



Cabinet
7 December 2020

Report from the Director of Finance

Draft Budget 2021/22 – 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: Savings Delivery Tracker Appendix B: Summary of new 2021/22 - 2022/23 budget proposals Appendix C: Detailed budget templates for new 2021/22 - 2022/23 budget proposals Appendix D: HRA Business Plan
Background Papers:	None
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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 2021/22 and beyond. As a result of the impact of COVID-19, this report sets out the current estimated financial impact of the pandemic on the Council and the estimated impact on the Medium Term Financial Strategy (MTFS).
- 1.2 This report renews the MTFS, which is the Council's overarching financial planning document. The MTFS contains forecasts for the financial position of the Council's General Fund revenue budget, as well as providing a framework within which financial planning is undertaken for the Housing Revenue Account, the Dedicated Schools Grant and the Capital Programme.
- 1.3 It should be recognised, however, that forecasting over the medium term has been, and continues to be, extremely difficult. There is a high level of uncertainty over the medium term due to the Government's short-term funding settlements, delays in funding reforms, the effects of COVID-19 on residents and businesses in the borough and the impact of Brexit.
- 1.4 Prior to COVID-19, the MTFS agreed by Council in February 2020 set out a plan to deliver £13.5m of savings (profiled £7.4m in 2020/21, £4.3m in 2021/22 and £1.8m in 2022/23) in order to deliver balanced budgets over the three year period. In July 2020, Cabinet received an early assessment of the financial impact of COVID-19, with estimated recurring pressures that could impact on future budget setting. 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, the impact of COVID-19 and associated government interventions.
- 1.5 The report outlines the approach being taken to address the budget gap now expected as a result of new or continued income and expenditure pressures that are expected to arise due to COVID-19. In doing so, it must be recognised that the situation remains ongoing and it is extremely difficult to make a full, definitive and comprehensive assessment of the financial impact. As such, the figures in this report are based upon best estimates and forecasts and will therefore be subject to change. The significance of the financial challenge cannot be underestimated, however the measures outlined in this report aim to ensure that the Council continues to operate in a financially sustainable and resilient way.
- 1.6 The Council has 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 two years would be balanced, subject to the outcome of the consultation and scrutiny processes and any other material changes to circumstances. 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.

- 1.7 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.
- 1.8 It is worth noting that prior to the Spending Review, and given the uncertain medium term financial outlook, the Council would have needed to consider more difficult savings proposals to reduce the expected budget gap, for example reductions to front line services. As described later in the report, the one year Spending Review provides additional flexibilities to manage the financial impact of COVID-19 next year, however there remains significant uncertainty over the medium term in the absence of a longer term Spending Review and the outcome of other significant reforms to Local Government funding, for example the Fair Funding review and reforms to the business rates regime. As a result, further savings could be required in future years.
- 1.9 That being said, the new proposals for 2021/22 and 2022/23 are designed to limit, as far as possible, service reductions and the impact on front line services particularly during these challenging times. For example, the new proposals include expected gains from re-procurement of major contracts, service transformations and efficiency savings. 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.
- 1.10 In summary, the key features of the 2021/22 budget are:
- A Council Tax increase of 4.99%, making a Band D Council Tax of £1,378.26 (for the Brent element). The GLA precept is unknown at this stage and is subject to their own decision making and consultation processes.
 - New budget savings proposals of £5.1m to be delivered between 2021/22 and 2022/23, as set out in Appendices B and C.
- 1.11 The process following this Cabinet meeting is: -
- Proposals, together with any changes made by Cabinet, to form the basis of consultation between December 2020 and February 2021 with local residents, businesses and other key stakeholders;
 - Resources & Public Realm Scrutiny Committee to review the budget proposals and report accordingly;
 - General Purposes Committee, in December 2020, 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 2021 Council meeting.

2.0 Recommendation(s)

- 2.1 That Cabinet notes the overall financial position.
- 2.2 That Cabinet agrees to consult on the new budget proposals, as set out in Appendices B and C.
- 2.3 That Cabinet agrees to consult on a Council Tax increase of 4.99% in 2021/22.
- 2.4 That Cabinet endorses the approach to the statutory process of consultation, scrutiny and equalities between December 2020 and February 2021, as set out in section six 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 notes the position with regard to the funding for Schools and the Dedicated Schools Grant, as set out in seven eight.
- 2.7 That Cabinet agrees to consult on a rent increase of 1.5% (CPI + 1%) for the 2021/22 Housing Revenue Account budget, as set out in section eight and Appendix D.
- 2.8 That Cabinet notes the position with regard to the Capital programme, as set out in section nine.

3.0 Current Financial Context

- 3.1 In February 2020, Council agreed a Medium Term Financial Strategy (MTFS) that sought to provide the financial framework for the years 2020/21 to 2022/23. The programme, developed through a combination of effective financial management and cost control and more innovative approaches to investment and demand management, set out the delivery of £13.5m of savings (profiled £7.4m in 2020/21, £4.3m in 2021/22 and £1.8m in 2022/23) in order to deliver balanced budgets over the three year period. This followed a period of 10 years where, as a result of significant reductions in government funding and the challenges posed by new legislation, the Council had been obliged to make an unprecedented £174m of savings, despite an increase in demand for key services.
- 3.2 At the time the MTFS was agreed in February 2020, it was also recognised that while the Council remained in a strong financial position, there were significant medium term financial risks that needed to be taken account of and managed to ensure the Council remained financially resilient. Most notably, these were around the uncertain funding outlook for local government, uncertainty around the long term funding for adult social care and emerging pressures in children's services.

