framework (ASCOF) further indicates that local performance remains broadly aligned with national comparators across key measures including quality of life, independence and safeguarding. This supports the conclusion that financial pressures are primarily driven by external factors, namely increasing complexity of need, workforce challenges and market inflation-rather than local inefficiency.

5.83. Inflationary pressures, workforce costs (including London Living Wage requirements) and provider sustainability concerns continue to drive fee uplift requests across the care market.

5.84. The Council has adopted a targeted and evidence-based approach to fee uplifts, applying increases selectively to support lower-cost placements and maintain market stability, while avoiding uplifts on higher-cost provision. This approach balances affordability with the need to sustain a resilient care market and is aligned with regional commissioning activity across North West London.

5.85. Market intelligence based on Care Quality Commission (CQC) provider data highlights ongoing capacity constraints and pricing variation across the sector, reinforcing the need for strong commissioning and contract management in a shared regional market.

5.86. In response to these pressures, the Council is strengthening its approach to demand management and commissioning to improve financial control and value for money. This includes:

- Implementation of a strengthened multi-disciplinary Quality Assurance and Monitoring (QAM) panel to provide enhanced scrutiny of care decisions and costs

- Increased review and challenge of high-cost packages, supported by benchmarking against regional comparators

- Enhanced data analytics and monitoring, including the development of Power BI tools to track demand and financial impact in real time

- Continued focus on alternatives to residential care, including supported living, extra care and home-based provision

5.87. In parallel, the introduction of technology-enabled care (TEC) will support more preventative, efficient and person-centred models of care, reducing reliance on higher-cost provision over time.

5.88. Workforce challenges remain a key risk across the sector, with high vacancy and turnover rates contributing to increased reliance on agency staffing and associated cost pressures. The Council continues to prioritise workforce development, recruitment and retention initiatives, and agency-to-permanent conversion to improve stability and reduce long-term costs.

5.89. Partnership working with the NHS remains integral to managing demand and cost pressures, particularly in relation to Continuing Healthcare and Section 117 responsibilities. Strengthened joint working arrangements are supporting improved financial management and system-wide alignment.

5.90. Public Health services are funded through a £28.5m ring-fenced grant and are currently forecast to break even. However, increasing demand-particularly in sexual health services-and more prescriptive grant conditions continue to present financial risks which will require ongoing monitoring and management.

5.91. Leisure services remain financially sensitive, with continued reliance on income generation to offset rising costs, particularly utilities. The Willesden Sports Centre PFI contract continues to represent a significant risk following the drawdown of the smoothing reserve, and is subject to enhanced monitoring and contract management.

5.92. While Brent's relative cost position compares favourably with peers, the medium-term financial outlook remains challenging therefore the focus will continue to be on robust demand management, strengthened commissioning and market oversight, workforce stability and service transformation, ensuring that resources are deployed effectively to deliver sustainable, high-quality outcomes for residents over the medium term.

Children, Young People and Community Development (CYPCD)

5.93. 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.

5.94. 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 2025/26 costing £15k per week. These costs reflect not only the complexity of needs but also ongoing market conditions.

5.95. The overall LAC position is low, in Brent compared to neighbouring boroughs during 2025/26 (see Table 3). Early indications for the first quarter of 2026/27 suggest numbers are still low (292) but the pressures in the service are mainly due to the increase in clients with complex needs in residential placements (see Table 4). 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 the most suitable and cost-effective settings wherever possible, while maintaining high standards of care and safeguarding.

5.96. Table 3: Comparison of numbers of LAC in Brent to statistical neighbours 2022 -2025

Number of LAC	**2022**	**2023**	**2024**	**2025**
Brent	341	319	307	299
Statistical Neighbours	347	358	339	319

5.97. Table 4: Average Residential Placements 22/23 to 25/26

Residential placements	**22/23**	**23/24**	**24/25**	**25/26**
Full time equivalent numbers (average)	32	32	36	47

5.98. The current 2026/27 forecast for the social care placement budget is a break-even position. This represents a central projection based on scenario modelling of the current mix of placement types and numbers and allows for a net increase of 5 residential placements towards the second part of the year, in addition to the 48 reported at the end of April. In the worst-case scenario, there could be an overspend of up to £3.2m, while the best-case scenario would be an underspend of £1.4m.

5.99. The Placements budget remains complex and there are other variables, other than residential placements, that could have an impact on the MTFS, such as changes in the client numbers/unit costs of other type of placements or the expected income and contributions to this budget (for example, the Unaccompanied Asylum Seekers grant).

5.100. Another pressure relates to young people on remand. In 2025/26, there were a significant number of young people placed in secure remand (6), five of whom were linked to the same serious incident. Remand placements are court ordered (typically under youth justice legislation such as the Legal Aid, Sentencing and Punishment of Offenders Act 2012 in England) and local authorities have a statutory duty to provide accommodation, often at very short notice. This makes them unavoidable demand, unlike many other placement decisions where there may be some discretion or scope for early intervention to influence outcomes.

5.101. To mitigate these pressures, the new Council-run care home “The Gardens” has officially opened and is ready to accommodate clients. (At a lower unit cost compared to the average in the private sector). 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.

5.102. Work continues with the Placements Commissioning Board, led by the Corporate Director of CYPCD to reduce spend and deliver different degrees of success.

