



Full Council
3 March 2014

**Report from the Chief Finance
Officer**

For action

Wards affected:
ALL

Budget 2014/15 and Council Tax

1. INTRODUCTION

- 1.1. Since 2010 a stated aim of the government's fiscal policy has been to eliminate the current account deficit in the public finances, which stands at £111bn in 2013/14 and which, in the Autumn Statement, was forecast to move into surplus by 2018/19. This has principally been pursued through reductions in public expenditure with a smaller but still significant contribution through changes to the taxation system. Within the public expenditure totals national policy has been to protect some large budgets, such as for the NHS and schools. The inevitable consequence of this has been that local government expenditure has been subject to proportionately greater reductions.
- 1.2. In common with other councils Brent has therefore had to confront difficult decisions to maintain a balanced budget over this period. Significant back office efficiencies have been contributed to achieving these financial targets, but substantial savings have also been made by reducing or closing some local services. A similar pattern of decisions is proposed for the 2014/15 budget, as set out in the detail of this report. Members should also note that the indications are that the period to 2016/17 will be even more financially challenging, with the pace and scale of savings required forecast to accelerate sharply, especially in 2015/16.
- 1.3. The period since 2010 has also seen unprecedented changes to the structure of local government finance. At a technical level the removal of most ring fenced grants and 'rolling these in to formula grant with

tailored distributions' (as DCLG describe it) and other detailed adjustments has made a true like for like comparison over time difficult. Different figures have been quoted by different organisations making it hard to assess objectively the total impact on local councils.

- 1.4. In the view of the Chief Finance Officer the simplest and yet still highly appropriate comparison is between the gross expenditure on all services, excluding housing benefit, schools and the HRA. For Brent this has reduced by more than £60m over the period. This equates to a cash fall of 13% or about 23% in real terms once inflation is taken into account. An alternative measure proposed by DCLG is 'spending power' which seeks to take account of other funding streams that councils can influence but not directly control. On this measure, which is arguably more sophisticated but less transparent, London Councils calculate that in London the average 'spending power' per household has fallen by £544 since 2010, compared to the national average reduction of £300.
- 1.5. It should also be noted that the Brent Council element of the council tax has not increased since 2009. By freezing the council tax, as proposed in this budget, Brent will receive a 'freeze grant' equivalent to the value of a 1.25% increase in council tax. This would be the fifth consecutive year that the Council has not increased council tax.
- 1.6. The pace of change in Brent has been rapid to adjust to this, and the council has made savings of £80 million over the period, at an average impact of £702 per household. In doing so the council has sought to focus on achieving efficiencies in administrative and back office services. However, in common with other local authorities across the country, it has not been possible to avoid confronting difficult decisions about service provision.
- 1.7. The general fund revenue budget proposed for 2014/15 reflects the pattern of recent years. As set out in the detail of this report, savings of £17.8m are proposed. These include substantial efficiency savings, such as over £3m from senior management and corporate services and £2.8m from adopting vacancy factors in staffing budgets. Nonetheless, it has not been possible to propose a budget with no impact on front-line services and a full list of all of the proposals is provided in the appendices to this report
- 1.8. The net budget proposed for 2014/15 is £269.4m. This is based on a total un-ringfenced grant from central government of £95.4m, down 17.8% on the £116.0m received in 2013/14. As the report also shows, further savings currently estimated at £52.8m will be required over the period 2015/17 and, based on current national fiscal forecasts, it is reasonable to expect that further substantial savings will be required beyond that point.
- 1.9. This report therefore sets out the detail of the budget proposed for 2014/15 and how this has been developed as well as the medium term

financial outlook. Members are principally concerned with setting the budget for 2014/15 at this stage, but to do so need to be mindful of the medium term position and of the inherent financial risks in delivering, as Brent does, a complex range of services to its 312,000 residents, spending over £1bn p.a. to achieve this.