- 3.3 Therefore, it should be noted that the Council was already operating in a significantly challenging financial environment prior to the outbreak of COVID-19.
- 3.4 On 25 November 2020, the Comprehensive Spending Review (CSR) was announced. This had been due to set departmental government budgets, including Local Government, for three years. However, due to the economic disruption caused by COVID-19, the Treasury opted to make the review a single year for 2021/22 only, the second successive single year spending review. Nevertheless, while further emergency funding was announced for Local Government, the precise outcome for individual authorities will not be known until the Provisional Local Government Finance Settlement, usually announced in mid-December. This means that Brent, like all other local authorities, will need to continue to plan with little or no funding certainty over the medium term.
- 3.5 The Government will provide an additional £1.55 billion of grant funding to local authorities to meet additional expenditure pressures as a result of COVID-19. Of this it is estimated that Brent's share could be in the region of £9m. Whilst this additional funding is welcome, the funding is considered one off. One off funding does not provide the certainty required to plan long term, but does provide a degree of flexibility in managing the MTFS.
- 3.6 The underlying core settlement includes £300m of new grant funding for adult and children's social care. Of this it is estimated that Brent's share could be in the region of £2m. Unlike the COVID-19 grant, this grant is assumed to be a recurring source of funding due its inclusion in the core settlement.
- 3.7 The Spending Review also confirmed that the existing Social Care Grant, Improved Better Care Fund, and Revenue Support Grant will continue at 2020/21 levels.
- 3.8 Other announcements include compensating Local Authorities for 75% of in irrecoverable loss of council tax and business rates revenues and a hardship grant to support household that are least able to afford council tax payments. Further details of individual allocations are expected to be announced in the Provisional Local Government Finance Settlement, expected in mid-December. Again, while this funding is welcome, it is one off funding that will support the 2021/22 budget only and not the medium term budget position where the impact of COVID-19 is likely to have a long standing impact.
- 3.9 Councils will be able to increase Council Tax by up to 5% without a local referendum, an increase of 1% compared to what was allowed in 2020/21. The main Council Tax referendum threshold will remain at 2 per cent in 2021/22 and in addition, local authorities will be able to levy a 3% adult social care precept. Section four of this report sets out the rationale for increasing Council Tax in 2021/22.
- 3.10 In addition, the CSR did not address a number of long-standing funding issues that remain unresolved which include:

- Details and revised timeline of the 'Fair Funding Review' and Business Rates baseline reset.
 - Business Rates Revaluation postponement from 2021 to 2023.
 - Long-term funding arrangements for Social Care
- 3.11 This being the case, and due to the scale of the budget gap arising out of new income and expenditure pressures, some decisions will be required in advance of the Local Government Finance Settlement to enable the budget to be balanced next year. A programme of further savings are therefore being put forward for consultation now so they can be fully delivered in time for 2021/22. These proposals are set out further in section five of this report. Where possible, these are designed to protect front line services as much as possible.
- 3.12 Like all Local Authorities, dealing with the impact of COVID-19 has resulted in major spending pressures across the Council. There are costs arising from a number of new functions such as providing support to shielding residents as well as sourcing and supplying personal protective equipment (PPE) for other organisations. At the same time there has been a significant reduction in income received, particularly in relation to sales, fees, charges and local tax income.
- 3.13 As reported to Cabinet in July 2020, the estimate of the financial impact of COVID-19 was £48m, up from £35m estimated in April 2020. At the date of dispatch of this report, the impact is estimated at £44m. This is inclusive of additional expenditure pressures as a result of the outbreak (e.g. personal protective equipment for carers and front line staff, emergency accommodation for rough sleepers, overflow mortuary, support for residents that are shielding, etc.), loss of income (fees, charges and other income from planning and building control, parking, rents, venue hires, etc.) and slippage of 2020/21 savings plans.
- 3.14 Since the start of the pandemic local government has received £4.6 billion in general non-ring fenced funding, with Brent's share being £31m. In addition, further funding is being provided through a sales, fees and charges compensation scheme. Under the scheme, local authorities absorb losses up to 5% of their planned 2020/21 sales, fees and charges income, with government compensating them for 75% of losses thereafter. However, the scheme does not cover all forms lost income, for example commercial or residential rents. The Council estimates that approximately £4m to £6m of funding will be received through the scheme, albeit this has not been confirmed by government.
- 3.15 Further details of these pressures and actions being taken to manage the 2020/21 position were reported to Cabinet in October 2020 in the Q2 Financial Report and the next update is planned for Cabinet in January 2021.
- 3.16 Clearly, the government funding received thus far has gone some way to relieve immediate financial pressures. Governments' commitment to give all Councils the resources they need to support their residents and businesses through this pandemic cannot waver. At this stage, the level of government funding currently agreed is lower than the expected financial pressures over 2020/21. The Council, alongside both the Local Government Association (LGA) and London Councils, will continue to engage with government to press for further funding support.

- 3.17 The budget process is designed to ensure that it is priority led so that resources are aligned with council priorities and statutory responsibilities, as set out in the Borough Plan. The changing context within which the council operates and the unprecedented challenges facing it mean this is the right time to refocus efforts, looking at new ways of meeting existing challenges and the need to respond to new ones, building on the learning from the past year. It is right that the focus is on supporting the most vulnerable and tackle inequalities.
- 3.18 Work is therefore underway to refocus the Borough Plan. It is proposed that the priorities contained within the future Plan (2021-2024) retain continuity with the previous Plan but with an increased emphasis on tackling these five cross-cutting priority areas:
1. Tackling Homelessness
 2. Health Inequalities
 3. Youth Opportunity
 4. Climate Change
 5. Employment and Training Support
- 3.19 The principles of equality of opportunity, fairness and quality of life for all - both in terms of how we work with the community and in our role as an employer – are the cornerstones of the approach. The focus is to reduce inequality by understanding and addressing its causes, designing and implementing programmes and initiatives to help ensure that a better quality of life is enjoyed by as many people as possible in the borough. The priorities in this plan recognise that the issues influencing people’s lives are complex and interlinked. Every opportunity will be used to reduce inequality and tackle poverty across the borough, working across sectors and service areas and using evidence to ensure resources are deployed with maximum effectiveness and to monitor success.

4.0 Update on Key Budget Assumptions

Review of 2020/21 – 2022/23 savings plans

- 4.1 The current MTFS contains £13.5m of savings that are required to be delivered between 2020/21 and 2022/23, in order to deliver balanced budgets in those years. Prior to COVID-19, it would have been expected to see the majority, if not all, of the proposals to be on track to be delivered. Understandably, immediate service priorities have changed as part of the emergency response to the outbreak, as well as managing the additional income and expenditure pressures arising on existing budgets, which inevitably would have an impact on the delivery of some savings plans previously agreed by Council.
- 4.2 Following the COVID-19 outbreak, the current assessment of the delivery of the £7.4m 2020/21 savings is that £2.6m is on track to be delivered this year, £4.6m can still be delivered but will slip to 2021/22 and £0.2m is not currently considered

achievable. In addition, it was previously assumed that the £4.3m and £1.8m of savings planned in 2021/22 and 2022/23 respectively would be delivered in full. The latest assessment of this position is that savings of £0.2m are not considered achievable and the remainder are on track to be delivered. This is set out in detail in the Savings Delivery Tracker (attached in Appendix A) and is summarised in the table below.