5.103. The introduction of a new and competitive package for in-house carers in 2024/25 and 2025/26 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.

5.104. 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 be embedded as “Business as usual”.

5.105. Other mitigations include scrutiny of children’s care plans at Director level to ensure children remain in the most suitable setting relative to their assessed needs. Work continues with other West London authorities to improve local authority run residential home sufficiency, with Brent supporting the development of new provision across the sub-region which would be available for spot-purchase.

5.106. 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.

5.107. 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 and the implementation of a staff restructure in 2025/26 led to a reduction of those pressures.

5.108. The Directorate received additional grant funding during the year, including Transformation Funding, the Best Start in Life Grant, and the ongoing Prevention Grant. Effective deployment and management of these grants is expected to strengthen early intervention and preventative services, contributing to a reduction in the number of children requiring residential placements over the longer term. This is anticipated to help mitigate demand-led cost pressures and reduce pressure on the general fund budgets in future years.

SEN Transport

5.109. Despite continued growth of children and young people with an Education, Health and Care Plans (EHCPs), the service successfully implemented the Travel Assistance Policy Implementation Plan (TAPIP) and managed the transport costs in 2025/26, and this work is expected to continue in 2026/27 and beyond. Risks remain, however, as continuing increases in children and young people with an EHCPS may lead to pressures against some of the Council’s budgets, including the SEN transport budget. There are also additional risks in addition to general inflation, such as:

- London Living Wage – increase from April 26 is estimated to add £300k onto labour costs on a like for like basis. This pressure was considered in the 2026/27 budget allocation however; there could be further increases in future years.

- Incremental increases for fleet maintenance – there is an agreement with the SEN Transport provider for an annual rise in the costs for routine maintenance per vehicle to account for the aging of the fleet and inflation. As the fleet ages, there is as risk that some of the buses may need replacing.

Neighbourhoods and Regeneration

5.110. 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'. 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.

5.111. The first of these national waste policies implemented was Extended Producer Responsibility for packaging in 2025/26. Since then, organisations and businesses started to pay a fee for the packaging they supply to or import into the UK market. In the first year (2025/26) Local Authorities received a basic payment based on publicly available and existing data about tonnages, operations and unit costs gathered from a representative sample of LAs across the UK and L.B of Brent received £5.99m. In the second year (2026/27) the basic payment and any adjustments will be based on data Local Authorities submit to the Scheme Administrator, and as it stands, the expected amount is in the region of approximately £5.3m.

5.112. Brent will use this 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.

5.113. Several service improvement initiatives were introduced throughout the 2025/26 which continues to drive to improve the quality of the recyclable material to keep the waste disposal costs down. The reduction in rejection rates for recyclable material in 2025/26 improved to 14.1%. The service also continued its focus on increasing the diversion of food waste from the general waste stream. 140 new food waste housing units and bins in the Council's estates have been introduced. Looking ahead this initiative will be rolled out across the Borough, including private management estates.

5.114. Simpler Recycling regulations were introduced under the Environment Act 2021 and came into force on 31 March 2026 for household waste. The reforms are designed to boost recycling rates and cut the amount of waste sent to landfill or incineration. Brent is largely in compliance with the reforms in terms of the required collections. To ensure full compliance the service will look to mobilise a dedicated project team who will lead on rolling out waste and recycling strategy improvement for communal estates including the roll-out of twin stream recycling to all 1,400+ communal properties, alongside improvements to bin infrastructure, signage, and containers. Furthermore the service will roll-out food waste collection to flats above shops and properties on the North Circular Road as well as the collection of flexible plastics.

5.115. Looking further ahead there are additional changes, for which further detail on both the specific requirements and funding that would be available is awaited, to ensure compliance by Brent.

5.116. The Deposit Return Scheme is planned to be introduced from 1st October 2027 by the government. This will require a deposit to be paid for a single -use drink containers under the new deposit return scheme (DRS). Businesses that produces or sells drinks will have new responsibilities. Recyclable containers, which will be repaid when the empty containers returned. This is likely to reduce the volume and composition of the materials collected by the Council, and therefore likely reduce the recycling tonnages. This may reduce costs but inadvertently but will also reduce the potential income generation for the Council via any on sale of materials. 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 financial impact to Brent and the other partners of the West London Waste Authority engaged in waste to fuel activity. Early estimates suggest the impact of this could be costs of £2m in the first year of the change.

5.117. Within Neighbourhoods & Regeneration, Inclusive Regeneration and Climate Action remain heavily reliant on planning fee income, including Building Control, and face increasing financial risk. Changes arising from the Building Safety Regulator have significantly reduced the Council’s ability to bid for major schemes, with referral levels remaining low and income recovery constrained, alongside a wider slowdown in development activity across the Borough. These market pressures are compounded by a workforce risk, as a high proportion of experienced staff are approaching retirement age; loss of capacity would directly reduce the ability to deliver services and generate income, creating a risk of further income shortfalls. These factors represent a risk to the service’s financial sustainability, with limited scope to mitigate through income growth alone unless budget assumptions are realigned to reflect these ongoing constraints.

5.118. Property and Assets faces ongoing risks in achieving income targets due to lease expiries and void properties, requiring continued effective marketing and tenant acquisition. In addition, sustained cost pressures within Facilities Management, particularly from overtime across Cleaning and Security services, may impact financial performance over the medium term, though mitigation through budget management and offsetting underspends is being pursued.