- 1.10. The report also sets out the council's planned capital programme to 2016/17. No fundamental changes are proposed to the previously agreed programme. Where additional government grants have been awarded, principally for school places, the programme has been updated to reflect this. No new additional borrowing is proposed, and given the pressures on the capital programme as asset sales decline as a source of potential finance it will be necessary to constrain tightly any new investments that cannot be made self-financing. Managing the capital programme beyond 2016/17 will be one of the most significant medium term financial challenges for the council.
- 1.11. The report also sets out an appropriate level of technical detail on the ring fenced Dedicated Schools' Grant, Housing Revenue Account and Prudential Treasury Indicators. For ease of reading and completeness most of the technical detail is contained in various appendices. All of these are relevant and important, but the covering report highlights the key issues for Members' consideration. Members should also note the advice from the Director of Legal and Procurement as set out in Appendix M.

2. RECOMMENDATIONS

- 2.1 Agree the General Fund revenue budget for 2014/15, as summarised in Appendix A.
- 2.2 Agree the Service Area budgets including the cost pressures and savings detailed in Appendices B and C.
- 2.3 Note the report of the Budget and Finance Overview & Scrutiny Committee in Appendix D.
- 2.4 Note Appendix E and agree the budgets for central items and other budgets.
- 2.5 Receive the report from the Chief Finance Officer in Appendix C(iii) in respect of his statutory duty under Section 25 of 2003 Local Government Act.
- 2.6 Agree that there is no increase in the Council's element of council tax for 2014/15.
- 2.7 Note and consider the advice of the Director of Legal and Procurement as set out in Appendix M.
- 2.8 Agree the instalment dates for council tax and NNDR for 2014/15, and the recovery policy for council tax as set out in Appendix F(ii).
- 2.9 That decisions on individual applications for reducing Council Tax payable in accordance with section 13A(1)(c) of the Local Government Finance Act 1992 be delegated to the Chief Finance Officer.
- 2.10 Note the Medium Term Financial Outlook in Section 5.
- 2.11 Agree the School's Budget set out in Appendix H.
- 2.12 Agree the Housing Revenue Account budget set out in Appendix I(ii).
- 2.13 Agree the 2014/15 to 2016/17 capital programme as set out in Appendix J.
- 2.14 Note the levels of unsupported borrowing forecast for 2014/15, based on the borrowing levels agreed by the Council on 28 February 2013.
- 2.15 Agree the Treasury Management Strategy and the Annual Investment Strategy for 2014/15 set out in Appendix K.
- 2.16 Agree the Prudential Indicators set out in this section for affordability, capital spending, external debt and treasury management set out in Appendix L.
- 2.17 In relation to the council tax for 2014/15 resolve:

That the following amounts be now calculated by the Council for the year 2014/15 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended:

- (a) £1,059,811,000 being the aggregate of the amount that the Council estimates for the items set out in Section 31A(2) of the Act.
- (b) £975,937,657 being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(3) of the Act.
- (c) £83,873,343 being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year.
- (d) £1,058.94 being the amount at (c) above, divided by the amount for the taxbase specified above calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

(e) Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
705.96	823.62	941.28	1,058.94	1,294.26	1,529.58	1,764.90	2,117.88

being the amounts given by multiplying the amount at (d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

2.18 That it be noted that for the year 2014/15 that the proposed Greater London Authority precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, in respect of the Greater London Authority, for each of the categories of dwellings shown below:

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
199.33	232.56	265.78	299.00	365.44	431.89	498.33	598.00

2.19 That, having calculated the aggregate in each case of the amounts at (e) and the precepting authority referred to in the preceding paragraph above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2014/15 for each of the categories of dwellings shown below:

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
905.29	1,056.18	1,207.06	1,357.94	1,656.70	1,961.47	2,263.23	2,715.88

2.20 The Chief Finance Officer has determined that the Council's basic amount of Council Tax for 2014/15 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Act 1992.