Table 1: Original profile of savings previously agreed.

Department	2020/21 original saving (£000)	2021/22 original saving (£000)	2022/23 original saving (£000)	Total
Community Wellbeing	4,245	2,920	680	7,845
Regeneration & Environment	835	595	230	1,660
Children & Young People	1,591	425	0	2,016
Assistant Chief Executive	258	0	100	358
Chief Executive	50	0	200	250
Customer & Digital Services	425	340	560	1,325
Total	7,404	4,280	1,770	13,454

Table 2: Status of savings following review.

	2020/21 original saving (£000)	2021/22 original saving (£000)	2022/23 original saving (£000)	Total
Savings on track to be delivered	2,828	4,095	1,740	8,663
Slippage on delivery but still achievable	4,341	0	0	4,341
Savings unachievable	235	185	30	450
Total	7,404	4,280	1,770	13,454

Table 3: Status of savings by department.

Department	Savings on track to be delivered (£000)	Slippage on delivery but still achievable (£000)	Savings unachievable (£000)	Total
Community Wellbeing	4,375	3,470	0	7,845
Regeneration & Environment	1,210	0	450	1,660
Children & Young People	1,145	871	0	2,016
Assistant Chief Executive	358	0	0	358
Chief Executive	250	0	0	250
Customer & Digital Services	1,325	0	0	1,325
Total	8,663	4,341	450	13,454

4.3 Overall, from a financial planning and budget setting point of view, the analysis above is broadly positive at this stage in that the majority of savings (63%) are on track to be delivered and the majority of the remainder (34%) will still be delivered but there will be a degree of slippage. This suggests that, other than re-profiling between years, the savings previously agreed should continue to be embedded in the MTFS while mitigating actions are considered for savings currently considered as unachievable.

Departmental pressures

4.4 It is clear that the impact of COVID-19 will be felt beyond 2020/21 and will have a significant legacy impact on the MTFS making it highly unlikely that a number of budgets, either income or expenditure, will return to their pre COVID-19 levels. Cabinet received a report in July 2020 that provided an early estimate of potential recurring pressures. These estimates were based on the limited information available at the time and have since been reviewed.

4.5 Managing ongoing demand-led pressures remains a key aspect of the MTFS. The table below sets out the existing annual growth assumptions, or estimated increases in unavoidable expenditure, that are built in to the MTFS, for example contract inflation, pay inflation, meeting the cost of providing existing services for a growing population, etc. For the avoidance of doubt, these expenditure assumptions represent the annual costs, all else being equal, that would have to be incurred just to stand still. These expenditure assumptions have also been reviewed and a summary of these growth and cost pressures are shown in the table below.

Table 4: Existing Growth / Cost Pressures.

Assumption	Extra cost per annum (£m)	Description
Demography	3.5	Estimated annual cost of providing the same services to a growing population.
Payroll	1.5	Adjusted to reflect the public sector pay freeze, while allowing for grade drift and other remuneration proposals.
London Living Wage	1.5	Assumed average annual cost of making more contracts LLW compliant.
Contracts	3.5	Primarily based on 2% inflation and known contractual commitments.
Transport	0.8	Transporting children with Special Educational Needs.
Technical	1.0	Pensions, levies (e.g. West London Waste Authority) and other technical items.
Capital financing	0.2	Interest and debt repayment costs for the capital programme.
Total Growth	12.0	

- 4.6 While these growth assumptions have largely been in place for over five years, the only material change is to the payroll inflation assumption. The Spending Review announced that there will be a public sector pay freeze, other than for frontline NHS workers and people earning below £24,000. The previous MTFS had assumed a pay award of 2.75% in line with the award in 2020/21. Other than allowing for pay grade drift, as well as accommodating other remuneration proposals, reduces this growth assumption to £1.5m in 2021/22.
- 4.7 As set out earlier in the report, due to the current period of unprecedented financial uncertainty, the new additional growth pressures have been modelled using three scenario cases set out in the table below. Predicting the future is inherently risky, so it is prudent to explore as many different cases of what could happen as is reasonably possible under the current circumstances. While the scenarios modelled are unique to each category of growth, including the assumptions that underpin those scenarios, the process of examining and evaluating possible impacts across different budgets is a key part of the decision making process. Overall, the range of possible outcomes is between £5m and £20m, and the current working estimate is that £13m ('central case') of additional growth will be required in 2021/22 to manage the impact of COVID-19.

Table 5: 2021/22 MTFS Scenario Model.

Description	Best case (£m)	Central case (£m)	Worst case (£m)	Comment
PPE	0.5	1.0	2.0	Likely increase in the cost of care, whether the Council funds it directly or care homes source their own.
Homelessness	1.0	1.5	2.0	A continuation of pandemic response measures will require additional resources for managing homelessness, which will be further impacted by the worsening economic situation.
Housing Needs rent	0	1.0	1.5	Estimate based on current levels of collection and increase in bad debts.
Children's Social Care	0.5	1.0	1.5	Pressures arising within the Children and Young People with Disabilities (0-25) care at home and direct payment budgets.
Transport	0	0.5	1.5	Pressure arising due to social distancing measures.
Council Tax Support	1.0	2.0	3.0	Increase in working age caseloads.
Income generation	2.0	5.0	7.0	Income generated in the Regeneration & Environment department across various lines of business. Advertising and sponsorship income, conference and events income, Registrars and Nationality income and other traded services are affected.
Allowance for uncertainty	0	1.0	1.5	Further slippage of existing savings plans or new emerging pressures.
Total pressures	5.0	13.0	20.0	

- 4.8 Forecasting growth under normal circumstances is challenging and the task has only increased as a result of COVID-19. Scenario modelling of assumptions continues to be undertaken across all income and expenditure budgets, in particular demand led services. In many cases, and in particular on income lines, estimates are based on evidence available at the time of writing this report.
- 4.9 For the avoidance of doubt, the new expenditure assumptions are estimated to create a budget gap of anywhere between £5m and £20m, excluding changes to income assumptions (Council Tax, Business Rates and government funding). £13m is the 'central case' that is being taken forward and further proposals are

set out, by way of this report, to close the budget gap in order to deliver a balanced budget for 2021/22 and 2022/23.