Residents and Housing Services

5.119. 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 £11.7m in the 2025/26 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 2026/27 budget was increased by £8m to close the budget gap. 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.

5.120. The department has also been proactive in mitigating the impacts of the ongoing cost-of-living crisis on Brent residents and businesses. In 2026/27, the Household Support Fund has been merged with the Discretionary Housing Payments into the consolidated Crisis and Resilience Fund providing additional resources to assist vulnerable households. Brent's allocation from the Crisis and Resilience Fund is £7.8m, an increase of £1.3m (19%) when compared to the 2025/26 allocation. The fund 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.

5.121. 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.

5.122. Housing Needs and Support remains the most significant financial pressure within the department. As of the end of 2025/26, Brent received 8,795 homelessness support applications, including 5,309 from single individuals and 3,486 from families. This volume equates to approximately 169 new applications per week, underscoring the sustained and intense demand for housing services. In April 2026, there were 1,428 households in nightly paid accommodation, compared with 1,182 households in April 2025. This represents an overall increase of 9% since December 2025, when 1,312 households were in accommodation, with approximately half of the annual increase occurring between Q3 and Q4.

5.123. Since the Housing Needs budget was set in February, there have been continued inflationary pressures, particularly relating to provider costs, although the scale remains subject to ongoing review. The original assumption of a £1.4m increase for 2026/27 reflected the best estimate at that time; however, more recent information suggests average costs have risen by around £10 a night per placement. Based on current activity levels, this could result in expenditure being up to £5m higher than initially anticipated for 2026/27. These figures remain indicative and will continue to be monitored as part of regular financial updates.

5.124. Ongoing benchmarking and analysis conducted by London Councils reinforce the scale of housing pressures faced across the capital. Their latest data projects a 75% rise in average payments for TA compared to a 23% increase in market rents over the last five years, far exceeding budgeted assumptions. Brent has experienced an 85% rise in its homelessness net expenditure between 2024/25 and 2025/26. Across all service areas, London boroughs face a collective funding shortfall of at least £1 billion in 2025-26. These figures illustrate both the scale of the challenge and the pressure on temporary accommodation budgets.

5.125. 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.

5.126. 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 2025/26, 67% of approaches were successfully prevented or relieved.

5.127. In the 2026/27 financial year, i4B is continuing its street property acquisition programme with an initial target of acquiring 19 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.

5.128. 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 £2.1m overspend in 2025/26 and remains under close scrutiny.

5.129. The Supported Housing (Regulatory Oversight) Act 2023 introduced a number of important reforms to the supported housing system, with a particular focus on reforming supported exempt accommodation (SEA). The act introduced the Government's requirement of councils to develop a local supported housing strategy by end of 2026/27. It also introduced the Government's intention to introduce a dedicated supported housing licensing scheme that Councils would be asked to deliver. To address this the Council has established a dedicated working group to focus on developing a clear strategy. This will involve reviewing both new and existing landlords and verifying the adequacy of care provision. The Council continues horizon scanning to ensure alignment with emerging regulatory requirements and to inform future operational and financial planning.

5.130. 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.

5.131. 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.

5.132. 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.

5.133. 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.

5.134. The department's use of the CRF 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 CRF enable flexible, responsive budget management. This integrated approach supports effective budget monitoring, ensuring resources are used efficiently and aligned with Brent's wider priorities.

Finance and Resources

5.135. In January 2026 Southwark Council formally issued its notice to exit the Shared Technology Services partnership. The intended completion date for this is 31st March 2028. A programme has commenced to plan and coordinate Southwark's exit, and to also review the implications for the remaining partners, including Brent.

Capital Financing

5.136. Interest costs on the Council's prudential borrowing that funds the capital programme are the biggest driver of the capital financing outturn. This means that wider global factors, including the recent war in Iran and the Russian invasion of Ukraine, have placed pressure on the Council's medium term financial outlook as they have led to interest rate increases. Further global events or other interest rate shocks would place severe pressure on revenue budgets.

5.137. The Council's exposure to interest rate risk has increased in recent years because prudential borrowing has increased to £1,074.1m at 31 March 2026 compared to £659.1m five years earlier. This reflects the Council's ambitious capital programme, including the significant self-delivery of affordable housing and major invest to save initiatives such as investment in temporary accommodation acquisition and digital transformation. In addition, the reduction in the availability of suitable grants and the reduction in suitable internal resources (such as reserves) have meant an increased dependence on borrowing to fund the programme. Borrowing is forecast to increase to £1,274.6m by 31 March 2029.

5.138. £3 million growth has been built into the budget for 2026/27 to manage this pressure. The sensitivity of the capital financing outturn to macro-economic factors and interest rates make it exceptional difficult to forecast over the three-year period of the MTFS. Other factors that complicate capital financing outturn forecasting is that it is highly dependent on the capital outturn, the valuation of social housing appropriating to the HRA and whether LOBO loans are called.

Revised MTFS position

5.139. Table 5 provides a summary of the revised budget gap over the five-year period from 2027/28 to 2031/32, incorporating all of the assumptions set out in the previous sections. The assumptions relating to growth in service demand and inflation remain highly uncertain at this stage; however, for modelling purposes, these have been extrapolated into future years. It should be noted that this growth relates to existing statutory services rather than the introduction of new services and is required simply to maintain current service levels.