- 2.21 (a) That the Chief Finance Officer be and is hereby authorised to give due notice of the said council tax in the manner provided by Section 38(2) of the 1992 Act.
- (b) That the Chief Finance Officer be and is hereby authorised when necessary to apply for a summons against any council tax payer or non-domestic ratepayer on whom an account for the said tax or rate and any arrears has been duly served and who has failed to pay the amounts due to take all subsequent necessary action to recover them promptly.
- (c) That the Chief Finance Officer be and is hereby authorised to collect revenues and distribute monies from the Collection Fund and is authorised to borrow or to lend money in accordance with the regulations to the maximum benefit of each fund.

3. THE 2014/15 REVENUE BUDGET

The process for developing the 2014/15 budget

3.1 Proposals in this budget have been developed by the members of the Executive, taking account of the advice of officers. The key processes for doing this are as follows:

- Development of the budget approach, based on the revised Borough Plan and the updated medium term financial outlook which was considered by the Executive in October 2013;
- Public consultation, including: engagement through 8 workshops with 199 members of the public during September 2013; a budget simulator on the Council's website where 480 responses have been received; through face to face meetings including presentations and question and answer sessions at each Brent Connects meeting;
- In response to what people have said in the consultations the public expressed a view that the Council should protect vulnerable residents and reduce back office costs. The budget proposals reflect this.
- Debates through the Budget and Finance Overview and Scrutiny Committee
- Meetings involving both Executive and Corporate Management Team members to consider the key service and budget issues likely to affect the council in future years;
- Development by officers, in consultation with relevant Lead Members, of budget proposals for individual services within the context of the Borough Plan and the MTFs;
- The First Reading Debate at Full Council.

3.2 The Budget and Finance Overview & Scrutiny Committee has met on a number of occasions during the budget process. All Members were invited to a meeting of the Committee on 4 February 2014 and had the opportunity to pose questions to the Deputy Leader and Lead Member for Resources on the proposals in the budget. The report of the Budget and Finance Overview & Scrutiny Committee is attached as Appendix D.

3.3 Other decisions have been made on items that have been taken into account in these budget proposals. The Executive on 9 December 2013 agreed the 2013/14 balance on the Collection Fund and General Purposes Committee on 21 January 2014 agreed the council tax base and estimated business rate yield for 2014/15.

3.4 Decisions of external bodies affect the budget process. The provisional grant settlement was published in December 2013. Notifications from levying bodies, including the West London Waste Authority, are taken

into account in this report. The precept for the GLA is due to be confirmed by the Greater London Assembly on 14 February 2014.

Changes since the First Reading Debate

3.5 The First Reading Debate report of the Chief Finance Officer to Full Council on 18 November 2013 set out progress on the budget. At that stage it was anticipated that the budget, including the draft schedule of savings, was broadly in balance.

3.6 Details of the progress that has been made are set out below:

a. Service area cost pressures

Since the First Reading Debate, service area cost pressures have reduced from £5.6m to £3.1m, primarily due to a reduction in the forecast costs relating to temporary accommodation. The revised cost pressures are detailed in Appendix C(i).

b. Central Items

Since the First Reading Debate, the forecasts for central items have been reviewed. A number of budgets have been updated to reflect latest information on levies and subscriptions.

2014/15 Service Area Budgets

3.7 Table 3.1 below summarises the changes in budget at service area level.

Table 3.1 Service Area Budgets

	2014/15 Revised Base Budget £'m	Cost Pressures		Savings		2014/15 Draft Budget £'m
		£'m	%	£'m	%	
Adults	92.0	3.5	3.9	(4.4)	(4.8)	91.0
Children & Young People	44.6	0.0	0.0	(3.2)	(7.1)	41.5
Environment & Neighbourhoods	35.6	0.2	0.6	(3.4)	(9.6)	32.3
Regeneration & Growth	35.9	(1.0)	(2.8)	(2.7)	(7.6)	32.1
Corporate Services	53.2	0.4	0.7	(4.1)	(7.7)	49.5
Total Service Area Budgets	261.3	3.1	1.2	(17.8)	(6.8)	246.5

Central Items

- 3.8 Central items are items not included in individual service cash limits. The total of central items is £40.273m in 2014/15, principally relating to capital financing costs and levies. Further details of the items are included in Appendix E.