- 4.10 However it must be stressed that the estimates shown are based on a number of assumptions which are subject to constant change. It is incredibly difficult to predict the implications of the changes to the furlough scheme, how the general economy will recover after COVID-19 and what will happen as Brexit approaches. This uncertainty runs alongside existing budget pressures including social care demand, demographic changes, housing and homelessness.
- 4.11 In addition to the growth assumptions that are being proposed, and as mentioned earlier in the report, the Council is committed to delivering the refocused Borough Plan. Likewise, the MTFS will need to ensure that it provides a framework to enable and support the delivery of these initiatives. Therefore, as part of the budget setting process for 2021/22, it is proposed to allocate an initial budget of £1m while specific proposals are developed.
- 4.12 Finally, of the £13m of additional COVID-19 related growth to be built into the MTFS for 2021/22, it is reasonable to assume that a proportion will not be required in future years, while recognising the removal of one off government funding in 2022/23. For modelling purposes, this is estimated at £4m and will be reviewed as part of the 2022/23 budget setting process.
- 4.13 The commitment to fund ongoing demand led pressures is the most appropriate approach to support the MTFS refresh process, which will be kept under close review to ensure that the budget presented to Cabinet in February 2021 reflects the most accurate and up to date impact of COVID-19 and other pressures in the Council's medium term financial position.

Council Tax

- 4.14 Council Tax is one of the most significant sources of income for the Council, making up £128.1m (or 44%) of total core funding in 2020/21. The MTFS agreed by Council in February 2020 included an assumed Council Tax increase of 3.99% in 2021/22, the same as in 2020/21, where 2% is ring fenced for Adult Social Care and 1.99% represents general funding for Council services.
- 4.15 The Spending Review announced that Local Authorities will be able to increase Council Tax by up to 5% without a local referendum, an increase of 1% compared to what was allowed in 2020/21. The main Council Tax referendum threshold will remain at 2 per cent in 2021/22 and in addition, local authorities will be able to levy a 3% adult social care precept. Like last year, the Government's financing assumption is that all councils will act on this and increase council tax by the maximum amount possible. It should be noted that the additional income generated through the Adult Social Care precept alone does not cover the total growth requirement for Adult Social Care pressures.
- 4.16 COVID-19 has increased existing pressures in Adult Social Care. There has been a significant increase in demand for acute Mental Health beds and a wider increase in demand for mental health services, both in working age adults and

older people living with dementia, particularly connected to disrupted routines and social isolation. There has also been growth in the number of people approaching the council with multiple needs. This is usually connected to the breakdown of difficult housing conditions and where self-neglect and hoarding is also becoming a problem. There has also been additional growth in Safeguarding Adults. In addition, an increase in demand for support is expected due to people living at home with their family and carers, where restrictions have increased isolation.

- 4.17 Taking into account the unprecedented pressures within social care and the financial position in the round, the budget has been prepared on the basis of a 4.99% increase in the Brent element of Council Tax. This will add £6.4m of recurring income to the MTFS. While it is acknowledged that increasing Council Tax will be difficult for some households, it should also be recognised that the Council Tax Support scheme is in place to limit the impact on the most vulnerable households.
- 4.18 The GLA precept, which makes up c20% of the overall Council Tax bill, is unknown at this stage and is subject to their own decision making and consultation processes.
- 4.19 When assessing the likely impact of COVID-19 on estimated income from Council Tax contained within the MTFS, there are three significant factors to consider:
- Council Tax Support (CTS) expenditure,
 - Short and long term collection rates, and
 - Growth in the tax base.
- 4.20 Nationally, there has been an unprecedented increase in the number of Universal Credit claims received by the Department for Work and Pensions. People who are eligible for Universal Credit are also eligible for some form of CTS with the Council, depending on their level of income. This is important because an increase in CTS expenditure reduces the amount of Council Tax that is able to be collected. As at the end of November 2020, 1,475 additional applications for CTS were awarded, an increase of 9% compared to April 2020 at a cost of c£1m and current projections suggest this will continue to increase throughout 2020/21.
- 4.21 The Government has provided Brent with a hardship grant of £3.9m to help further support individuals in paying their Council Tax. In line with the government guidance, Brent has been reducing bills by up to £150 for over 7,000 working age households that receive some help through the CTS scheme but still currently pay something towards their Council Tax. According to the grant conditions, the hardship grant is not allowed to fund the general increase in CTS expenditure. Therefore, in order to fully utilise the funding made available, the Council launched a Residents Support Fund, which provides grants and interest free loans to help residents suffering financial hardship due to COVID-19. In the Spending Review, an extension of the hardship grant was announced for 2021/22, although individual Local Authority allocations have yet to be announced.

- 4.22 In addition to the government support provided, the Council has not taken any new recovery action if residents are temporarily unable to pay Council Tax and postponed new debt recovery action for households falling into Council Tax arrears. Nonetheless, recovery action is planned to resume later in the year as it is important that any income due to the Council is collected to fund key council services.
- 4.23 The judgement to be made with regards to financial planning is the extent to which this level of CTS expenditure is expected to continue. The projections from the Office for Budget Responsibility, published alongside the Spending Review, suggest that the long term economic impact of COVID-19 could result in high levels of unemployment, and likewise high levels of Universal Credit and CTS expenditure, in the medium term. At this stage of the budget development process it is deemed prudent to build an increase of £2m of recurring growth in the MTFS, which represents the central case of an increase in working age claimants.
- 4.24 Another factor that could affect Council Tax income is a reduction in the collection rate. Typically, in-year collection for Brent is around 96% and over a longer period of time will reach around 98%, which is built into the MTFS model and is broadly comparable to other London boroughs. Based on current modelling, a reduction in the 2020/21 collection rate of 3% is expected, which would result in a £4.8m reduction of income. Clearly this is significant, however it is expected that collection will continue to be attempted in future years and reach the long-term collection rate target.
- 4.25 As a result of the postponement of normal debt recovery action, it is too early to be able to estimate the short and long term impact on collection. That being said, it is deemed prudent to reduce the long term collection rate in the MTFS in order to reflect the reality that there will be an impact on collection, albeit unknown, while acknowledging the Council holds provisions for writing off debt that will not ultimately be collected.
- 4.26 In the Spending Review, it was announced that the government would fund 75% of irrecoverable loss of Council Tax and Business Rates revenues in 2021/22 that would otherwise need to be funded in 2021/22 and later years (i.e. collection fund deficits being dispersed). While the additional funding is welcome, these compensation schemes still mean that Local Authorities will be funding 25% of their income losses. Officers await further details about how the scheme will operate and the estimated allocations of funding.
- 4.27 The calculation of the tax base (and likewise the collection rate) is one of the technical stages in the process of setting the Council Tax and is to be considered by the General Purposes Committee on 7 December 2020. 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. The Council Tax base was previously assumed to grow at 1.5% per year annum (or around 1,500 properties) and contributes nearly 30% to total budgeted Council Tax income in the MTFS. Therefore, if the rate of

new housebuilding in the borough slows down as a result of COVID-19 the total amount of Council Tax income collected will be less than planned. The extent to which this impact is long term, will mean further savings and expenditure reductions will need to be found to balance the overall budget.