Table 5: Revised budget gap 2027/28-2031/32

	2027/28 (£m)	2028/29 (£m)	2029/30 (£m)	2030/31 (£m)	2031/32 (£m)
In year budget gap	5.0	15.0	10.0	10.0	10.0
Cumulative budget gap	5.0	20.0	30.0	40.0	50.0

5.140. This table represents the gap between the available funding and the budget requirement for services. The frontloading of the grant funding in the multi-year local government finance settlement means that it is possible to profile the budget gap for 2027/28 and 2028/29 as shown, with a budget gap of £5m in 2027/28 and £15m in 2028/29, but the overall budget gap for these years is unchanged. This will provide the opportunity for services to rebuild resilience, allow time for transformation, change and digital opportunities to deliver and prepare for the challenges that lie ahead.

5.141. However, the budget gap over the remainder of the MTFS period is expected to continue at c.£10m per annum, meaning that the Council is facing a cumulative budget gap of c.£50m over this period.

5.142. This highlights that Brent continues to face significant financial challenges, despite the additional resources received through the Fair Funding Review. There also remains considerable uncertainty regarding funding from 2029/30 onwards, which will only be clarified following the next Spending Review. At that point, local government funding is likely to come under increased pressure, driven by rising demands on national budgets, particularly in defence and health.

5.143. Work will continue over the summer to refine these estimates and produce a revised forecast. The updated position will be reported to Cabinet in November

2026, along with the draft proposals for how the budget will be balanced in 2027/28 and 2028/29. The proposals taken forward by Cabinet in November will form the basis of the consultation to be carried out between November and January 2027, before the final budget is approved at Full Council in February 2027.

Alignment of the Medium Term Financial Strategy with the Council Plan

5.144. The Medium Term Financial Strategy (MTFS) is a critical enabler of the Council's strategic ambitions and must be fully aligned with the Council Plan. This alignment ensures that financial planning and resource prioritisation is directly driven by, and supports, the Council's agreed priorities, enabling both effective delivery of outcomes for residents and a sustainable long-term financial position for Brent.

5.145. Alignment between the MTFS and the Council Plan will ensure that:

- The Council balances ambition with financial resilience.
- The Council is equipped to deliver its strategic priorities in a way that maximises positive outcomes for residents.
- Financial planning and advice are embedded within the policy and delivery framework, ensuring that priorities are deliverable within available resource.
- Financial sustainability is maintained, with appropriate consideration given to risks, pressures, and long-term affordability.

5.146. The strategic alignment of the Council Plan and the MTFS will also act as a key driver of transformational change across the organisation. This includes major programmes such as the Embrace Change Portfolio, which aim to reshape how services are designed and delivered.

5.147. The Embrace Change Portfolio is strengthening the Council's ability to deliver transformation in a more strategic, coordinated, and financially sustainable way, with clearer alignment to corporate priorities. All major change programmes are required to define clear outcomes, financial and non-financial benefits, and delivery milestones, with progress monitored through strengthened portfolio governance and reporting. The Corporate Programme Management Office (CPMO) works alongside programme teams, Finance and Corporate Management Team (CMT) to provide challenge and assurance on delivery confidence, monitor risks and issues, and validate the realisation of expected benefits. This ensures that planned savings are achievable, sustainable and fully evidenced before they are incorporated into the MTFS.

5.148. By linking transformation activity directly to financial strategy, the Council can ensure that change initiatives are both strategically aligned and financially viable, delivering efficiencies and improved outcomes.

5.149. To achieve this level of alignment, the Council will need to strengthen its ways of working by:

- Adopting a more coordinated and assertive approach to planning and delivery.
- Improving integration between service planning, financial management, and performance oversight.
- Ensuring that directorates operate within a consistent and aligned framework.

5.150. This will support more effective cross-organisational collaboration and decision-making.

5.151. The work that is currently underway to develop Brent's next Council Plan will help the Council to shift towards a more integrated cross-organisational approach that shifts away from siloed working. The Plan, which will be developed over the next few months, will provide a clear sense of what Brent's priorities are, why they are priorities, and how the organisation will work to deliver on them. Ensuring officers have a strong understanding of the Council Plan will help to support a cultural shift, which, combined with strengthened systems and processes, will be essential to achieving sustainable alignment between the MTFS and the Council Plan.

6.0 Proposed revenue budget setting process for 2027/28

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

1. Draft budget for 2027/28 and new savings proposals are presented to Cabinet in November 2026.
2. The proposals, together with any changes made by Cabinet, will form the basis of consultation between November 2026 and February 2027 with residents, businesses and other key stakeholders.
3. The Budget Scrutiny Task Group will review the budget proposal and report accordingly.
4. The General Purposes Committee will review the calculation of the Council Tax base in December 2026; 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 2027 Council meeting.