HRA

- 3.9 The detailed HRA budget is set out in a separate report to the Executive and is summarised in Appendix I. The proposals reflect an overall average rent increase of 4.39% which is consistent with the government's rent restructuring policy and enables the investment in the Council's housing stock as set out in the HRA asset management plan.

Equalities Implications

- 3.10 Members also have to consider the impact of the budget on individuals and communities in Brent. Budget proposals are screened individually by service areas to ensure that equalities implications have been taken fully into account when making recommendations. Further details are in Appendix G.

Risks

- 3.11 Officers have carried out an assessment of potential risks as part of the budget process. This helps the council set an appropriate level of balances and also ensures that risks can be monitored and managed effectively. The detailed assessment is set out in Appendix C(iii) which also contains the Chief Finance Officer's commentary on the adequacy of the budget calculation and the level of balances as required by Section 25 of the 2003 Local Government Act.

Balances and Earmarked Reserves and Provisions

- 3.12 Based on the latest budget monitoring position for 2013/14 the council's General Fund usable balances are forecast to meet the target of at least £12m at 31 March 2014.
- 3.13 Councils need balances to deal with unexpected events without disrupting service delivery. The level of risk that a council assesses it faces is therefore the minimum level at which balances should be maintained.
- 3.14 Balances also contribute to effective medium term financial planning. They allow councils to adjust to changes in spending requirements over a period of time, and to take a more flexible approach to the annual budget cycle, for example through *invest to save* schemes. This

flexibility needs to be considered each year depending on the particular pressures facing the council and the outlook in the medium term.

- 3.15 Balances can be used only once. It is not financially sustainable to plan to keep using reserves to balance the budget, but using them to meet temporary funding shortfalls or to pump prime investments that will in time be self financing can be an important part of a sound medium term strategy. The budget proposed for 2014/15 would leave general unallocated balances at the end of the year at or slightly above the minimum level recommended by the Chief Finance Officer. It should be noted that Brent's level of balances, as a proportion of budget requirement, is currently one of the lowest in London.
- 3.16 The list of current earmarked reserves and provisions, in accordance with Part A of the Council's Scheme of Transfers and Virements, is set out in Appendix N.

Overall Budget Requirement

- 3.17 The overall budget requirement in 2014/15 resulting from the proposals in this section is £269.421m. The make up of this budget requirement is summarised in Table 3.2 (details in Appendix A).

Table 3.2 General Fund Budget Requirement in 2014/15

	£m
Service area budgets	246.5
Centrally held Government Grants	(25.0)
Central items	40.3
Inflation provision, centrally held pressures and the enabling fund	7.6
Proposed budget requirement for 2014/15	269.4

4 RESOURCES

Revenue Support Grant and Business Rate Funding 2014/15

- 4.1 The main funding sources for the Council's net budget are:
- Revenue Support Grant
 - Business Rates Top-up
 - Retained Business Rates
 - Council Tax Freeze Grant
 - New Homes Bonus
- 4.2 For 2014/15, Brent's Settlement Funding Assessment is £174.027m of which £95.368m will be funded by the Revenue Support Grant (RSG). The remaining £78.659m is the government's assumed figure for locally retained business rates (£31.220m) and the business rates top-up (£47.439m).
- 4.3 The Council has to estimate its 2014/15 level of business rates and to budget for the retained business rates element for Brent and at the same time determine how much will need to be paid over to the GLA and central government. This is detailed in table 4.1.