- 4.28 Data compiled by the council from a number of sources, including the planning department and directly from developers, shows a number of consented schemes are likely to complete towards the end of 2020/21 followed by a slow-down in 2021/22. This general trend is also supported by new Council Tax registrations that are currently awaiting banding by the Valuation Office Agency. On this basis, it is recommended to reduce the tax base growth for budget setting purposes from 1.5% to 1%, reducing the budgeted growth from Council Tax by £0.7m from 2021/22.

Business Rates

- 4.29 The Council remains committed to supporting local businesses through this crisis. Funded by government, the Council has processed a range of reliefs for various businesses across the retail, hospitality, leisure and other sectors. This has significantly reduced the amount of rates due to the Council with the reduction estimated at £60m. In addition, the Council has administered direct grants to local businesses totalling £64.3m across 4,327 businesses. These are in the form of individual grants worth £10,000 - £25,000 depending on the size of the business. In addition, the council provided 561 £5,000 grants under the government's discretionary grant scheme to local businesses suffering financial hardship. As the country enters a second national lockdown period, the Council will also be responsible for administering the government's new Local Restrictions Grant scheme providing grants to a wider range of businesses of up to £3,000 for every four week period they have to remain closed.
- 4.30 Irrespective of the range of support provided to businesses by Local Authorities, including the support provided directly by government (job retention scheme, loans, tax deferrals, etc.), it is inevitable that some businesses will be unable to pay their business rates, some businesses may be unable to trade effectively and some may be impacted by a reduction in customer demand. This will lead to an increase in bad debt and a loss of income collected on behalf of the Council, the GLA and government. The amount that was planned to be collected was £130.5m and, as a result of mandatory reliefs funded by government, the amount that is able to be collected is now £76.3m. At present, collection is 16% lower than that planned, however this is masked by the number of payment deferrals that have been granted to support businesses through the pandemic. The in-year collection rate for 2020/21 is forecast to be between 80-90% of amounts due by the end of the year, increasing the levels of debt outstanding that will be pursued over time.
- 4.31 The Government designated a pan-London business rates pool in 2018/19, which piloted 100% retention in that year, and was revised to pilot 75% retention in 2019/20. For 2020/21 the Government decided not to renew the London pilot, and for London to revert back to the pre-existing 2017/18 67% retention scheme (30% borough share, 37% GLA share, 33% Government share).

- 4.32 Pooling allows authorities to be treated as if they were a single entity for the purposes of calculating tariffs, top ups, safety net payments and levies. The financial benefit comes from the pool overall paying a lower levy on growth than the boroughs would paid individually. Within the system, a safety net exists that would prevent local authorities' income from falling below a certain level. This would provide protection for authorities who saw significant reductions in their business rate income.
- 4.33 London Councils has been undertaking financial modelling on the potential impact of a deficit on the pool, and individual boroughs, following the submission of forecasts from each London borough. To date, the results have shown that while there has been an overall slight reduction in collection currently forecast across London and increases in bad debt provisions, there is still an overall benefit from pooling business rates rather than acting as individual boroughs.
- 4.34 It should be noted that Brent's proportion of the pool is relatively small, at 2%, compared to some boroughs with a larger stake (LB Westminster, LB Camden and the City of London contribute nearly 50% of all business rates collected in London) and so changes within the Brent have a small impact on the overall pool. However, reductions replicated across the pool, or concentrated in boroughs with large contributions to the pool, will have a big impact on the overall outturn for the pool.
- 4.35 With regards to future budget assumptions, if the current circumstances continue to impact business rates throughout 2021/22, then a possible shortfall of up to £5m compared to the business rates income currently reflected in the MTFS might arise. This is due to growth in business rates that was previously expected (around 2-3% per annum) that is now not likely to materialise. In addition, no extension of the 2020/21 retail reliefs were announced in the Spending Review, further reducing the confidence and reliability of this income stream. At this stage of the budget development process, this adjustment to the business rates assumption is the recommended action while the impact on rateable values, possible business failure arising at the end of the new furlough scheme in March 2021 and collection rates remain highly uncertain.
- 4.36 In the longer term, uncertainty arising from the impact of changes to the business rates retention scheme, from changes such as the resetting of the baseline above which retained growth is measured, and business rates revaluation, have been removed by postponing them to 2022/23. However, this has been replaced by a fundamental review of business rates, for which evidence is being gathered by central Government, which could place the whole future of this key income stream into question.

Government Funding

- 4.37 As reported earlier, the one year Spending Review set out the total quantum of funding for the sector for 2021/22 only, albeit detailed allocations will not be announced until the Local Government Finance Settlement, expected in mid-

December. The challenge with regards to medium term financial planning, particularly regarding government funding, is making a judgement about what should be assumed in the MTFs beyond the current spending round. For example, Revenue Support Grant (RSG) had been decreasing by c20% per annum since 2013/14 (£116m in 2013/14 vs £24.9m in 2020/21) and with no certainty beyond 2020/21 it was not unreasonable to assume that future settlements would continue the previous trend.

- 4.38 Likewise, the additional funding provided for social care in the form of the Social Care Support Grant and the Improved Better Care Fund have, since 2018/19, been one year grants announced at each spending round. This lack of long term clarity has meant that the MTFs has assumed prudent assumptions about future government funding. While this is a normal part of risk management within budget setting, building some assumptions that things can get worse, or better, is part of the challenge, as well as making an assumption about which grants will continue post 2021/22 and at what level. Assuming these grants will continue to be received in 2022/23 is not without risk, however, at this stage of the budget development process it is not unreasonable to assume that these grants would continue. It is highly unlikely the government would cut these grants at a time when the Local Government sector is supporting the national effort in managing the impact of COVID-19.