7.0 Capital programme

7.1. In 2025/26, the Council spent £209.7m against the final budget of £328.9m, outlined in table 6 below:

Table 6 - 2025/26 Final Outturn Position					
Portfolio / Programme	**Budget as at Feb 2026 (Final Budget)**	**Outturn**	**Over / (Under) Spend to Budget**	**Over / (Under) spend split**	
				2026/27 (Slippage) / Accelerated Spend C/FWD	**(Under) / Overspend for Repurpose and Removal**
	£m	**£m**	**£m**	**£m**	**£m**
Corporate Assets	48.3	34.7	(13.6)	**(13.8)**	0.2
South Kilburn	26.9	12.3	(14.6)	**(15.5)**	0.8
Regeneration	84.2	73.5	(10.8)	**(10.9)**	0.1
Children & Young People	25.5	20.5	(5.0)	**(5.2)**	0.2
Affordable Housing Supply	119.3	49.2	(70.1)	**(51.8)**	(18.3)
Housing HRA & Management	24.5	19.6	(4.9)	**(5.2)**	0.2
Grand Total	**328.9**	**209.7**	**(119.1)**	**(102.3)**	**(16.8)**

7.2. The 2025/26 outturn position was £119.1m lower than the revised budget. Further details on the outturn position are provided in the Financial Outturn 2025/26 report. It is proposed that the slippage and accelerated spends from 2025/26 are adjusted in the 2026/27 budget, and that any under and overspends are removed. This amounts to a net increase to the proposed 2026/27 budget of £102.3m.

7.3. Table 7 illustrates virements, reprofiling and other budget adjustments from 2026/27 to 2030/31, with further narrative detail provided below:

Table 7 - Budget Adjustments Breakdown 2026/27 to 2029/30						
	2026/27	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
2025/26 variance to Budget c/fwd	102.3					**102.3**
Additional New Budget						
Family Wellbeing Centres	0.3					**0.3**
New Millenium Day Centre	0.1					**0.1**
Public Safety CCTV	0.5					**0.5**
Highway Maintenance	0.9					**0.9**

Appendix 3

Table 7 - Budget Adjustments Breakdown 2026/27 to 2029/30

Carlton & Granville Protective Works	1.0					**1.0**
Structural Surveys	0.3					**0.3**
HRA Major Repairs - Insurance	0.8					**0.8**
Taken from Capital programme contingency:	(2.8)					**(2.8)**
Taken from budget c/fwd:	(1.1)					**(1.1)**
Virements & Corrections						
Barham Park Projects Correction	(1.1)					**(1.1)**
Healthy Streets & Parking TFL Correction	(1.5)					**(1.5)**
Hillside Corridor - Morland Gardens Correction	0.3					**0.3**
Church End Youth Anchor Correction	0.2					**0.2**
Enfranchisement	(0.9)					**(0.9)**
Major Repairs Programme	0.9					**0.9**
Taken from Capital programme contingency:	2.2					**(2.2)**
Reprofiling (in 2026/27)						
Wembley High Road Transformation	(1.0)	1.0				**0.0**
Waste Vehicles Purchase	(1.4)			1.4		**0.0**
I4B	(30.4)	9.8	10.1	10.5		**0.0**
St Raphael's Estate Regeneration Improvements	(5.4)		5.4			**0.0**
Empty Property Grants	(0.6)		0.6			**0.0**
SEND Capital Programme	(4.0)	4.0				**0.0**
Welsh Harp Post-16 Centre	(2.8)	2.8				**0.0**
Childcare Expansion Project	(0.2)	0.2				
Youth Facilities Capital Investment Programme (REFCUS)	0.3	(0.3)				**0.0**
SEND Capital Programme Phase II	(1.6)	0.7	0.9			
Leopold Relocation	(1.0)	1.0				**0.0**
Total	**54.2**	**19.1**	**17.0**	**12.0**	**0.0**	**102.3**

7.4. Additional New Budget

7.4.1. £0.3m to improve outdoor spaces at Preston Park Family Wellbeing Centre and Willow Nursery.

7.4.2. £0.1m Neighbourhood Community Infrastructure Levy (NCIL) funding to build the New Millenium Garden of Peace and Life.

7.4.3. £0.5m for additional public safety CCTV with anticipated funding from the GLA.

7.4.4. £0.9m for Highway Maintenance funded by additional Department for Transport grant.

7.4.5. £1.0m for protective works at Carlton and Granville, including repairs to the roof.

7.4.6. £0.3m for a programme of structural surveys on HRA blocks to identify preventative repairs – taken from brought forward slippage against the Enfranchisement project.

7.4.7. £0.8m for major repairs from fire damage such as 13 Tillett Close – taken from brought forward slippage against the Major Repairs and Maintenance Programme.

7.5. <u>Virements and Corrections</u>

7.5.1. £1.1m accounting correction to Barham Park projects – this correction reflects that Barham Park Trust is a separate entity and does not affect the funding available or planned investment in 26/27.

7.5.2. £1.5m removal of budget from the Healthy Streets and Parking programme due to changes in expected TFL funding.

7.5.3. £0.3m correction to Hillside Corridor for Morland Gardens Feasibility, which was approved by Cabinet in June 2025.

7.5.4. £0.2m correction to Church End Youth Anchor, which was approved by Cabinet in 2024/25.

7.5.5. Transfer of £0.9m Enfranchisement budget to the Major Repairs Programme as the HRA prioritises essential works including Kilburn Square Tower Block.

7.6. <u>Reprofiling in 2026/27</u>

7.6.1. Reprofile of £1.0m for Wembley High Road Transformation as works are expected to take place in 2027/28.

7.6.2. Reprofile of £1.4m for Waste Vehicles Purchase in 2029/30, as larger spend is expected towards the end of the contract term when vehicles will come to the end of their useful life.