Table 4.1 – Business Rates

	2013/14 £m	2014/15 £m
Retained Element – Brent (30%)	31.892	33.003
GLA Element (20%)	21.261	22.002
Central Government Element (50%)	53.154	55.005
Total	106.307	110.010

- 4.4 The increase in the collectable figure is largely due to the estimated growth in business rates from the London Designer Outlet other developments within the borough. This does not affect the business rate top up from the Government. These figures have been updated since the General Purposes Committee on 21 January 2014 and reflect the latest government guidance on the business rate changes announced in the Autumn Statement. The Chancellor announced that the uprating of business rates would be capped at 2% from April below the 3.2% increase expected on inflation figures. In addition the rate relief for small business was extended and a £1,000 discount for small shops, pubs and restaurants was introduced. All these changes impacted on the collection of business rate income. The Council now expects £1.7m in Section 31 grants to compensate for the loss in business rate retained income and business rate top-up.

Limitation of Council Tax Increases/Council Tax Freeze Grant

- 4.5 The Localism Act 2011 allows the government to determine levels of council tax increase for which local authorities are required to seek approval via a local referendum. For 2014/15 the level has been determined as equal to, or greater than, 2%.
- 4.6 By freezing the council tax, as proposed in this budget, Brent will receive a 'freeze grant' equivalent to the value of a 1.25% increase in council tax. This would be the fifth consecutive year that the Council has not increased council tax.

New Homes Bonus

- 4.7 The New Homes Bonus Grant was introduced in 2011/12. The objective was to provide an incentive to local authorities to increase housing supply in their area by providing a financial reward equal to the national average for the council tax band D for each new additional property (at Band D equivalent). This is currently £1,439, payable on a rolling basis for six years as a non ringfenced grant. Therefore councils receive a double benefit from each new home, with the additional council tax due plus the reward grant. There are also payments for long term empty properties brought back in to use (or reductions if this number increases), and an additional payment for of £350 for each new affordable home.
- 4.8 The grant for 2014/15 is based on changes in property numbers between September 2009 and September 2013 and is £6.198m. From 2015/16 it is proposed that £70m of New Homes Bonus is top-sliced from councils in London and allocated to the GLA. It is anticipated that this would amount to more than £2m for Brent.

The Collection Fund

- 4.9 The Executive meeting on 9 December 2013 approved an estimated council tax surplus of £3.2m in 2013/14, of which the Council's share is £2.488m with the balance payable to the GLA.

The Council Tax Base

- 4.10 A tax base of 79,205 adjusted equivalent Band D properties for 2014/15 was agreed by the General Purposes Committee on 21 January 2014. This assumes a collection rate of 96.25% will be achieved in respect of charges raised for 2014/15 (increased from 96% in 2013/14).

Calculating the Council Tax Level

- 4.11 The calculation of the council tax for Brent services is set out in Table 4.2 below. The calculation involves deducting Formula Grant from Brent's budget, deducting the surplus on the Collection Fund, and dividing by the tax base.

Table 4.2 Calculation of Brent's Council Tax for 2014/15

	£m
Proposed Brent budget	269.421
Less Revenue Support Grant	(95.368)
Less Retained Business Rates	(33.003)
Less Business Rates Top up	(47.439)
Less Council Tax Freeze Grant	(1.052)
Less New Homes Bonus	(6.198)
Less Net Surplus on Collection Fund	(2.488)
Total to be met from Council Tax for Brent Budget	83.873
Tax Base (Adjusted Band D equivalents)	79,205
Band D Council Tax (£)	£1,058.94

Greater London Authority (GLA)

- 4.12 The GLA came into existence on 3rd July 2000 and includes the London Fire and Emergency Planning Authority (LFEPA), the Metropolitan Police and Transport for London.
- 4.13 Each financial year, the Mayor and Assembly must prepare and approve a budget for each of the constituent bodies and a consolidated budget for the authority as a whole.
- 4.14 The Mayor's initial budget is based on a precept at Band D is £299.00 for 2014/15. This represents a reduction of £4.00 or 1.3%.

