



Cabinet
11 November 2019

Report from the Director of Finance

Draft Budget 2020/21 – 2022/23 and medium term financial outlook

Wards Affected:	ALL
Key or Non-Key Decision:	KEY
Open or Part/Fully Exempt:	OPEN
No. of Appendices:	Four: Appendix A: Summary of 2020/21 budget proposals Appendix B: Summary of 2021/22 - 2022/23 budget proposals Appendix C: Detailed budget templates for 2021/22 - 2022/23 proposals Appendix D: HRA Business Plan
Background Papers:	July Finance Review, Cabinet July 2019
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1.0 Purpose of the Report

1.1 The purpose of this report is to set out the Council's budget proposals for 2020/21 and beyond. It therefore includes other key activities in relation to

setting the 2020/21 budget, including dealing with any surplus or deficit on the Council's collection fund and the updating of technical budget assumptions since they were last presented to Cabinet in July 2019. It also provides a general update on the overall financial position, including an assessment of the Government's one-year spending review and other reforms to Local Government finances.

- 1.2 The Council set its budget and council tax for 2019/20, and its business plans for 2020/21, at the February 2019 Council meeting. This included the delivery of £9.5m of savings in 2019/20 and plans for £11.4m of savings to be delivered in 2020/21. In addition, officers' best estimate of the budget gap between 2021/22 and 2022/23 was £20m. This was an estimate based on the limited information available at the time as the exact gap is inherently uncertain simply because of the number of variables to be estimated and the difficulty of doing so over longer periods of time. This was further compounded by the lack of medium term funding information from central government and the significant reforms to local government funding proposed from April 2020.
- 1.3 Over the summer, a comprehensive review of technical budget assumptions took place, including a review of the 2020/21 savings plans. The outcome of these changes are set out in section four of this report, however, for the avoidance of doubt the position for 2020/21 is still in balance, in line with that estimated in February 2019 and in accordance with statutory obligations. In addition, following the one year spending review announced in September 2019 and a review of budget assumptions for the next two years, it is estimated that savings of £6.1m will need to be delivered between 2021/22 and 2022/23. This is made up of savings of £5.6m to balance the overall budget and a contingency budget of £0.5m to mitigate any unforeseen risks to future budget assumptions.
- 1.4 Officers have therefore now brought forward a series of new proposals which, if approved following consultation and scrutiny, would be implemented between 2021/22 and 2022/23. Taken together with the new proposals and updates to budget assumptions introduced by way of this report, if these were all to be agreed, it is expected that the budget for the next three years would be balanced. This is subject to the outcome of the consultation and scrutiny processes, as well as the uncertainty around a longer term Spending Review and the outcome of other significant reforms to Local Government funding, for example the Fair Funding review. Therefore, these estimates, particularly for 2021/22 and beyond, remain subject to change. The new savings proposals for 2021/22 and 2022/23 are summarised in Appendix B and full details of each of the proposals are set out in Appendix C.
- 1.5 This approach will place the council in a strong financial position, as planning the budgets for future years well in advance will enable sensible phasing of the implementation of proposals to minimise the impact on services to residents.
- 1.6 Having confronted difficult decisions early in the financial planning cycle the Council is now able to build into its financial plans the benefits of significant efficiency gains. The new proposals for 2021/22 and 2022/23, for example, include expected gains from re-procurement of major contracts of over £3.7m

and efficiency savings of nearly £1m. This does not mean that delivering these planned savings, if approved, will be managerially straightforward, or that front-line services will be entirely unaffected, or that they can be achieved without staffing reductions, but it is nonetheless the case that the new proposals set out in this report do not include the wholesale cuts to services that many councils are considering and indeed implementing.

1.7 Setting budgets for more than a single year will also allow the council to continue its longer-term approach to financial planning, identifying more opportunities to reduce costs and increase efficiencies without reductions to services that our residents value. At this stage, however, Cabinet is merely being asked to note the position so that consultation can be conducted, prior to a formal budget being recommended to the February 2020 Council meeting. This report therefore sets out the remaining steps necessary to complete the 2020/21 budget and the indicative business plans for 2021/22 and 2022/23, including the consultation and scrutiny processes to be followed, and it updates the medium term financial outlook for 2020/21 and beyond.

1.8 For the 2020/21 budget, all of the proposals were consulted upon and agreed in February 2019, which will enable the Council to set a balanced budget, in accordance with statutory obligations. In summary, the key features of the 2020/21 budget are:

- A council tax increase of 3.99%, making a Band D council tax of £1,312.74 (for the Brent element). The GLA precept is unknown at this stage and is subject to their own decision making and consultation process. The amount is expected to be announced in December.
- Budget savings proposals (all of which were considered by Council in February 2019) with an aggregate value of £7.4m, as summarised in Appendix A.

1.9 The process following this Cabinet meeting is: -

- Proposals, together with any changes made by Cabinet, to form the basis of consultation between November 2019 and January 2020 with local residents, businesses and other key stakeholders;
- Scrutiny committees to review the budget proposals and report accordingly;
- General Purposes Committee, in December, will review the calculation of the council tax base; and
- After consultation, a budget report will be presented for Cabinet to recommend a final budget and council tax to the February 2020 Council meeting.

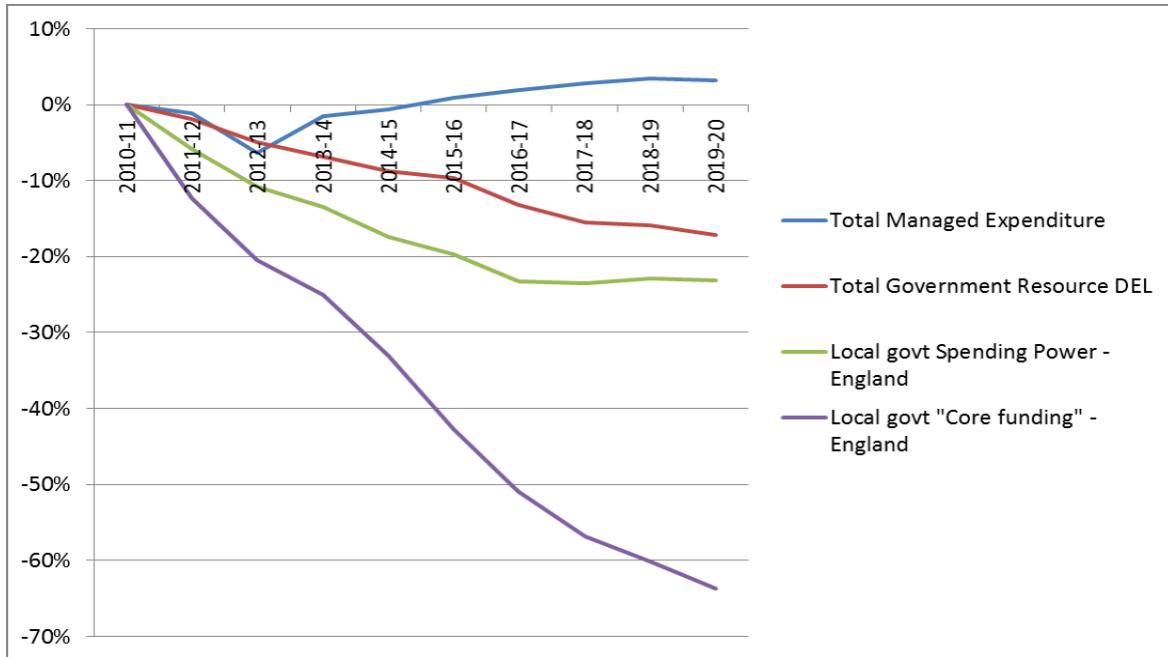
2.0 Recommendation(s)

- 2.1 That Cabinet notes the overall financial position.
- 2.2 That Cabinet agrees to consult on the budget proposals as set out in Appendices A, B and C.
- 2.3 That Cabinet agrees to consult on council tax increases of 3.99% in 2020/21, subject to the legislative uncertainty set out in section four of this report.
- 2.4 That Cabinet endorses the approach to the statutory process of consultation, scrutiny and equalities between November 2019 and January 2020, as set out in section seven of this report.
- 2.5 That Cabinet endorses the changes to the technical budget assumptions underpinning the budget as set out in section four of this report.
- 2.6 That Cabinet agrees the estimated Collection Fund balance relating to Council Tax and Business Rates for 2020/21 as nil (no surplus or deficit) as set out in section six of this report.
- 2.7 That Cabinet notes the position with regard to the School funding reform proposals, as set out in section eight.
- 2.8 That Cabinet agrees to consult on a rent increase of 2.7% for the 2020/21 Housing Revenue Account (HRA) budget, as set out in section nine and Appendix D.
- 2.9 That Cabinet notes the key assumptions in the HRA business plan, as set out in Appendix D.
- 2.10 That Cabinet notes the position with regard to the Capital programme, as set out in section ten.