7.6.3. Reprofile of £30.4m of the £40m I4B loan facility over the next 4 financial years, in line with the Company's planned drawdown
.

7.6.4. Reprofile of £5.4m for St Raphael's Estate Regeneration to 2028/29 in line with plans to deliver waste management improvements before delivering the wider estate improvements.

7.6.5. Reprofile of £0.6m Empty Property Grants budget to 2028/29 based on expected works pipeline.

7.6.6. Reprofile of £4.0m for SEND Capital Programme to next financial year due to delays in works at Woodfield School and pending confirmation of DfE contribution to St Gregory's.

7.6.7. Reprofile of £2.8m for Welsh Harp Post 16 Centre to next financial year following revised cost estimates from the contractor.

7.6.8. Reprofile of £0.2m for Childcare Expansion to next financial year for future nursery provision.

7.6.9. Reprofile of £0.3m for Youth Facilities out of 2027/28 into 2026/27 due to forecast acceleration on the project.

7.6.10. Reprofile of £1.6m for Send Capital Programme Phase 2 over the next 2 financial years to reflect indicative costs returned by the contractor.

7.6.11. Reprofile of £1.0m for Leopold Relocation to next financial year as works are now due to start in summer 2027.

7.7. The revised budget position for 2026/27 to 2030/31 is summarised in Table 8 below:

Table 8 - Capital Programme Revised Budget 2026/27 to 2029/30						
Board	**2026/27 Revised Budget £m**	**2027/28 Approved Budget £m**	**2028/29 Approved Budget £m**	**2029/30 Approved Budget £m**	**2030/31 Approved Budget £m**	**Total 2026/27 to 2030/31 £m**
Corporate Assets	61.5	32.6	23.5	15.7	3.5	**136.8**
South Kilburn	60.5	31.7	19.4	12.0	6.9	**130.4**
Regeneration	79.0	21.3	29.9	25.4	0.0	**155.6**
Children & Young People	30.2	35.3	19.5	5.0	0.0	**90.0**
Affordable Housing Supply	67.3	76.8	78.7	43.3	0.0	**266.1**
Housing HRA & Management	49.5	35.5	24.0	23.0	5.0	**137.0**
Total	**348.0**	**233.1**	**194.9**	**124.4**	**15.4**	**915.8**
Approved Feb 26	293.8	214.0	177.9	112.5	15.4	**813.5**
Budget Adjustments	54.2	19.1	17.0	12.0	0.0	**102.3**

Capital Pipeline

7.8. The current programme includes £472.2m across 16 pipeline schemes. The capital pipeline is a list of potential future investment projects identified by each sub-board. Projects are evaluated against their contribution to statutory requirements; links to corporate strategic priorities; ability to generate revenue savings; and occasionally on their ability to generate future capital receipts or other financial returns for the Council.

7.9. The pipeline is reviewed monthly at Capital Programme Board. Schemes are promoted to the main programme after details are refined and business cases or other reports are prepared by officers and approved by Cabinet.

8.0 Housing Revenue Account

8.1. The Housing Revenue Account (HRA) is a ring-fenced account containing the income and expenditure relating to the Council’s landlord duties in respect of approximately 12,000 dwellings, including those held by leaseholders. It is set each year in the context of the 30-year HRA Business Plan, which is reviewed annually to support horizon-scanning and the early identification and mitigation of financial and operational risks.

8.2. The 2025/26 outturn was a break-even position, with the general HRA balance preserved at £4.5m. The 2026/27 budget, approved by Full Council in February 2026, is also set to break even, supported by a 4.8% rent increase. As gross rent rises in 2026/27, this balance falls from 7% of the 2025/26 rent base to approximately 5.8% of the 2026/27 base, close to the Council’s 5% minimum threshold. The reserve also remains below the average of comparable London authorities, and some £2.8m of it relates to a one-off provision for the Granville refurbishment. The level of genuinely uncommitted headroom is therefore modest, and rebuilding resilience is a key medium-term objective.

8.3. Following four years of rent reductions (2016/17 to 2019/20) and a below-inflation cap in 2023/24, rent policy has now stabilised. From 1 April 2026 the Government has, for the first time, provided a 10-year settlement permitting annual increases of CPI plus 1% to 2036. For 2026/27 this equates to a 4.8% uplift (September 2025 CPI of 3.8% plus 1%), generating approximately £2.9m of additional income. The Business Plan already assumes CPI+1% across its life, so the settlement provides welcome certainty rather than new headroom.

8.4. The single most significant opportunity to strengthen the HRA’s bottom line is rent convergence. Many of the Council’s social rents remain below their “formula rent” — the benchmark set by property value, local earnings and property size — and the gap has widened over successive years of rent restraint. At Brent, raising all social rents to formula rent would yield approximately £3.7m per annum. The Government has now confirmed a convergence mechanism within the 10-year settlement: from 2027/28, rents on below-formula homes may rise by £1 per week above CPI+1%, increasing to £2 per week from 2028/29, until formula rent is reached. This is expected to add £18.6m to the HRA over the first ten years of the Business Plan (around

£1.86m per annum, net of voids and bad debt). The strategic priority is to apply convergence to every eligible property each year, and to continue letting all new builds and re-lets at formula or affordable rent, so that the maximum permissible income is captured across the settlement period.