Setting the Tax

- 4.15 The council is required to make certain calculations under sections 30, 33, 34 and 36 of the Local Government Finance Act 1992. These calculations are:
- The basic amount of council tax for both Brent Council and the GLA;
 - The basic amount of council tax for each valuation band for both Brent and the GLA;
 - The aggregate amount of council tax for each valuation band, which includes the basic amount for Brent and the GLA.

- 4.16 In accordance with these requirements, Members are asked to agree the calculations set out in the recommendations.
- 4.17 Any amendments agreed to the budget will require a recalculation to be undertaken.

Council Tax and NNDR Instalment Dates and Recovery Policy for Council Tax

- 4.18 Appendix F(ii) sets out the council tax and NNDR instalment dates and the recovery policy for council tax which Members are asked to endorse.
- 4.19 The Council has continued to promote payment by direct debit to improve overall collection. The instalment date for non-direct debit payers will be: at the 1st of each month starting in April until 1st January 2015, whilst direct debit payers can pay on the 1st, 12th, 17th, or 28th of the month. Council tax payers are also able to request to make payments over twelve monthly instalments.

5 MEDIUM TERM FINANCIAL OUTLOOK

Resource envelope

5.1 The local government finance settlement in February 2014 covered 2014/15 and gave indicative allocations for 2015/16. Officers cannot be certain of funding for future years but can make reasonable projections based upon the national figures included within the Autumn Statement in December 2013.

Managing the budget within the resource envelope

5.2 At its meeting on 14 October the Executive considered an update on the medium term financial outlook. This included resource projections, including grant levels, movements in the council tax base, business rate yield and collection rate assumptions.

5.3 The results were presented as the level of net savings required for each year of the plan based on no council tax increases. This is purely for presentational purposes as decisions about future levels of council tax have not been made. As a rough guide Members are advised that each 1% increase in future council tax would raise additional annual revenue of £0.8m, reducing the future savings requirement accordingly. This does not take account of future council tax freeze grants, which depending on the way in which they were made, would reduce this impact. Details of projected savings required are provided in Table 5.1.

Table 5.1 Initial Forecast of Savings Required in Future Years

	2015/16 £m	2016/17 £m
Net savings required:		
Annual	33.6	19.2
Cumulative	33.6	52.8

5.4 The projections also assume that the council will keep its level of balances unchanged.

5.5 Factors that are built into the projections include:

Spending assumptions

- Service area budgets have been rolled forward at 2014/15 levels into future years;
- An allowance for both pay inflation and for an increase in the employer's rate of pension contribution of 1%;
- An assumption that general inflation will be in line with the Bank of England's forecast of 2%;

- The movement in central items detailed in Appendix E.

Resource assumptions

- Revenue support grant of £67.8m in 2015/16 and £54.4m in 2016/17;
- New Homes Bonus retained by the Council, after taking account of the GLA top-slice, to be £6.3m by 2016/17;
- Council tax base increase of 1% each year;
- Council tax collection of 96.25% in each year;
- Retained business rates to increase by 5% each year;
- Business rate top-up to increase by 2.5% each year.

6. THE SCHOOLS REVENUE BUDGET

Introduction

6.1 This section sets out estimates for the Schools' Budget for 2014/15 for approval. The Schools' forum, on 15 January 2014, reviewed the proposals and recommended their approval.

Schools' Budget Funding

6.2 Schools are funded by a ring-fenced grant, the Dedicated Schools Grant (DSG). As with many other areas of local government finance, the DSG has been subject to significant changes in recent years.