3.0 Current Financial Context

- 3.1 As set out in the July 2019 Finance Review Cabinet report, local government has faced an extremely challenging financial outlook following a prolonged period of austerity as well as disproportionate growth in demand for key services. Chart 1 overleaf compares the like-for-like cumulative change in core funding with total public and departmental spending over the decade to 2019/20. Core funding from central government will have fallen by 63% in real terms, local government revenue “spending power” (as defined by government) will have fallen by 23%, while overall public spending will have increased marginally over the same period.

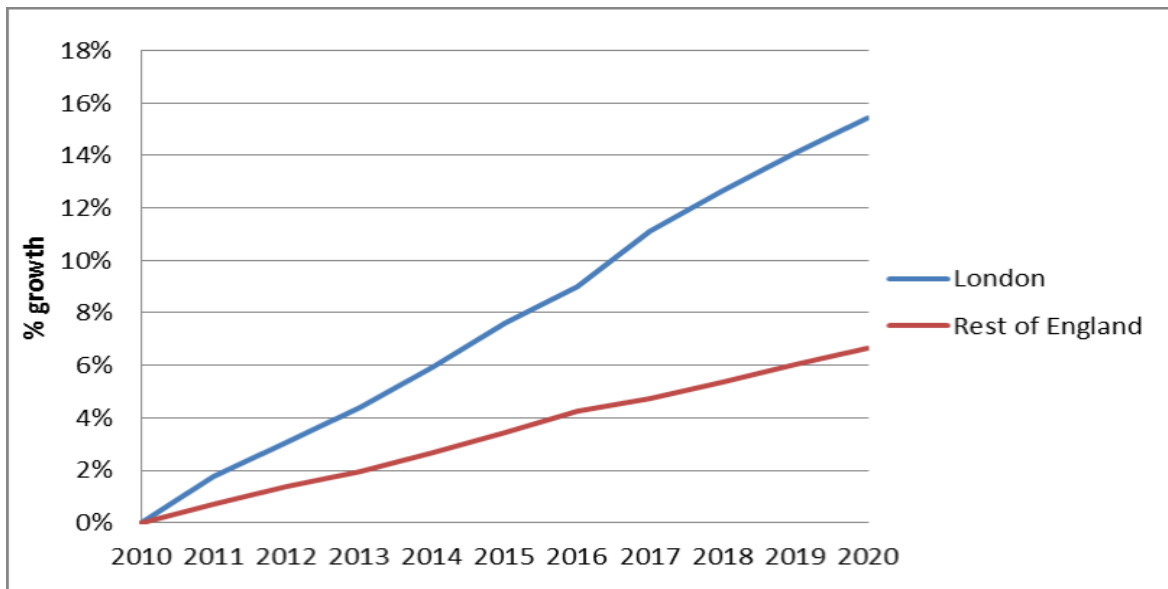
Chart 1 - Cumulative like-for-like change in public spending - 2010-11 to 2019-20



Source: HMT (Budgets/Autumn Statements since 2011); DCLG (LGF Settlements 2011-12 to 2018-19)

3.2 At the same time, local government continues to experience growth in demand for services, driven by significant demographic change. Between 2010 and 2020 London’s population will have risen by over 15%, more than double the rate of growth across the rest of England (7%). As population is fixed within the current funding distribution, this growth has compounded the effect of sustained funding reductions.

Chart 2 – Population growth 2010 to 2020 London vs England



Source: ONS, Mid-Year Estimates (to 2016) and Sub-National Population Projections (from 2016 onwards)

3.3 This disproportionate growth is set to continue, with London’s population forecast to increase by 21% (to over 11 million) between now and 2039, compared with just 11% across the rest of England. These disproportionate

increases are forecast across all of the major age cohorts: the child population, working age adults and those over 65.

3.4 As reported to Cabinet in July 2019, from April 2020 the Government was set to implement three major sector specific events that will change the amount of funding every local authority will receive.

1. The Spending Review. This sets out the overall quantum of central government funding to local government. A three-year period was expected, however in September the government announced a one year Spending Review for 2020/21 only.
2. The Fair Funding Review. This will determine the new funding baselines for the start of the 75% business rates retention scheme from April 2020 and therefore determine the distribution of core central government funding to local government. The Secretary of State confirmed that this will be delayed by one year to April 2021.
3. 75% business rates retention. This will involve establishing new business rates baselines, setting new parameters regarding the level of risk/reward and therefore, the ability of each local authority to benefit from locally generated growth. This has also been confirmed to be delayed by one year to April 2021.

3.5 Despite the delay in implementing these reforms, the Spending Review revealed Local Government funding is set to grow by 4.1% in real terms in 2020/21, an additional £3.5 billion, increasing public spending as a share of national income for only the second time since 2009. On the whole the additional funding is good news for councils, especially for social care. That said, the funding boost will not be enough to return all government departments' budgets to their pre-austerity levels.

3.6 The government announced their top priorities in the Spending Review, which were reaffirmed in the Queen's Speech on 14 October 2019, to where much of the additional funding has been allocated, and these included:

- Health and social care - the government reaffirmed the existing five-year settlement for the NHS, with an additional £33.9bn more per year by 2023/24, compared to 2018/19 budgets. There will also be an additional £1bn for adult and children's social care and the government will be consulting on a 2% adult social care precept to enable councils to access a further £0.5bn.
- Education and skills - the schools' budget will rise by £2.6bn in 2020/21, which will include per pupil funding of £3,750 at primary and £5,000 at secondary schools. The additional funding is inclusive of £700m more funding in 2020/21, to support children and young people with special educational needs. £400m of additional funding for Further Education has also been announced.