5.0 Calculation of budget gap and draft budget proposals

- 5.1 Prior to the outbreak of COVID-19, the budget agreed by Council in February 2020 was balanced between 2020/21 and 2022/23. This meant that, subject to consultation and any other material changes to circumstances, no new savings proposals would have needed to be developed to achieve a balanced budget in 2021/22, which is the Council's minimum legal requirement.
- 5.2 As noted earlier in the report, based on information, data and modelling undertaken to date, the current estimate is that ongoing or one off cost pressures in the region of £5m ('best case') and £20m ('worst case') are expected from 2021/22 across all service areas. £13m per annum is the current 'central case' and is proposed to be taken forward as part of this draft budget. In addition, with regards to income, factoring in changes to assumed income from Council Tax (increase in Council Tax, increase in Council Tax Support expenditure, reductions in the tax base growth and the collection rate), Business Rates (removal of future growth), recognition of government funding confirmed in the Spending Review (Revenue Support Grant, Social Care Support Grant, Improved Better Care Fund and one off COVID-19 funding) has the effect of reducing the budget gap. The overall budget gap (the difference between the Council's anticipated total expenditure and forecast total income) is estimated to be £5.1m between 2021/22 and 2022/23, as shown in the table below.

Table 6: Overall Financial Position

	2021/22	2022/23
	£m	£m
Expenditure		
Assumed budget brought forward before in-year growth and savings	288.3	297.0
Demographic Growth	3.5	3.5
Other Growth	9.5	10.0
COVID-19 Growth	13.0	(4.0)
Total Expenditure	314.3	306.5
Income		
Revenue Support Grant	25.1	25.1
Specific Grants	50.0	41.2
Total funding from Central Government	75.1	66.3
Council Tax	135.7	142.5
Business Rates	95.0	95.0
Total funding from residents and businesses	230.7	237.5
Total Income	305.8	303.8
Savings required (Expenditure less Income)	8.5	2.7
Savings agreed in February 2020	4.3	1.8
Budget gap / Savings required - Incremental	4.2	0.9
Budget gap / Savings required - Cumulative	4.2	5.1

Draft budget proposals

- 5.3 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 £5.1m budget gap noted in the table above. Throughout the process, in producing the draft budget proposals, the emphasis continues to be on delivering efficiency measures, service transformations, cost reductions and income generation with a view to protecting front line services and Council priorities as much as possible.

5.4 The table below summarises the budget proposals that are being put forward to close the budget gap.

Table 7: New budget proposals

Proposal	Saving (£m)	Description
New Savings Proposals	1.6	A new package of council wide savings proposals to be put forward for consultation. See sections 5.7-5.8.
Reduction in procurement spend	1.0	This new work stream consists of an ongoing procurement and contract management review, covering new procurement activity, re-scoping of contracts and reviewing inflationary uplifts.
Voluntary Redundancy Scheme	1.5	The voluntary redundancy scheme closed in October 2020 and based on the number of accepted applications c£1.5m can be saved from the budgeted establishment.
Freedom Passes	1.0	Freedom Passes cost the Council £15m per annum and the charge is based on usage over the last two years. A reduction in charges are anticipated as a result of the pandemic. The current estimates from TFL indicate a 2-year benefit of £1m which is the midpoint of the best and worst case scenarios provided by TFL.
Total Growth	5.1	

5.5 Of the options identified above, savings from the Voluntary Redundancy Scheme and Freedom Passes are to large extent technical adjustments to the budget that will arise either due to existing Council policy or temporarily due to the impact of COVID-19. Nonetheless, they are legitimate reductions in the Council's cost base that are eligible to be put forward to close the budget gap and be recognised in the budget accordingly. Therefore, the nature of the proposals are such that public consultation is not required. The proposals have been included in the report in the interests of full transparency and so that a full picture of how reductions in the budget for future years are being achieved can be seen. Freedom Pass savings are, however, not without risk as when the impact of COVID-19 eventually lessens in future years, costs in these budgets will inevitably begin to increase. Therefore, it is recommended that small amounts of growth are recognised in the budget in future years to ensure that these budgets can be restored over time. Overall, these proposals seek to balance the need to recognise temporary budget savings in the short term, while at the same time ensure funding is made available for unavoidable demand led growth pressures.

5.6 A new procurement strategy was agreed by Cabinet in October 2020 that set out a new vision for delivering better procurement of goods, services and works. Part of this strategy includes a work stream that will aim to identify and deliver £2m of savings through a reduction in procurement spend. Although the timing of these

savings are still being worked through, at this stage of the budget development process a target of £1m in efficiencies from procurement spend across 2021/22 and 2022/23 is proposed, with further targets in future years as the detailed implementation plan is developed.

5.7 The £1.6m of new budget savings proposals for 2021/22 and 2022/23 are new policy options that have been developed in order to deliver the savings required to balance the overall budget. Consequently, the nature of the proposals are such that public consultation is required. As previously mentioned, the process for developing such options continues to be on delivering efficiency measures, service transformations, cost reductions and income generation with a view to protecting front line services and Council priorities as much as possible. The proposals are summarised in Appendix B and full details of each of the proposals are set out in Appendix C. Following consultation, these will be put to the February 2021 Cabinet meeting so that decisions on whether to adopt, amend or reject these can be taken, informed by the results of that consultation, as well as the outcome of the scrutiny and equalities analyses processes.

5.8 The table below summarises the proposals by service area.

Table 8: New savings proposals

Service Area	Sum of savings proposed (£m)
Chief Executive	0.3
Assistant Chief Executive	0.1
Children & Young People	0.5
Community Wellbeing	0.1
Customer & Digital Services	0.2
Regeneration & Environment	0.4
Total	1.6

5.9 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.

5.10 It should be noted that this report reflects the position at this point in the budget preparation and these numbers will change as the budget develops over the next two months. We also await confirmation of the Local Government Finance Settlement, expected in mid-December 2020. If there are any material changes

announced by Government these will be reflected within the budget to be considered by Cabinet in February 2020.