6.3 A portion of the DSG is retained centrally by the council to provide services to schools. This covers, for example, maternity costs, and so shares the costs amongst all schools rather than allowing individual costs, possibly at a small school, having a disproportionate impact on the budget of a single school. The Schools Forum continues to scrutinise centrally retained and de-delegated amounts of the DSG, to ensure that value for money is being obtained on behalf of schools.

6.4 The proposed final schools budget reflects the Executive decision of 9 December 2013 to change the ratio of funding between primary and secondary schools to bring it in line with the national average, and thereby also addresses Brent's excessively high minimum funding guarantee (MFG). MFG is a mechanism that ensures that schools do not lose or gain more than 1.5% each year, except in the case of falling rolls or growing schools. This reduces the over-reliance of schools on MFG, as although MFG is expected to continue in its current form for the short-term, this may not be the case in the long-term.

6.5 Funding per pupil, excluding MFG, for 2014/15 is set out below (with 2013/14 figures in brackets). It should be noted that overall funding per pupil, including MFG, is broadly unchanged.

- Secondary £5,805 (£4,582)
- Primary £4,596 (£4,144)

Changes in pupil numbers results in the total Schools Budget increasing by £1.2m.

6.6 Both MFG and pupil rolls have protected primary schools from the ratio shift, with primary schools set to receive £2.2m more in funding in 2014/15. Funding for secondary schools however, will drop by £2m (excluding Sixth Form which isn't part of this funding stream) in 2014/15 as a direct result of falling pupil numbers. Funding for special schools will increase by £1m.

6.7 Schools also receive a Pupil Premium Grant (PPG), which is in addition to and separate from the schools budget. This is additional funding provided to target disadvantaged pupils and to narrow the attainment gap between them and their peers. With increases announced to this

funding for 2014/15, as shown below, schools in Brent will benefit from an addition £3.5m in funding of which primary schools gain £3.3m.

Element of PPG	2013/14	2014/15
Free School Meals:	£	£
- Primary	935	1,300
- Secondary	900	953
Looked After Children	900	1,900
Service Children	300	300

Schools' Budget Risks

- 6.8 Where a school in deficit is required by the DfE to convert to academy status, the deficit at the point of conversion remains with the council. This therefore impacts on the DSG available for provision of central services to schools. In contrast, where a school in deficit chooses to pursue academy status, the council is able to recover the deficit from the DfE.
- 6.9 Although this may be subject to change at present the following academy conversions may take place during 2014/15:
- Gladstone Park Primary School in April 2014;
 - Woodfield Special School in April 2014;
 - Copland Community School in September 2014.
- 6.10 Where a school has a deficit the Council will work with the governing body to develop an action plan to recover the position.

7. THE CAPITAL PROGRAMME, TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS

Capital Programme

Overall programme

7.1 The proposed capital programme for is attached as Appendix J. Table 7.1 provides a high level summary.

Table 7.1 Proposed Capital Programme

	2014/15	2015/16	2016/17
Service Area	£000	£000	£000
Expenditure			
Regeneration and Growth	109,827	42,031	33,657
Environment and Neighbourhoods	8,599	8,250	8,250
Adult Social Care	2,541	748	748
Central	400	400	400
Total GF expenditure	121,367	51,429	43,055
Housing HRA	17,496	25,812	10,362
Total Expenditure	138,863	77,241	53,417
Resources			
Grant and External Contributions	(80,237)	(27,377)	(24,634)
Internal Contributions	(1,033)	(900)	(900)
Capital Receipts	(24,921)	(10,651)	(5,020)
S106 & CIL Funding	(5,783)	(5,500)	(5,500)
Unsupported Borrowing	(8,054)	(6,801)	(6,801)
Self-funded borrowing	(1,339)	(200)	(200)
Total GF Resources	(121,367)	(51,429)	(43,055)
Housing HRA	(17,496)	(25,812)	(10,362)
Total Resources	(138,863)	(77,241)	(53,417)

Spending proposals

- 7.2 The capital programme is based on the previous year's programme, amended to take account of the provisional Local Government Settlement announcement in December.