- Tackling crime - an extra £750m for policing to pay towards the government's commitment to recruit an additional 20,000 officers by 2023, which forms part of a 6.3% real terms increase in Home Office funding;
 - Brexit - the Spending Round confirms £2bn of core funding provided to departments for Brexit in 2019/20 will be continued into 2020/21. This money will be used to help pay for the costs of establishing a new relationship with the EU.
- 3.7 The government have outlined that they will bring forward substantive proposals to fix the crisis in social care. This will include setting out legislative requirements. Beyond restating some of the initiatives the government has already taken (e.g. introducing and extending the Adult Social Care precept), the government does not provide a specific timetable of when it will put forward proposals or when the long-delayed adult social green paper will be published. It remains to be seen how this will link to the Fair Funding Review and the current Adult Social care precept. For education services the government outlines that it will move further towards delivering funding directly to schools, through a single national formula, so that it is fair and equitable for every school in the country. The government does not indicate how this relates to the existing education funding reform agenda. The government also outlines that they will continue to expand the free schools programme.
- 3.8 It is clear that positive benefits for public services came out of the Chancellor's speech. However, there are concerns associated with the one-year Spending Review, most notably the absence of the latest Office of Budget Responsibility (OBR) fiscal forecasts. With the Spending Round linked to seemingly out of date estimates it is possible that the amount of Government funds available for public services may shrink, once the OBR forecasts are updated later this year. This therefore raises questions as to how these promises will be funded in the short to medium term and therefore does not necessarily provide a clear signal of what to expect either at Spending Review 2020 or in the longer term. This point was supported by the Institute of Fiscal Studies, in its annual review of government finances, which concluded that 'if the economy fails to grow as hoped – for example, due to a disruptive Brexit or other policies that undermine growth – the return to significant real spending increases could be short-lived'. Indeed, they suggest a return to austerity could well follow a mini spending boom.
- 3.9 At the date of despatch of this report, ministers backed a bill to hold a general election on 12 December 2019. This follows confirmation of a Brexit delay until 31 January 2020 after the European Union agreed to the UK's extension request. Whilst there is much informed, and ill-informed, speculation on what the national and local consequences might be, both in the form of whether or how the UK will leave the European Union and the outcome of the general election, the reality is that it is too soon to be able to make any sort of reliable estimate of the consequences for local government.
- 3.10 As a result, at this stage it is intended to proceed as planned with the draft budget proposed in this report. This assumes that, irrespective of the outcome

of the general election, the Local Government Finance Settlement will be announced in December to confirm the funding for 2020/21. In addition, no immediate material changes to the council's medium term financial strategy are proposed at this stage as a result of the matters noted above. However, it will clearly be essential for the council to act as flexibly as necessary in response to changing circumstances. Any material changes to planning assumptions will be reflected in the budget to be considered by Cabinet in February.

3.11 Historically, the council has had a degree of protection for the impact of an economic downturn or recession, as central government would not automatically cut revenue support grant and other funding streams in response to a recession. However, by 2020 most of the council's income will come from revenue streams that are particularly sensitive to a recession:

- council tax income would be reduced if more people are entitled to council tax support due to unemployment;
- growth in council tax may be reduced if there is a recession and fewer people move to Brent, or fewer developers bring new homes forward;
- business rates are unlikely to grow, and could fall, if there is a recession; and
- other significant elements of income, such as planning fees and building control income, may be reduced if there is a reduction in construction within the borough.

3.12 The nature of these risks differ. Some of them are relatively short term and any budgetary pressures they caused would in principle be resolved by recovery after the recession. Others, however, go the other way. For example, a reduction in house building or business growth will tend to take years to unwind under the new system, if at all. Central government can finance any reductions in their income from taxation or by borrowing, but the council cannot fund reductions in income in this way. Instead, this volatility is managed through reserves. The council has general reserves of £15m to cover such risks, which is c5% of the Council's net budget, and relatively low when compared to other London Boroughs. However, by way of context, if the rate of new homes development halved for just three years, modest compared to some previous recessions, then this reserve would be entirely depleted. As a result, this position will be reviewed as part of this budget setting process and is discussed further in section four.

3.13 Since 2010 the Council has delivered against a series of challenging financial targets, through a combination of effective financial management and cost control and more innovative approaches to investment and demand management. This approach has been very effective where Brent has managed its finances well by adopting a forward-looking financial strategy based on taking difficult decisions early, allowing time for implementation. This has led to total savings of £174 million being delivered since 2010.

3.14 That being said, based on what is currently known, or can reasonably be assumed, about future funding settlements further reductions in expenditure will be required. The Council will need to take difficult decisions about which

services to prioritise and protect and which to reduce in order to continue to deliver affordable and sustainable budgets. Accordingly, this draft budget seeks to set a reasonable and proportionate course over the next three years. The proposals for 2020/21 were extensively consulted upon and agreed by Council in February 2019. New proposals of £6.1m, set out further in section five, are being put forward for consultation, by way of this report, which would be need to be agreed in order to balance the budgets of 2021/22 and 2022/23.

- 3.15 Well-run councils like Brent always seek to set their budgets for at least the next two years, bearing in mind that the legal framework for local authority budget setting is essentially an annual one. This transparent approach allows residents to understand what changes to service provision are planned, and also gives sufficient certainty to enable effective management of the necessary changes and risks. Subject of course to the consultation and scrutiny processes set out in this report, the budget proposals would give the Council a head-start on its business planning for the next three years.
- 3.16 Clearly, the financial context remains very challenging. However, in developing draft proposals for consultation in even the most sensitive areas of service provision managers have sought to identify creative ways to achieve efficiencies without damaging service provision. This process is described further in section five of this report.

4.0 Update on Key Budget Assumptions

- 4.1 The Council set its budget and council tax for 2019/20, and its business plans for 2020/21, at the February 2019 Council meeting. This included agreeing that the budget should be constructed on the basis of a council tax increase of 4.99% in 2019/20 and 3.99% in 2020/21. In addition, a range of savings proposals were agreed of £9.5m in 2019/20 and £11.4m in 2020/21.
- 4.2 Since then Cabinet received an update on the financial position in July 2019. At this meeting, Cabinet confirmed their intention that, as previously announced and subject to consultation and any other material changes to circumstances, to increase council tax by 3.99% in 2020/21 and proceed with the savings referred to in the paragraph above. On this basis this meant that no new savings proposals need to be developed for that year and, if agreed, the budget for 2020/21 would be balanced.
- 4.3 In addition, officers' best estimate of the budget gap between 2021/22 and 2022/23 was £20m. This was an estimate based on the limited information available at the time as the exact gap is inherently uncertain simply because of the number of variables to be estimated and the difficulty of doing so over longer periods of time. This was further compounded by the significant reforms to local government funding proposed from April 2020.
- 4.4 Over the summer, a comprehensive review of technical budget assumptions contained within the Medium Term Financial Strategy (MTFS) took place, including a review of existing savings plans, future expenditure assumptions and use of reserves. The outcome of these changes are set out in the following

paragraphs. The MTFS is the Council's key financial planning model and ensures that the Council is able to optimise the balance between its financial resources and delivery of its priorities. The MTFS informs the annual budget-setting process, ensuring that each year's budget is considered within the context of the Council's ongoing sustainability over the entirety of the planning period. In order to forecast the Council's future financial position, the MTFS contains a number of assumptions, the bases of which are regularly reviewed and reported to Cabinet. These assumptions are therefore subject to change, and are described further in the following paragraphs.

- 4.5 In summary, based on the update to budget assumptions set out in this report, and subject to consultation and scrutiny, the budget for 2020/21 is still balanced and total savings of £5.6m are estimated to be required to balance the budget between 2021/22 and 2022/23. Due to the inherent uncertainty in setting budget assumptions for longer than two years it is prudent to build a contingency within the MTFS. This has been conservatively set at £0.5m, and therefore the overall savings target is proposed to be set at £6.1m.

Review of 2020/21 savings plans

- 4.6 The delivery of the package of savings agreed by Council in February 2019 is regularly reviewed through the council's robust budget monitoring process, as well as other specific project boards for larger and more complex transformation programmes, and are reported to Cabinet on a quarterly basis. As with any large scale change program there will inevitably be slippage on some projects, as well as some plans not going ahead, for various operational reasons. For example, further work on a project may reveal an equalities issue that was previously overlooked which will either lead to a delay as further work is done or the project not going ahead altogether. Issues such as this are managed through the budget monitoring process as, where possible, mitigating actions are put in place, and monitored, to ensure the overall budget remains in balance.
- 4.7 Following on from last year's consultation, at present there are three savings planned for 2020/21 that are proposed not to proceed and one will be delayed by one year.
- *New Accommodation for Independent Living (NAIL)*
The delivery of £2m NAIL savings has been slower than first planned and mitigating actions have been put in place to re-phase the delivery over a longer period. However, two large schemes (Honeypot Lane and Knowles House) are not due for completion until 2021/22 at the earliest. Therefore, this saving is to be re-phased to 2021/22.
 - *Council Tax Support scheme*
This proposal was intended to reduce expenditure by £3.3m (current annual expenditure is £27m) following a move to a banded scheme in line with the Government's Universal Credit system. Detailed financial modelling of various schemes was undertaken to understand the impact on claimants in order to deliver this saving. This revealed a number of negative, and previously

unidentified, consequences and sharp reductions in the amount of financial support available for the most vulnerable residents in the borough. As a result of the impacts on these residents it is recommended that the new banded scheme should be overall revenue neutral, where the total amount spent remains the same as the current scheme.