6.0 Statutory process of consultation, scrutiny and equalities

Consultation

- 6.1 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.
- 6.2 As in previous years, it is proposed to formally consult on the draft budget via the online consultation portal, where respondents will be invited to focus their attention on the new budget proposals from 2021/22. In addition, it is proposed that a presentation on the draft budget be delivered through the new online Brent Connects format. As it is no longer locality based, two Brent Connects sessions will be arranged to take place between December 2020 and January 2021.
- 6.3 There are a number of business forums and associations that the Council regularly engages with that include a wide range of both small and large local businesses. These include West London Business (a non-profit business membership organisation), the Federation of Small Businesses, 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 to they could have their say.
- 6.4 The local voluntary sector is closely engaged with Brent's communities and has considerable experience of the impact of the Council's difficult choices against a background of funding reductions. Engagement with the local voluntary sector will therefore play an important part of the consultation process and invitations to participate in the consultation will be sent to all Brent voluntary and community sector organisations.
- 6.5 Overall, the main aim of this approach to consultation is to raise awareness of the Council's financial position, inform residents of how the Council spends its budget and ensure residents, 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, 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

- 6.6 The scrutiny committees will review the draft budget through their budget task group in order to carry out the statutory scrutiny of the budget. This will include scrutiny of the budget development process, the budget assumptions in the

MTFS as well as the new proposals set out in appendices 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

- 6.7 The Council has a duty to pay due regard to the need to eliminate unlawful discrimination and advance equality of opportunity and foster good relations between those who have a protected characteristic and those who don't when making decisions. This duty is set out in more detail in the Equality 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.

7.0 Schools and Dedicated Schools Grant

- 7.1 The Council will continue to set a funding formula for mainstream schools in 2021/22, although the total funding available will be determined by the National Funding Formula (NFF). The 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 1.73%. The Council awaits final confirmation of per pupil funding and total DSG allocation. The Teachers' Pay grant and Teachers' Pension grant previously paid to schools separately will now be included in the core formula funding from 2021/22 onwards.
- 7.2 It was announced that funding for the High Needs block (HNB) of the DSG for 2021/22 will increase by a further £730 million nationally, and the Council's share of this is £5.8 million representing a 10% increase in the HNB income. There are pressures against this block due to increased demand and this is the same for most London Boroughs. Despite the additional funds the demand pressures continue to grow and to set a balanced DSG budget the Council is likely to request via the Schools Forum a transfer from the Schools Block.
- 7.3 As previously noted in the July report, school balances are also falling as a result of ongoing financial pressures and balances have decreased by £2.5m from £16.1m in 2018/19 to £13.6m in 2019/20 and seven schools ended the financial year 2019/20 in deficit. The financial impact of the Covid-19 pandemic has seen schools incur additional costs and the DfE gave all schools except nursery schools the opportunity to claim exceptional costs against specific categories i.e. increased premises costs; support for free school meals and additional cleaning costs incurred in the period of March 2020 – July 2020. Nonetheless following the full reopening of schools, they have continued to incur additional costs with no further commitment of financial support from the DfE. These additional costs include loss of income from lettings, additional cleaning costs and staffing cost pressures due to supply staff required to cover staff self-isolating and sickness absence.

- 7.4 Schools are required to submit three year budgets annually and the ongoing effect of the Covid-19 pandemic will impact on the schools finances and risks more schools ending the 2020/21 financial year in a deficit position
- 7.5 The pressure in the HNB has led to the DSG being in a £4.9 million deficit carried forward from 2019/20 and further forecast pressures of £4.2 million in 2020/21 will increase the deficit position to £9.1 million. The DfE require local authorities with an overall DSG deficit to present a plan to recover the deficit over a number of financial years. To recover the deficit in the medium to long term, options being reviewed by the task group set up by the Strategic Director of CYP include;
- Looking to establish more SEND provision in the borough as part of the School Place Planning Strategy Refresh including developing new Additionally Resourced Provisions (ARPs);
 - Ensuring there is full cost recovery from other local authorities that place pupils in Brent special schools including administration and other specific costs;
 - Review of the DSG funded SEN support services currently underway.
- 7.6 The Schools Forum High Needs Sub group, a consultative body representative of Brent schools that reports to the Schools Forum, will also be reviewing proposals prior to the Schools Forum being asked for recommendations.
- 7.7 The DfE had announced a SEND review in 2019 five years on from the 2014 reforms but the review has been delayed due to the Covid-19 pandemic. The DfE is working towards consulting on the review in Spring 2021. The focus of the review will be on high quality outcomes by education, health and social care; supporting mainstream schools to meet the needs of the majority of children with SEND, making the EHCP process streamlined and consistent having recognised that the 2014 reforms were overly focused on EHCPs; and increase capacity in the specialist sector to place children close to home, at a sustainable cost.
- 7.8 For the Early Years block there are no changes to the key principles of allocating the funding i.e. 95% of funding received is allocated directly to providers with the remaining 5% or £1m retained for central services. Nationally, additional funds of £44m have been announced which will result in a modest increase to the hourly rate paid to providers.
- 7.9 The Early Years sector has also been financially impacted by the Covid-19 pandemic with substantial loss of income from fee-paying parents and although the government put in place some financial support measures, it is still insufficient to meet the potential ongoing pressure against 2021/22 budgets and beyond. A report on the Early Years block budget for 2021/22 will be taken to Schools Forum for a recommendation in January 2021.

8.0 Housing Revenue Account

- 8.1 The Housing Revenue Account (HRA) is a ring-fenced account, which contains the income and expenditure relating to the Council's landlord duties in respect of 11,565 dwellings.
- 8.2 Each year, the HRA budget is set in the context of the 30-year business plan. The business plan is reviewed annually, allowing for horizon scanning and the identification and mitigation of risks in the short, medium and long-term. Early identification of risks enables planning and implementation of mitigations to ensure that the HRA can continue to remain financially secure and deliver on its commitments to:
- Expand and accelerate the development of new Council homes
 - Continue to maintain and improve existing Council homes
 - Transform and continuously improve front line services to tenants and leaseholders
- 8.3 The HRA budget setting from 2016/17 to 2019/20 was principally directed by the Welfare Reform Act 2016, which imposed a 1% rent reduction for four years. This has resulted in a reduction of rental income and bottom line surpluses previously assumed in the business plan. The resulting £23m loss of income, along with increased capital expenditure on major works, has led to the full utilisation of the major repairs reserve to finance investment in the existing housing stock. To ensure that the HRA was balanced in the short-term, savings of £3.6m were achieved between 2017/18 and 2019/20. Efficiency savings targets are incorporated into the budget setting process. From 2021/22 onwards, this is a 2% target across management and repairs costs, which equates to £0.5m per annum.
- 8.4 From 2020/21, the Council has the power to increase rents annually up to a maximum of CPI plus 1% for a period of five years. For 2021/22, CPI plus 1% equates to 1.5%, allowing the potential to increase rental income by £0.7m, and up to £2.8m over the remaining four-year rent control period.
- 8.5 The average rent in 2020/21 is £116.30 per week. A 1.5% increase would equate to an average rent of £118.05 per week in 2021/22, an increase of £1.75 per week when compared to the current rent levels.
- 8.6 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-year period is expected to provide some stability and certainty over planned investment in the stock, service improvement and new development, at least in the medium-term, as a £0.7m increase in rent has the effect of an additional £21m 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.