Resources

- 7.3 Funding changes from the previously agreed programme are as follows:

a. Grant funded schemes

Figures for grant funded schemes have been based on the latest available figures. However, in several cases final allocations have not yet been disclosed, so these figures are estimates and are subject to revision.

b. Capital receipts

Capital receipts have been reviewed and capital programme resources amended to reflect the most up to date capital disposals forecasts. The position will continue to be kept under review. The disposal timetable is indicative and decisions will be taken on the basis of market conditions at the time and the need for the council to ensure best value from the disposals. In accordance with the Council's asset management plan, it is proposed that any HRA receipts will be applied to develop or acquire affordable housing.

c. S106 and Community Infrastructure Levy Funding Agreements

The council's Community Infrastructure Levy (CIL) scheme came into effect in 2013/14. Existing Section 106 (S106) agreements are expected to continue to provide capital funding for a number of years. The capital programme includes an estimate of combined future S106 and CIL income. Members should note that this is currently an indicative profile of expenditure. Members should be aware that Section 106 funds are only triggered once schemes start on site and therefore timing of receipt of funds is not guaranteed.

d. Self-funded borrowing

Schemes funded from self-funded borrowing include 'invest to save' schemes such as improvements to sports facilities, energy conservation schemes (for which part funding is from Carbon Trust monies), and school expansion schemes. In addition, up to £20.6 million can be borrowed by the HRA to be used by March 2016. The HRA business plan accommodates the funding of this borrowing through the projected level of future rents.

e. Other borrowing

Overall unsupported borrowing levels within the capital programme between 2013/14 and 2016/17 have been reviewed in light of the provisional Local Government Settlement announcement and the revised forecast levels of capital receipts

arising in the individual years. Amendments have been made as appropriate to ease pressure on the revenue account to meet debt charges and no new unsupported borrowing is proposed. The council will flexibly apply its capital resources in order to minimise the cost of borrowing over the medium term. Only where there is a legal obligation for the council to ring-fence specific capital resources to a specific project will capital resources be ring-fenced.

Treasury Management Strategy and Prudential Indicators

Treasury Management Strategy

7.4 The Council's Treasury Management Strategy is aligned to the financing requirements of the capital programme. It sets out the framework for treasury management activity in 2014/15 and includes:

- current levels of borrowing and investments
- interest rate outlook
- approach to future borrowing
- approach to future investments.

7.5 The Strategy, which has been reviewed by the Audit Committee at its meeting on 8 January 2014, is set out in Appendix K.

Prudential Indicators

7.6 A local authority is required to ensure that its capital investment plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. This is achieved through the setting of prudential indicators covering a number of key factors such as the limit on, and the repayment profile of, external debt. Appendix L sets out the full set of Prudential Indicators which are consistent with the capital programme and revenue budget proposals within this report.

8 FINANCIAL IMPLICATIONS

8.1 These are contained in the body of the report.

9 LEGAL IMPLICATIONS

9.1 These are set out in Appendix M.

10 DIVERSITY IMPLICATIONS

10.1 These are set out in Appendix G.

11 STAFFING IMPLICATIONS

11.1 The impact of the budget proposals are outlined in Appendix C(ii).

12 BACKGROUND INFORMATION

2013/14 Revenue Budget and Council Tax – Report to Council on 25 February 2013.

First Reading debate on the 2014/15 – 2017/18 Budget – Report from Chief Finance Officer to Council on 18 November 2013.

Collection Fund Surplus/Deficit at 31 March 2014 Report – Report to the Executive on 9 December 2013.

Calculation of Council Tax Base and Business Rate Yield 2014/15 – Reports to General Purposes on 21 January 2014.

Housing Revenue Account Budget Report 2014/15 – Report to the Executive on 17 February 2014.

Budget 2014/15 and Council Tax – Report to the Executive on 17 February 2014

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