- *Income from selling IT services*

As part of the shared IT service, £0.3m of additional income from selling IT services to another borough or external company was assumed. However, this was dependent on having a stable IT environment for the existing clients of the shared service. At present the current service is undergoing a period of stabilisation and therefore is not able to take on additional work. This will be kept under review, however the current working assumption is that this saving will not go ahead in its current form.

- *Met Patrol Plus*

Following the cessation of the Met Patrol Plus scheme by the Metropolitan Police Service, the budget for the service was to be used to deliver savings of £0.4m from 2020/21. However, given the Council's priorities, and level of serious violent crime in the Borough, it is now proposed that the associated budget is reallocated. This would be to offer community safety support and diversionary activities for the Safer Brent Partnership priorities, designed to reduce and prevent serious youth violence and support vulnerable young people in Brent. The fund will be applied to violence and vulnerability issues related to gaps the partnership have detected in the current provision, to help better meet the needs of residents and increase the prevention and diversionary offer. Such provision will involve increased outreach support for street based intervention, including bespoke mental health outreach support; young female diversionary programmes; increased Youth Offending Service Triage resource to reduce reoffending; school programmes and interventions and other increased community engagement support.

4.8 Overall, the impact of these changes adds £4.0m to the budget requirement from 2020/21 and moves £2m from 2020/21 to 2021/22. All other savings for 2019/20 and 2020/21 agreed by Council in February 2019 are on track to be delivered. This position will be kept under regular review as part of the budget monitoring process.

Council Tax

4.9 The calculation of the tax base is one of the technical stages in the process of setting the council tax. Brent, like all Local Authorities, has to work out how much next year's band D council tax should be so that the total tax that will be collected equals the budget required to pay for its services. In effect, the tax base represents the aggregate taxable value of all residential property in Brent. Recent analysis of the tax base suggests that the rate of housebuilding growth in the borough is slowing down. However, the data from the council's planning department shows a large number of consented schemes likely to complete in the latter half of 2019/20, and this general trend is also supported by new

council tax registrations that are currently awaiting banding by the Valuation Office Agency.

- 4.10 The council tax base was assumed to grow at 2.5% per year. However, the actual growth has been approximately 1% on average in the last two years. It is therefore prudent to adopt a lower rate of growth for budget setting purposes from 2020/21 to keep the collection fund in balance. Should the tax base for budget setting purposes be less than the prevailing tax base in the borough a deficit on the collection fund will have to be declared resulting in the need to either increase the level of Council Tax in subsequent years or reduce the tax base for budget setting purposes which would have the effect of increasing the overall budget gap. Therefore, based on an analysis of approved planning applications for residential development, new properties referred to the Valuation Office Agency that are awaiting banding and new developments where work has either started or is about to start with completion dates of within 12-18 months, it is proposed to adjust the tax base growth assumptions to 1.5%, which adds an average of £1.7m to the base budget.
- 4.11 Since 2016, the Government's policy on setting Council Tax has been to set a maximum limit of 3.99%, unless a referendum is conducted. In the last two years the Government has raised this limit by 1%, which the Council has had to take advantage of due to the rising cost of providing services to more residents as well reduced government funding. As part of the Spending Review, the government announced it intends to consult on a 4% referendum limit (2% for general inflation and 2% Adult Social Care precept) rather than the current 5% level. In addition, there is an implicit assumption in the government's budget assumptions that all local authorities will increase council tax up to the referendum limit. Overall, given the significant funding pressures described earlier in the report and the difficult proposals being considered to balance the budget, it is proposed to consult on increasing Council Tax by 3.99% in 2020/21 ahead of the outcome of the government's consultation. This will avoid having to hold a referendum and yield a further £4.9m of recurring income from 2020/21.

Business Rates

- 4.12 Following the Spending Review, the Government confirmed its intention to postpone the implementation of the full 75% business rates retention scheme by one year to April 2021, and end all 75% retention pilots after this year, including the London pilot.
- 4.13 After the announcement, representations were made to the Secretary of State for Housing, Communities and Local Government, via the Chair of London Councils, to reconsider the decision. This announcement was particularly disappointing as the pilot has been a successful collaboration between 34 authorities (32 London Boroughs, the City of London and the Greater London Authority), undoing this now would be a step backwards for collective governance in London, and the pool has succeeded in delivering significant

investment in projects that will drive economic growth and therefore increase the collective business rates tax base in London.

- 4.14 At the time of writing, the Government had not responded to the letter, however it seems unlikely the decision to end the pilot will be overturned. Were the decision to be reversed, the latest estimated financial benefit a London pilot pool could be expected to deliver is in the region of £185 million. The default position is that the London business rates retention pool will continue in 2020/21, under the pre-existing 67% scheme, unless revoked or amended. The final decision is expected in late October and will be confirmed as part of the Provisional Local Government finance settlement in December.
- 4.15 The potential financial benefits of London pooling under the 67% scheme are not as great as under the current 75% retention pilot as, put simply, there would be less growth retention (67% versus 75%). Based on the latest forecasts from London Boroughs a non-pilot pool would produce a net financial benefit of approximately c£25m, of which approximately £0.5m would accrue to Brent.
- 4.16 Brent has taken a prudent approach to business rates pooling by constructing the budget under the pre-existing 67% scheme (agreed retention scheme in 2017/18, prior to pilot pooling) and treating the additional income as one-off until the Government confirmed its intentions for the actual ongoing retention scheme. Overall, while the announcement to end pilot pooling was disappointing, the budget assumptions in the MTFS on business rates income remain sound.

Review of expenditure assumptions and reserves

- 4.17 Critical to understanding the overall budget are the annual growth assumptions, or estimated increases in unavoidable expenditure, that are built in to the MTFS model, for example contract inflation, pay inflation, meeting the cost of providing existing services for a growing population, etc. These estimates were set out in more detail for Cabinet in July and since then a detailed review of these assumptions has taken place.
- 4.18 In addition, a review has also been undertaken with regards to the Council's reserves. In considering reserves, it is important to distinguish between earmarked reserves which are planned to be used for a particular purpose but could be used for a variety of other purposes and those that are committed to a particular project or programme, even if not actually spent as yet. Comparing reserves is difficult, because it is not immediately obvious how another council's reserves should be classified.
- 4.19 Analysing use of reserves is key to starting to understand a Council's financial position and sustainability. Data recently released by the Ministry of Housing, Communities & Local Government shows that, of the 439 authorities analysed, reserve levels have actually increased in the past year. While this may seem

surprising, this increase has not been experienced equally by all local authorities and varies both by geography and by authority type.