- 8.7 The impact of the ongoing pandemic on income collection rates is uncertain at this stage. However, an increase in the level of bad debt is likely, therefore, the bad debt provision will require additional funds to be set aside, particularly in the short-term, in order to absorb the impact of the increased arrears. The potential financial pressures arising from Covid-19 are continuously monitored as part of the Council's Covid-19 Budgetary Impact Tracker. The HRA Business Plan considers a range of scenarios to plan for potential budgetary implications on the HRA and the required mitigating actions. The scenarios range from no additional pressures as a result of Covid-19 to a £3.7m estimated pressure due to a drop in collection rates.
- 8.8 The 2021/22 HRA Business Plan is attached as Appendix D. Following the consultation processes proposed in the plan, the HRA budget for 2021/22 will be presented to Cabinet in February 2021 for approval by Full Council.

9.0 Capital Programme

- 9.1 The Capital Programme comprises of projects approved by Cabinet at the February 2020 budget setting, new projects approved and a number of in year budget adjustments. The full details of the budget changes and new proposals will be reported in the budget setting report in February 2021.
- 9.2 The table below provides an overview of the planned spend and financing of the Capital Programme budgets for the five year period 2021/22 to 2025/26.
- 9.3 As set out in the table, the Council is planning to borrow externally up to £201m over the three year MTFS period, increasing to £268m over five years.

The prudential borrowing equates to around 53% of the total funding, followed by external grant and contributions at 23%. Internal funding from earmarked reserves and capital receipts make up a further 14% and these will be mainly generated from the sale of council land and property that will be constructed as part of regeneration schemes such as South Kilburn. The remainder comes from Strategic Community Infrastructure Levy (SCIL) and S106 contributions.

- 9.4 The interest costs on borrowing has a direct impact on the revenue budget as the annual interest payments are charged to it. For this reason, the capital programme is continually being reviewed for projects to take forward, pause and to explore funding avenues for the programmes besides borrowing.
- 9.5 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new borrowing undertaken on capital expenditure and reduces with the minimum revenue provision (MRP) set aside, and capital receipts or other funding used in place of borrowing.

Capital Programme Budgets 2021/22 to 2025/26

Board	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Corporate Landlord	56.656	3.712	1.500	–	19.000	80.868
South Kilburn	28.297	26.183	7.615	5.452	–	67.547
Regeneration	13.274	24.614	1.157	–	–	39.045
St Raphael's	0.005	0.005	–	–	–	0.010
Public Realm	8.953	5.875	5.645	–	–	20.473
Schools	22.886	17.097	–	–	–	39.983
HCIB – GF	44.747	14.969	4.138	–	50.000	113.854
HCIB – HRA	67.303	26.315	3.827	3.573	–	101.018
PRS I4B	23.500	23.500	–	–	–	47.000
TOTAL	265.621	142.270	23.882	9.025	69.000	509.798

Sources of Finance	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Grants & Other Contributions	79.410	27.668	2.145	–	5.750	114.973
S106 & SCIL	16.697	3.307	1.157	–	–	21.161
Capital Receipts	17.818	27.380	7.615	5.452	–	58.265
Reserves	17.430	–	–	–	–	17.430
Major Repairs Allowance	17.000	–	–	–	–	17.000
Revenue Contribution *	4.596	4.000	4.000	–	–	12.596
Prudential Borrowing	112.670	79.915	8.965	3.573	63.250	268.373
TOTAL	265.621	142.270	23.882	9.025	69.000	509.798

*This is funding towards the annual highways capital maintenance budget used to maintain carriageways and structures.

9.6 The strategy has been to build up the capital financing budget in manageable increments, rather than taking a substantial one-off hit. This prudent approach will ensure that sufficient capital financing budget is in place as the Council's capital borrowing plans are undertaken over the medium to long term.

10.0 Overall Summary and conclusion

10.1 Prior to the outbreak of COVID-19, local government continued to face an extremely challenging financial outlook following a prolonged period of austerity as well as disproportionate growth in demand for services. Since 2010 the Council has delivered expenditure reductions of £174m, and agreed a further £13.5m to 2022/23. This has been delivered through a combination of effective financial management, cost control and more innovative approaches to investment and demand management. As government 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 and uncertainty on the outcome of proposed reforms to local government funding, this has created substantial financial pressures.

- 10.2 Therefore, the Council was already operating in a significantly challenging financial environment prior to the outbreak of COVID-19.
- 10.3 The COVID-19 pandemic has created a significant shock to the economy and resulted in significant unplanned expenditure and income losses as set out in the report. As noted earlier in the report, it is that savings of £5.1m will be needed between 2021/22 and 2022/23 in order to be able to agree a balanced budget for those years. This report brings forward initial options for those years, which, if adopted, will ensure the Council balances the budget in the next two years.
- 10.4 It is worth reflecting on the strength of this financial position. 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.

11.0 Financial Implications

- 11.1 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.

12.0 Legal Implications

- 12.1 A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular, local authorities are required by the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Director of Finance is required to report on the robustness of the proposed financial reserves.
- 12.2 Standing Order 24 sets out the process that applies within the Council for developing budget and capital proposals for 2021/22. 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.
- 12.3 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.

13.0 Equality Implications

- 13.1 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.
- 13.2 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.

14.0 Consultation with Ward Members and Stakeholders

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

15.0 Human Resources

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

Related Documents: Medium Term Financial Outlook, Cabinet July 2020

Report sign off:

Minesh Patel
Director of Finance