8.5. The account nonetheless faces sustained pressure. Inflation continues to drive up the cost of materials, labour and services, particularly in repairs and maintenance, where demand — including damp, mould, disrepair and the new statutory obligations under Awaab's Law — remains elevated and the benefits of the new repairs contracts are still embedding. Capital delivery is constrained by limited government funding for fire safety, energy efficiency and carbon reduction, and the planned expansion of the stock adds operational complexity. The most significant medium-term risk is the cost of borrowing: as the Council draws increasingly on prudential borrowing to fund new supply, HRA interest costs rise materially over the Business Plan period and are the dominant driver of cost growth in its later years.

8.6. The Council's April 2025 self-referral to the Regulator of Social Housing, and the resulting C3 consumer-standards grading, require continued investment in building safety and stock-condition data. The associated improvement programme is underway, with £18.3m budgeted for major repairs and fire safety in 2026/27 (an increase of £5.1m), including a substantially expanded programme of stock-condition surveys. Beyond its regulatory purpose, this investment in data is itself a strategic enabler: accurate stock knowledge underpins a shift from costly responsive repairs towards planned, preventative maintenance.

8.7. Reforms to Right to Buy (RTB) receipts also support the HRA. Newly built social and affordable homes are now exempt from RTB for 35 years; the rule allowing 100% of replacement homes to be funded from RTB receipts has been made permanent; from 2026/27 receipts may be combined with grant; and from 2027/28 the spending window extends from five to ten years. Together these measures improve the retention of stock and give greater flexibility to fund development.

8.8. Within this context, the Business Plan remains in long-term surplus, but near-term resilience is tight and the later years are exposed to rising costs. A range of strategic measures is therefore being developed to strengthen the bottom line, prioritising income maximisation, followed by cost control and legitimate structural opportunities. The principal measures are set out below.

8.9. The highest-impact opportunities, in priority order, are set out below:

- **Rent convergence (income)** — apply the £1, then £2, per-week uplift above CPI+1% to every below-formula home each year. Worth around £18.6m over ten years, and up to £3.7m per annum at full convergence — the single largest lever.

- **Planned, data-led repairs (cost)** — use the expanded stock-condition data to move from responsive to preventative maintenance, containing the largest pressure and reducing disrepair claims, and recalibrate new-build appraisals to realistic lifecycle costs.

- **Service charge cost recovery (income)** — move towards full recovery of eligible tenant and leaseholder service and management costs, including s.20 major works.

- **Structural measures** — combine RTB receipts with grant, attribute Council Tax on void and decant units to the General Fund where chargeable, and direct New Homes Bonus to HRA priorities.

- **New supply as cross-subsidy (income/strategic)** — prioritise development that both grows HRA income and relieves the General Fund, since each letting to a homeless household saves c.£17k in temporary-accommodation costs.

8.10. In summary, the HRA Business Plan remains sustainable over the long term, but the next few years are finely balanced, with rising interest and repairs costs the principal risks. The measures set out above led by income maximisation through rent convergence are intended to strengthen the bottom line, rebuild reserves towards peer levels, and safeguard the long-term sustainability of the account. They will be developed further, and their impacts quantified, through the Business Plan refresh and ongoing budget monitoring.

9.0 Schools and Dedicated Schools Grant (DSG)

9.1. At the end of 2025/26, the total school reserves balance increased by £1.6m, marking an improvement compared to the previous year’s reduction of £1.0m in 2024/25. While this indicates a short-term strengthening of overall reserves, the underlying position across schools remains fragile. The increase in reserves masks ongoing pressures affecting several individual schools. Falling pupil numbers, particularly within the primary phase, continue to reduce funding allocations, as income is largely driven by pupil led funding. The decline in income is not always matched by an equivalent reduction in costs, particularly where schools face fixed or rising expenditure pressures such as staffing, energy, and inflationary costs. As a result, some schools are increasingly reliant on reserves to maintain financial stability, which is not sustainable over the medium term. Without a stabilisation in pupil numbers or adjustments to the cost base, there is a risk that reserves will begin to decline again, and that more schools may move into deficit positions in the future years.

9.2. At the end of the 2025/26 financial year, eight schools were operating with deficit balances, unchanged from the previous year. These schools will require licensed deficit agreements supported by robust recovery plans to return to financial stability. While four of the schools in deficit in 2024/25 have successfully recovered to a positive reserves position, this has been offset by four other schools that have moved into deficit during the year, having previously held surplus balances.

9.3. Brent provides targeted financial oversight and recovery support to schools that fall into deficit. The core support includes licensed deficit arrangements, where the Council allows a school to operate with a licensed deficit if it has a robust, council approved plan to clear the deficit, usually within three years. Monitoring and support will be provided to the schools in deficit with deficit recovery planning, with Finance and the School Effectiveness Team working with headteachers and governors to create, monitor, and review a detailed recovery plan. The Council uses a risk based framework to track progress and intervene when needed.

9.4. The DSG closed the 2025/26 financial year with an in-year deficit of £6.6m, increasing the cumulative deficit from £13.6m in 2024/25 to £20.2m. This position is primarily driven by sustained pressures within the High Needs Block, which recorded an overspend of £8.2m linked to ongoing demand for SEND provision. However, this pressure was partially offset by a £1.0m underspend in Early Years block, £0.3m within the Schools Block, and £0.2m within the Central School Services block.