- 4.20 In most cases, the key factor behind the growth in reserves in recent years is due to the lack of a long-term funding settlement for the sector and uncertainty around the Fair Funding Review. This uncertainty has led to councils topping up their reserves and building contingencies in their financial planning assumptions where possible to manage any unexpected disruptions to funding. Many will be relying on this funding to ensure continued service delivery.
- 4.21 This is particularly the case for Brent, where as part of the budget setting process in previous years, contingencies and allowances for uncertainty were built into the MTFs in order to build reserves and contain future funding risks, unexpected overspends and a failure to identify sufficient savings to balance the budget in-year and similar events. In addition, it is widely expected that the Fair Funding Review will move resources away from London and therefore on a worst-case, or even some more moderate case outcomes, there could be a substantial cliff-edge when it is introduced. If this turns out to be the case, these reserves would be essential to smooth out the impact.
- 4.22 Brent has total reserves of £368m as at 31 March 2019. On the face of it this would appear to be a high figure, but the following analysis shows that in practice the figure for all practical purposes is substantially lower. £240m (65%) of these reserves are for the funding of the Council's capital programme. £28m (8%) is legally ring fenced for bodies such as our maintained schools and the Housing Revenue Account. £85m (23%) of reserves have been earmarked for a specific purpose or future expenditure commitment. This includes reserves managed by departments (for example unspent government grants with ring fenced commitments or funds set aside to meet known, or unknown, expenditure pressures) and reserves used to smooth out expenditure that by its nature will vary considerably from year to year and avoid uncontrollable under and over spends, for example insurance claims, PFI contracts, redundancy and pension costs, etc. Finally, £15m (4%) is a general reserve which is held as a contingency against unforeseen events (for example unexpected in-year overspends, failure to identify sufficient savings to balance the budget in-year or future funding risks) and to ensure that the Council has sufficient funds available to meet its cash flow requirements.
- 4.23 The general reserve is relatively low when compared to other London Boroughs and is only c5% of the Council's net budget. The Local Government Act 2003 requires the S151 Officer to report on the adequacy of financial reserves when setting the General Fund budget requirement for the year. Therefore, as part of the review of reserves, it is proposed to increase the general reserve from £15m to £20m by re-allocating reserves that were previously earmarked for practical purposes but there are generally no statutory or similar reasons why they must be used for those purposes. This has the effect of strengthening the Council's overall financial position and resilience with regards to containing unexpected overspends or future funding risks.

- 4.24 As a result of this proposal, and the reasonable level of reserves that have been accumulated, the Council is now able to benefit from making prudent budget assumptions in previous years by reducing budgets that were being held as contingencies and allowances for uncertainty. This has the effect of reducing the overall budget gap. The adequacy of reserves will continue to be reviewed as part of the budget setting process.
- 4.25 The Council budgets for just under £6m for inflation on contracts, which equates to c2.5% per annum. However, the level of inflation that the Council is contractually obliged to fund every year varies from contract to contract. Another consideration is that over the last few years the Council has brought a number of services back in house and further in-sourcing is planned in the future, which would reduce the budget required for contract inflation. Following a review of the Council's major contracts it is estimated that the budget for contract inflation can be reduced by £2m.
- 4.26 The proposed adjustments above have the effect of reducing the overall budget gap. However, there are two growth items that are proposed to increase and these are set out below.
- 4.27 The Council has a commitment to pay all staff and contractors the London Living Wage (LLW). An annual budget of £1m is built into the budget assumptions to fund the additional cost of paying LLW as contracts are either re-let or brought back in house. In addition, the Council has made a commitment to make Homecare contracts LLW compliant from 2020. Further details of the financial implications are described in the Homecare report on the same agenda. In order to fund this commitment, it is proposed that this budget is increased from £1m to £1.5m.
- 4.28 A 2% pay award had been agreed up to 2020/21 and it had previously been assumed that this would continue over the next four years. While, the pay agreement from 2021/22 is still being negotiated, it is currently expected that the pay award could increase and accordingly a provision of 3% is to be allowed for in the budget assumptions. This adds £1m to the current base budget.

2020/21 Spending Review

- 4.29 As mentioned earlier in the report, the Spending Review announced new funding, and in some cases continued funding, for 2020/21 only. Despite being a one-year review, assumptions have been made, which is normal practice when setting multi-year budgets and a medium term financial strategy, regarding the funding for future years. Overall, the additional income has the effect of reducing the overall budget gap, as set out below.
- New funding, totalling £1bn for local authorities, was announced for adult and children's social care. Of this it is estimated that Brent's share will be approximately £5.5m.

- The existing social care grants will all continue for another year at the same levels as in 2019/20. This includes the Improved Better Care Fund (£11.6m), social care support grant (£2.3m) and winter pressures funding (£1.3m).
- Revenue Support Grant (RSG) will increase in line with September CPI inflation in 2020/21, whereas the MTFS model assumed RSG would reduce in line with the reductions seen in previous years. Overall this change increases RSG income by £3.7m.
- Public Health Grant will increase by around £100m nationally (over 3%). The increase for Brent is estimated at £0.4m, whereas the MTFS model had assumed a reduction of £0.5m in line with the reductions seen in previous years.
- The increase in spending announced for schools does not directly impact on the Council's General Fund budget being considered by way of this report. However, setting the budget for schools (Dedicated Schools Grant) is equally the responsibility of the Council with the Schools Forum acting as a consultative body that makes recommendations to Council on the Schools Budget. Further details are set out in section eight of this report.
 - Every secondary school will be allocated a minimum of £5,000 for every pupil next year while every primary school will be allocated at least £3,750 per pupil. A further detailed breakdown will be set out shortly by ESFA. Currently, Brent Schools already receive more than these minimum allocations hence it is likely that Brent will receive a smaller increase in funding compared to other areas.
 - The review announced an extra £700m to support children with special educational needs next year, an increase of 11% on 2019/20. Provisional allocations have been published showing Brent's share of this to be £4.8m which is broadly equivalent to the current year's funding gap, however it is expected that costs will rise further in 2020/21.

Overall Summary

- 4.30 All other income and expenditure assumptions are unchanged from those agreed by Council in February 2019. As set out above, the update of budget assumptions and the announcements in the Spending Review have had a significant impact on the MTFS model, where the overall budget gap can be reduced from that previously reported. These assumptions will continue to be reviewed and updated as part of the budget setting and monitoring process in order to ensure they are robust and realistic.
- 4.31 While the one-year Spending Review provided some welcome additional funding for the sector, it does not help the council's medium term financial planning and uncertainties still remain over the future of local government finance. No details regarding the impact of the Fair Funding Review and

business rates reforms have been provided to allow for any meaningful financial analysis. Also, the future of social care funding is still uncertain with the repeated delay in the government's green paper on social care and the continued reliance on short term grant funding.

- 4.32 The challenge with regards to medium term financial planning, particularly regarding government funding, is making a judgement about what should be assumed in the budget post 2020/21. Based on what is known about the technical assumptions within the Fair Funding Review, it is widely expected that London Councils will lose out. Therefore, building some assumptions that things can get worse is part of the challenge, as well as making an assumption about which grants (such as RSG, Public Health, Improved Better Care Fund, etc.) will continue post 2020/21 and at what level.
- 4.33 Taking into account the considerations above, including the update to the budget assumptions and the announcements in the Spending Review, the budget for 2020/21 is still balanced and total savings of £6.1m will need to be delivered between 2021/22 and 2022/23. This is still a draft position and is subject to consultation and scrutiny. For completeness, the table below summarises the overall impact of these updated budget assumptions.

	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m
Savings target February 2019	0.0	10.0	10.0	20.0
MTFS review:				
<i>Savings not delivered and re-profiling</i>	6.0	(2.0)	0.0	
<i>Review of tax base growth</i>	1.9	1.5	2.9	
<i>Review of technical budget assumptions</i>	(6.7)	(2.9)	(3.9)	
Spending Review:				
<i>Revenue Support Grant</i>	(3.7)	0.4	0.5	
<i>Social care funding</i>	(5.5)	0.0	0.0	
<i>Public Health Grant</i>	(1.2)	(0.8)	(0.9)	
<i>Profiling adjustment</i>	9.2	(6.2)	(3.0)	
<i>Contingency</i>			0.5	
Revised savings target	0.0	0.0	6.1	6.1

5.0 Calculation of savings targets and draft budget proposals

- 5.1 The additional savings required are the difference between the council's anticipated total expenditure and forecast total income, as shown in the table below. As set out earlier in the report, until a longer term Spending Review is published and until the direction of the Fair Funding review is clearer this estimate will be subject to considerable change or at least uncertainty.

	2020/21	2021/22	2022/23
	£m	£m	£m
Expenditure			
Assumed budget brought forward before in-year growth and savings	273.0	289.8	295.7
Demographic Growth	3.5	3.5	3.5
Other Growth	9.5	10.6	10.6
Total Expenditure	286.0	303.9	309.8
Income			
Revenue Support Grant	25.0	21.7	18.8
Specific Grants	39.2	39.3	39.3
Total funding from Central Government	64.2	61.0	58.1
Council Tax	128.1	135.2	141.4
Business Rates	97.5	99.5	101.7
Total funding from residents and businesses	225.6	234.7	243.1
Total Income	289.8	295.7	301.2
Savings required (Expenditure less Income)	(3.8)	8.2	8.6
Savings agreed in February 2019	5.4	2.0	0
Re-profiling adjustment	9.2	(6.2)	(3.0)
Contingency	0	0	0.5
Savings required	0	0	6.1

Draft budget proposals

- 5.2 As part of the budget setting process for 2021/22 and 2022/23, a number of new budget proposals have been developed in order to close the budget gap. The overall budget gap has been estimated at £5.6m and proposals of £6.1m have been identified, of which the balance of £0.5m is proposed to be held as a contingency to mitigate any unforeseen risks to future budget assumptions.

Throughout the process, in producing the draft budget proposals, the emphasis continues to be on delivering efficiency measures, cost reductions and income generation with a view to protecting front line services and council priorities as much as possible.

5.3 The savings proposals for 2020/21 are included in Appendix A and have been updated to reflect the three proposals, described in section four, that are not going ahead. All of the remaining proposals were set out for Council in February 2019, together with the results of the statutory consultation, scrutiny and equalities processes carried out leading up to that. Therefore, no further action is required other than to build these into the budgets and business plans as appropriate.

5.4 The new savings proposals for 2021/22 and 2022/23 are summarised in Appendix B and full details of each of the proposals are set out in Appendix C. At this stage these are officer-led proposals, and authority is sought only to consult on these. Following consultation these will be put to the February 2020 Cabinet meeting so that decisions on whether to adopt, amend or reject these can be taken, informed by the results of that consultation.

5.5 However, officers' preliminary assessment is that the impact of adopting these proposals on front-line services would be relatively minor. This is not to imply that implementing the proposals would be straight forward or that there would be no impact on services: it is not possible to achieve significant reductions in the council's budget with no impact on services or staffing.

5.6 As part of the development stage, the proposals were classified as either:

- *Service Transformation:*
These are proposals that can transform services and achieve cashable savings, either through digital intervention or new ways of working.
- *Making our money go further:*
These are proposals that will deliver savings from re-procurement of contracts.
- *Income generation:*
These are savings from increasing existing fees and charges and/or generating new lines of business.

5.7 The table below summarises the proposals by the classifications above.

Theme	Savings Identified £m
Service Transformation	0.7
Making our money go further	3.7
Income generation	1.7
Total	6.1

5.8 The table below summarises the proposals by service area.

Service Area	Savings identified £m
Community Wellbeing	3.6
Children & Young People	0.4
Regeneration & Environment	0.9
Customer & Digital Services	0.9
Chief Executive's Department	0.3
Total	6.1

5.9 The proposals, which are sufficient to balance the budgets for 2021/22 and 2022/23, are summarised in Appendix B and set out in further detail in Appendix C. They will be consulted upon in line with the timetable set out in section seven of this report and the results of that consultation will be made available for decision in February 2020.

5.10 The Council Management Team have reviewed the proposals to ensure the plans are realistic and deliverable. Detailed budget templates have been produced, attached as Appendix C, that set out further details of each proposal while providing the overall current budget context, the key risks and mitigations and the equalities impact where relevant.

5.11 It should be noted that this report reflects the position at this point in the budget preparation and these numbers will change as the budget develops over the next two months. We also await confirmation of the Local Government Finance Settlement, expected in December 2019. If there are any material changes announced by Government these will be reflected within the budget to be considered by Cabinet in February 2020.

5.12 It is worth highlighting the significance of the proposal to consult on council tax increases set out in this report. The budget for the next three years can, broadly, be balanced if these increases are agreed. If not, additional savings of £4.9m would be required to be identified in 2020/21, and the cumulative longer-term gap between 2021/22 and 2022/23 is £14.1m.

6.0 Collection Fund

6.1 As part of the Council Tax setting process for 2020/21 the Council is required to estimate the amount of any surplus or deficit on the Collection Fund as at 31 March 2020 and how it is shared amongst the constituent precepting bodies and Central Government. This must be done by 15 January 2020 in relation to Council Tax, and this report asks Members to approve the estimated balance for both Council Tax and Business Rates (NNDR).

Council Tax

6.2 Income from Council Tax is paid into the 'Collection Fund'. Brent and the Greater London Authority (GLA) make charges (formally known as 'precepts')

on this fund to finance their budgets. If the eventual collection of Council Tax is greater than precepts on the collection fund, taking the cumulative position since the introduction of Council Tax in 1993, a surplus will be generated. If the reverse happens, there will be a deficit. Any surplus or deficit is shared between Brent and the GLA. It is normal and proper practice to estimate these surpluses or deficits in setting the budget and to make distributions to the preceptors, or to require contributions from them, according to those estimates.

- 6.3 The Council's 2018/19 audited accounts reported a surplus of £3.6m (Brent's share is £2.9m) on the Council Tax Collection Fund. The latest review of the Fund indicates that this surplus will reduce next year as the growth in the tax base used for budget setting purposes is marginally higher than the actual tax base growth. This is being addressed as part of the budget setting process, described in more detail in section four, as the tax base assumptions are reviewed. Therefore, it is proposed to not declare a surplus or deficit for 2020/21. In other words, a zero balance is to be declared for budget setting purposes and no payments will be made to the GLA from the Council's collection fund.

Business Rates

- 6.4 Income from Business Rates is also paid into the 'Collection Fund' and then redistributed in accordance with agreed shares between Brent, the GLA and central government. Previously these shares were 30%, 20% and 50% respectively. The implementation of the 75% London pilot pool for business rates in 2019/20 changes this rationale with 25% redistributed to central government and the remainder shared with Brent (48%) and the GLA (27%). However, the business rates regime for 2020/21 is currently unknown, as well as if the pilot will continue into 2020/21. This is expected to be formally announced as part of the provisional settlement in December
- 6.5 Whatever regime is entered in to, if the year-end income from NNDR is higher than estimated at the start of the year, a surplus would be declared, which would be shared in the agreed ratios. Therefore, if Brent had a surplus it would keep a percentage of this. If income was lower than anticipated, there would be a deficit to be shared in the same proportion (i.e. Brent would bear a percentage of the deficit).
- 6.6 The estimate for the income figure (or net rate yield) for 2020/21, and the surplus or deficit figure as at 31 March 2020 will be taken from the NNDR1 return to be submitted in January 2020. The Non Domestic Rating (Rates Retention) Regulations 2013 require that these figures be calculated and notified to preceptors (central government and the GLA) by 31 January, and the NNDR1 return is used to calculate the figures.
- 6.7 Estimating what the figures will be is complex, as there are many factors which can significantly affect the overall figure, including entitlement to reliefs and properties coming in to, or being taken out, of rating. The biggest uncertainty concerns revaluations arising from appeals against the Valuation Office Agency (VOA) determinations. These are very common and can lead to large refunds

being backdated several years. Given these uncertainties, it is recommended that a forecast of no surplus or deficit is assumed at present.