9.5. The Early Years under-spend is mainly driven from the additional funding from the DfE to cover the increase in provision of free childcare for working parents from September 2025 to 30 hours. This allocation was provided based on an estimated take up of hours by working parents in Brent. However, take-up has been lower than predicted by the DfE, leading to underspends of £0.6m reported against the under 2- to 2-year-old and the 2-year-old working parent entitlements. The local authority has made a provision for the potential clawback in funding from the DfE, following its final in-year adjustment exercise due in July 2026.

9.6. The HN Block funding has not increased in cash terms for 2026/27, combined with a continued rise in EHCPs, the deficit is forecast to grow significantly over 2026/27 and 2027/28 despite mitigating actions to reduce the resulting financial impact. The in-year deficit for 2026/27 is estimated at approximately £18.2m, rising to a projected in year deficit of £29m in 2027/28. It is anticipated that around 90% of these in-year deficits will be funded by the government, leaving approximately £1.8m and £2.9m respectively to be met from general fund reserves. This is in addition to the £2.0m already accounted for within the council's Medium Term Financial Strategy to cover the expected 10% contribution towards cumulative deficits up to March 2026.

9.7. The DSG forecast is based on a mitigated position, reflecting the anticipated impact of the Council's SEND reform programme on demand and cost trajectories. Key assumptions include moderating EHCP growth to around 6% (from an unmitigated position of c.10%) and reducing reliance on independent non-maintained placements from 8% to 5% of the EHCP cohort by 2029. These changes are supported by the planned expansion of local specialist provision (412 additional special school places and 46 ARP places) and strengthened early intervention. Based on current modelling, these mitigations are expected to deliver significant cost avoidance, including £3.25m from reduced independent placements, £155k from reduced out-of-borough placements, and approximately £1.24m from slower EHCP growth.

9.8. 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 2020-2026

Brent EHCPs as per SEN2 Return	Jan 20	Jan 21	Jan 22	Jan 23	Jan 24	Jan 25	Jan 26
Number of EHCPs	2426	2784	2938	3251	3500	3795	4172
Brent % Increase	12%	15%	6%	11%	8%	8%	10%
National % Increase	10%	10%	10%	9%	11%	11%	TBC

9.9. While the Government has indicated that it will take an "appropriate and proportionate" approach to managing DSG deficits in 2026/27 and 2027/28, the absence of confirmed detail regarding the scale, eligibility, and conditions of this support creates ongoing uncertainty for financial planning and risk management. In the short term, the extension of the statutory override to March 2028 provides temporary mitigation by allowing DSG deficits to be held separately from the General Fund accounts.

9.10. Looking further ahead, the Government has signalled its intention to assume responsibility for future SEND-related pressures from April 2028, which should reduce exposure to ongoing in-year High Needs deficits. However, this does not fully address the issue of historic and accumulating DSG deficits. As a result, the Council remains exposed to a potentially significant residual liability relating to deficits built up to 2027/28, particularly as further deficits are expected to arise over the next two financial years.

9.11. The SEND reforms are intended to help reduce pressure on mainstream schools by improving their ability to support pupils' needs without needing an EHCP. This includes clearer expectations for what schools should provide, earlier support for pupils, more consistent funding, and stronger accountability for inclusion. However, it is uncertain how much impact this will have in the medium term. Schools still face funding pressures, staffing shortages, and limited capacity, and parents are likely to continue seeking EHCPs because of the legal protections they offer. As a result, while the reforms are a step in the right direction, they are unlikely on their own to significantly reduce EHCP numbers or pressures on the High Needs Block without continued local effort and system-wide change. The DSG forecast is based on a mitigated position, reflecting the anticipated impact of the Council's SEND reform programme on demand and cost trajectories. Key assumptions include moderating EHCP growth to around 6% (from an unmitigated position of c.10%) and reducing reliance on independent non-maintained placements from 8% to 5% of the EHCP cohort by 2029. These changes are supported by the planned expansion of local specialist provision (412 additional special school places and 46 ARP places) and strengthened early intervention. Based on current modelling, these mitigations are expected to deliver significant cost avoidance, including £3.25m from reduced independent placements, £155k from reduced out-of-borough placements, and approximately £1.24m from slower EHCP growth.

10.0 Stakeholder and ward member consultation and engagement

10.1. The detailed approach to the statutory consultation process for the setting of the 2027/28 budget will be set out as part of the draft budget report to be presented to Cabinet in November 2026.

11.0 Financial Considerations

11.1. The financial implications are set out throughout the report.

12.0 Legal Considerations

12.1. Standing Order 19 sets out the process that applies within the Council for developing budget and capital proposals for 2027/28. 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 refers to as the "best value duty" to consult representatives of council tax payers, service users and others under Section 3 (2) Local Government Act 1999.This duty applies at formative stages of decision-making.

13.0 Equity, Diversity & Inclusion (EDI) Considerations

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

14.0 Climate Change and Environmental Considerations

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

15.0 Communication Considerations

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

Appendix 3

<u>Report sign off:</u>

Minesh Patel
Corporate Director, Finance and Resources

Legal considerations provided by:
Nadeem Khan

Finance considerations provided by:
Rav Jassar