7.0 Statutory process of consultation, scrutiny and equalities

Consultation

- 7.1 The council recognises consultation as a key part of policy formulation, and makes considerable effort to ensure that the views of residents, businesses and other key stakeholders are taken into account. Legally, the results of consultation are something that Members must have due regard to, alongside other relevant considerations, when making decisions.
- 7.2 The council's minimum legal duty in February 2020 will be to set a budget and council tax for 2020/21. As set out in this report, provided the decision on increasing Council Tax is endorsed by Council, the service budget for 2020/21 can be set on the basis of savings proposals which have already been consulted on extensively, subject to the results of the local government settlement and any other material changes in the financial position. For clarity, these are the proposals set out in Appendix A. These were agreed in February 2019, following consultation at each Brent Connects meetings in October 2018 and January 2019, four pop up events and a well-publicised campaign on the council's website which attracted many responses.
- 7.3 Clearly, in the consultation process set out below, it will be open for respondents to raise issues about these proposals if they so choose. However, on the basis that they have already been consulted on extensively, and agreed to go forward when other budget proposals were explicitly rejected through that process, the reasonable working assumption is that these proposals will proceed unchanged.
- 7.4 Respondents will, instead, be invited to focus their attention on the new proposals for 2021/22 and 2022/23. These are summarised in Appendix B and set out in more detail in Appendix C.
- 7.5 The following methods of consultation are proposed to be undertaken:
- A presentation at each of the Brent Connects meetings, delivered by the Leader and supported by officers, followed by a question and answer session. Brent Connects is a well-established public consultation forum for local residents, businesses and other stakeholders with meetings spread across the borough. In order to maximise the amount of time spent on engaging with as many residents as possible, the following Brent Connects meetings will be attended:

Brent Connects	Date
Harlesden	Monday 27 January 2020
Kingsbury and Kenton	Monday 13 January 2020

Kilburn	Wednesday 8 January 2020
Wembley	Tuesday 28 January 2020
Willesden	Thursday 30 January 2020

- Online consultation. It is proposed to publish the detailed budget proposals on Brent’s website, inviting comments and other feedback via the well-established consultation portal. Paper versions will be available on request.
- Consultation with local businesses. There are a number of business forums and associations that the Council regularly engages with that include a wide range of both small and large local businesses. These include West London Business (a non-profit business membership organisation), the Federation of Small Businesses, a number of town centre business associations and the Brent Business Board. The consultation on the budget will be published in a newsletter that is sent to a large number of Brent businesses, explaining why the views of local businesses are important and how they could have their say.
- The local voluntary sector is closely engaged with Brent's communities and has considerable experience of the impact of the council's difficult choices against a background of funding reductions. Engagement with the local voluntary sector will therefore play an important part of the consultation process and invitations to participate in the consultation will be sent to all Brent voluntary and community sector organisations.
- As indicated in the templates in Appendix C, additional consultation with other groups and/or organisations will be undertaken in respect of particular options being considered before they are presented to Cabinet and then Full Council for approval.

7.6 Overall, the main aim of this approach to consultation is to raise awareness of the council’s financial position, inform residents of how the council spends its budget and ensure residents, business and other key stakeholders are aware of the opportunities to have their say, by knowing how to respond and when the consultation events are taking place. This will be delivered through a variety of communication channels, for example through the local newspaper and YourBrent Magazine, publicity on the council’s website, media briefings and use of the council’s social media platforms, including Facebook and Twitter, to disseminate reminders and encourage residents to participate in the consultation process.

Scrutiny

7.7 The scrutiny committees will review the draft budget through their budget task group in order to carry out the statutory scrutiny of the budget. This will include scrutiny of the budget development process, the budget assumptions in the MTFs as well as the new proposals set out in appendices B and C. Following

this, the chair of the committee will present a report to Cabinet commenting on the outcome of the scrutiny process and providing recommendations for Cabinet to consider as part of their decision making.

Equalities Impact assessments

- 7.8 The Council has a duty to pay due regard to the need to eliminate unlawful discrimination and advance equality of opportunity and foster good relations between those who have a protected characteristic and those who don't when making decisions. This duty is set out in more detail in the Equality Implications section of this report. Each of the budget proposals attached in appendix C have been subject to an equality impact assessments (EIA) screening to assess their potential or likely impact on service users and employees with protected characteristics. Where the EIA process identifies a disproportionate negative impact with no reasonable mitigation, the proposal will be subject to a full EIA and may need to be changed or even rejected. The consultation process outlined in this report will be an important source of information for these exercises.

8.0 School Funding Reforms

- 8.1 The council will continue to set a funding formula for mainstream schools in 2020/21, although the total funding available will be determined by the National Funding Formula. The annual operational guidance and provisional Dedicated Schools Grant (DSG) block allocations have been released, and indicate that the council will receive a minimal increase in mainstream pupil funding of 1.5%. The council awaits final confirmation of per pupil funding and total DSG allocation. It has been confirmed that the Teachers' Pay grant and Teachers' Pension grant will continue to be paid to schools separately from the formula funding. The Teachers' Pay grant supports but does not fully cover the cost of the agreed teachers' pay rise.
- 8.2 Schools Forum will also be asked to make recommendations on the amount of the Schools Funding Block to allocate to 'growth funding'. This is funding that can be set aside and then allocated to those schools that accept additional forms of entry in order to accommodate the demographic bulge in pupil numbers now entering the Secondary phase. Schools receive their formula funding based on the previous year's pupil numbers, so this option is available to the council to support schools that are expanding their in-year revenue costs. A recommendation will be sought on appropriate funding of additional classes, but as this funding is effectively top sliced from the Schools Block, a balance must be struck with the amounts allocated by the mainstream funding formula.
- 8.3 The council will need to approve a budget for the High Needs block of the DSG for 2020/21. Following the SEND reforms and in common with nearly all London Boroughs this block is currently overspending due to increases in demand. The spending review announced £700 million of additional High Needs funding nationally, and the council's share of this has been confirmed as £4.8 million. Despite the additional funds the demand pressures continue to grow and to set a balanced DSG budget the council is likely to need to make decisions on

applying for funding block transfers from the Schools Block, making savings and efficiencies to DSG funded budgets in the Inclusion Service, and agreeing changes to the funding of SEND top ups for children with EHCPs. The Schools Forum High Needs Sub group is a consultative body, representative of Brent schools, that reports to the Schools Forum, and will be reviewing proposals prior to the Schools Forum being asked for recommendations.

- 8.4 Funding Rates for Early Years provision in Brent have been frozen for 3 years, and 95% of funding received is allocated out to providers with the remaining 5% or £1m retained for central services. No changes to the funding system are planned, but the CYP department awaits confirmation of the funding arrangements for the DSG Early Years block. Nationally, additional funds of £66m were announced, which will result in a modest increase in the funding rate to providers. A report on the Early Years block budget for 2020/21 will be taken to Schools Forum for a recommendation in December 2019 or January 2020.

9.0 Housing Revenue Account

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

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

- Expand and accelerate the development of new Council homes.
- Continue to maintain and improve existing Council homes.
- Transformation and continuous improvement of front line services to tenants and leaseholders.

- 9.3 Budget setting over the past four years has been principally directed by the Welfare Reform Act 2016 imposing the 4 year 1% rent reductions. The impact of this has been a reduction of rental income and bottom line surpluses previously assumed in the business plan. The total loss of income of £23m against previous regime along with increased capital expenditure on major works has meant that the major repairs reserve held in the balance sheet has been fully used to finance investment in existing stock. To ensure that the HRA was balanced in the short term a savings target of £3.6m was set to be delivered from 2017/18 to 2019/20. The £3.6m savings were made up of the transfer of the Housing Management function back into the council and the Transformation of the Housing Management service in general.

- 9.4 For 2020/21 and the following four years the Council will have the power to increase rents annually up to a maximum of CPI + 1%. For 2020/21, CPI + 1%

equates to 2.7% allowing for the potential to increase rental income by £1.2m and up to £6m over the 5 year rent control period.

- 9.5 HRA rent setting needs to be considered in the context of the ring-fence and the 30-year business plan. A return to the CPI plus 1% model for the five years from 2020 will provide some stability and certainty over planned investment in the stock, service improvement and new development, at least in the medium term as a £1.2m increase in rent has the effect of an additional £34m investment in the HRA over a 30-year period. The approach beyond 2025 remains uncertain but continuation of the CPI plus 1% formula is probable.
- 9.6 The average rent in 2015/16 was £114.53 per week and currently sits at £112.06 per week in 2019/20. A 2.7% increase would equate to an average rent of £115.08 per week in 2020/21, which would be an increase of £0.55 per week when compared to 2015/16 rent levels.
- 9.7 The 2020/21 HRA Business Plan is attached as Appendix D. Following the consultation processes proposed in the plan, the HRA budget for 2020/21 will be presented to Cabinet in February 2020 for approval by Full Council.

10.0 Capital Programme

- 10.1 The table below provides an overview of the budgeted capital spend and financing of the capital programme. By far the largest proportion of funding comes from prudential borrowing, at 64%, followed by external grant and contributions at 15%.
- 10.2 Internal funding from earmarked reserves and capital receipts make up a further 17% and is largely generated from the sale of council land and property that will be constructed as part of regeneration schemes such as South Kilburn.
- 10.3 The remainder comes from SCIL (Strategic Community Infrastructure Levy) and S106 contributions.

Capital Board	2019-20	2020-21	2021-22	Total
Corporate Landlord	55.1	11.7	5.0	71.8
Regeneration	17.4	18.5	26.4	62.3
St Raphael's	1.0	-	-	1.0
Public Realm	19.6	19.3	5.6	44.5
Schools	10.3	4.6	2.6	17.4
Housing GF	25.9	97.3	94.1	217.3
Housing HRA	145.3	54.3	39.5	239.1
PRS I4B	29.7	71.4	26.5	127.7
Total Budget £m	304.2	277.1	199.8	781.1
Grants & Other Contributions	64.6	34.8	20.4	119.9
S106 & CIL	8.7	11.9	8.7	29.3
Capital Receipts	26.9	13.0	17.7	57.6
Reserves	30.6	20.3	-	50.9
Major Repairs Allowance	3.5	8.1	-	11.6
Revenue Contribution	2.3	3.5	3.5	9.3
Prudential Borrowing	167.5	185.6	149.4	502.6
Total Funding Sources £m	304.2	277.1	199.8	781.1

- 10.4 As set out in the Capital Programme the Council is planning to borrow externally up to £503m over the next three years. This borrowing has a direct impact on revenue in the form of annual interest payments. For this reason, in previous years the Council has gradually added to the capital financing budget over time. This was a deliberate strategy of building up the capital financing budget in manageable increments, rather than taking a substantial one-off hit.
- 10.5 This prudent approach will ensure that sufficient capital financing budget is in place as the Council's capital borrowing plans are realised over the medium to long term.

11.0 Overall summary and conclusion

- 11.1 Local government continues to face an extremely challenging financial outlook following a prolonged period of austerity as well as disproportionate growth in demand for services. The council has faced significant reductions in government funding as well as challenges posed by new legislation and has

delivered savings of £174m since 2010, through a combination of effective financial management, cost control and more innovative approaches to investment and demand management.

- 11.2 As funding has been cut the population has grown and this has been particularly pronounced in the very oldest and very youngest age groups, which are statistically most likely to require services from the council, thus adding to the cost pressures. Coupled with the impact of legislative change, this has created substantial financial pressures.
- 11.3 There is no doubt that the short term funding boost is welcomed in local government, particularly for social care departments. It is worth noting that how this tranche of funding is to be split between child and adult care was not specified in the spending review. Additional details on the application and division of funds is still needed. Demand for social care is rising and funding will benefit some of the most vulnerable members of our society. However, in order to address the national social care crisis, larger and more frequent funding boosts will need to follow.
- 11.4 A key area of concern is that this Spending Round was announced without the Office of Budget Responsibility's latest fiscal forecasts, comments or consultation, as would be expected with a Budget or Spring Statement. This, coupled with the political uncertainty of a potentially disorderly Brexit and the outcome of the December general election, means that these allocations have been made with a limited fiscal view and without knowing the real costs of the UK's departure from the EU.
- 11.5 Despite dealing with these pressures and uncertainties, and subject to the remaining uncertainties in the financial planning assumptions, some of which are simply inherent in any budgeting process, the council has sufficient options at its disposal to balance the budget for the next three years.
- 11.6 It is worth reflecting on the strength of this financial position. Officers' expectation is that savings of £6.1m will be needed between 2021/22 and 2022/23 in order to be able to agree a balanced budget for those years. This includes a £0.5m contingency budget to mitigate any unforeseen risks to future budget assumptions. This report brings forward initial options for those years, which, if adopted, will ensure the council balances the budget in the next three years. Setting budgets for more than a single year will also allow the council to continue its longer-term approach to financial planning, identifying more opportunities to reduce costs without significant reductions to services.

12.0 Financial Implications

- 12.1 The financial implications are set out throughout the report. As the budget proposals are for consultation at this stage, not agreement, there are no direct costs associated with agreeing the recommendations, other than for consultation, the costs of which are built into existing budgets.

13.0 Legal Implications

- 13.1 A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular, local authorities are required by the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves.
- 13.2 Standing Order 24 sets out the process that applies within the council for developing budget and capital proposals for 2020/21. There is a duty to consult representatives of non-domestic ratepayers on the Council's expenditure plans before each annual budget under Section 65 of the Local Government Finance Act 1992. The council also has a general duty to consult representatives of council tax payers, service users and others under Section 3 (2) Local Government Act 1999.
- 13.3 The council is also required to comply with other statutory and common law consultation obligations relevant to particular options being considered and with the Public Sector Equality Duty. The council must consult at a formative stage in the decision making process and adequate time must be given for public consideration and response. The consultation information must be accurate, fair and balanced, give sufficient reasons for proposals to permit of intelligent consideration and response and the information produced by the consultation must conscientiously be taken into account in finalising the proposals.

14.0 Equality Implications

- 14.1 Under the Public Sector Equality Duty (PSED) in the Equality Act 2010, Brent Council is required to pay due regard to the need to eliminate unlawful discrimination and advance equality of opportunity and foster good relations between different to those who have a protected characteristic and those who don't when making decisions. The protected characteristics are age, disability, gender, race, religion or belief, pregnancy and maternity, marriage and civil partnership, sexual orientation and gender reassignment. Although socio-economic status (people on low income, young and adult carers, people living in deprived areas, groups suffering multiple disadvantage, etc.) is not a characteristic protected by the Equality Act 2010, Brent Council is committed to considering the impact on socio-economic groups.
- 14.2 The PSED does not prevent decision makers from making difficult decisions in the context of the requirement to achieve a significant level of savings across all operations. It supports the Council to make robust decisions in a fair, transparent and accountable way that considers the diverse needs of all our local communities and workforce. Consideration of the duty should precede and inform decision making. It is important that decision makers have regard to the statutory grounds in the light of all available material, including relevant equality analyses and consultation findings. If there are significant negative equality impacts arising from a specific proposal, then decision makers may decide to

amend, defer for further consideration or reject a proposal after balancing all of the information available to them. This may mean making up the shortfall from additional reductions elsewhere.

15.0 Consultation with Ward Members and Stakeholders

15.1 Section seven of this report provides more details of the statutory and the non-statutory consultation process with regards to the proposed budget setting process.

16.0 Human Resources

16.1 Where options included in the appendices require changes or reductions in staffing, the council's Managing Change policy will apply.

Report sign off:

Minesh Patel
Director of Finance