Appendix A

Brent	**Cabinet** 13 March 2017 **Report from the Chief Finance Officer**
	Wards affected: ALL
Financial Forecast 2016/17	

1 Summary

1.1 This report sets out the current forecasts of income and expenditure against the revenue budget for 2016/17. Subject to the various risks and uncertainties as set out in the report, an underspend of £0.5m is forecast against the 2016/17 general fund net revenue budget. There are also underspends of £0.9m forecast against budgets financed by the DSG, and £3.1m against the Housing Revenue Account (HRA).

1.2 However, as set out below, whilst this overall position is satisfactory it is made up of some significant over and underspends within individual departments. The report also therefore sets out the actions being taken in overspending departments to mitigate the in-year position, and to address the risk that the forecast overspends impact in 2017/18.

1.3 This is a key element of the overall budget planning: the budget proposals published in February 2017 were predicated on an assumption that the budgets previously agreed for 2017/18 can be delivered. If there is a risk that this may not be the case then additional savings may need to be considered, with negative and potentially significantly negative consequences for services.

1.4 Table One, overleaf, summarises the overall position. The report then sets out more detail on a department by department basis.

Table One: Overall financial position 2016/17

Net revenue spend is forecast to be contained within the agreed budget, but there are significant over and under spends within individual departments

Department	Expenditure	Income	Net budget	Forecast spend	Variance
	£m	**£m**	**£m**	**£m**	**£m**
Children & Young People	67.4	26.6	40.8	43.6	2.8
Community Wellbeing	196.6	75.1	121.5	124.6	3.1
Regeneration & Environment	72	38.4	33.6	29.9	(3.7)
Resources	47.9	16.6	31.3	33.1	1.8
PPP	11.4	0.8	10.6	10.6	0
Corporate financing	45.8	40	2.3	(2.2)	(4.5)
Total (General fund)	**441.1**	**197.5**	**240.1**	**239.6**	**(0.5)**
DSG funded activity	206.3	206.3	0	(0.9)	(0.9)
HRA funded activity	53	53	0	(3.1)	(3.1)
Overall position	**697.3**	**456.8**	**240.5**	**235.8**	**(4.7)**

2 Recommendation

2.1 To note the overall financial position and the action being taken to manage the issues arising

3 Detail

Regeneration & Environment

3.1 Table One, below, summarises the departmental position.

Table One: Regeneration & Environment financial position 2016/17

A significant underspend of £3.7m has been delivered through a forensic review of budgets. In effect, all of the previously planned 2017/18 savings have been delivered early as a result, allowing some scope for re-prioritisation to address urgent service issues

Service Area	**Expenditure**	**Income**	**Net Budget**	**Forecast**	**Forecast Variance**
	£m	**£m**	**£m**	**£m**	**£m**
Brent Transport Services	6.4	(0.3)	6.1	6.0	(0.1)
Community Protection	2.5	(0.7)	1.8	1.6	(0.2)
Environmental Services Directorate	1.6	0.0	1.6	1.5	(0.1)
Parking & Street Lighting	13.4	(20.0)	(6.6)	(6.8)	(0.2)
Environmental Improvement	28.6	(2.8)	25.8	24.2	(1.6)
Highways and Infrastructure	5.4	(3.8)	1.6	1.6	0.0
Sub total	**57.9**	**(27.6)**	**30.3**	**28.1**	**(2.2)**
Regeneration & Environment Directorate	0.4	0.0	0.4	0.4	0.0
Building & Pest control	1.2	(1.6)	(0.4)	(0.4)	0.0
Employment Skills & Enterprise	3.9	(3.9)	0.0	0.0	0.0
Planning, Transport & Licensing	3.9	(3.7)	0.2	(0.5)	(0.7)
Estate Regeneration	0.1	(0.1)	0.0	0.0	0.0
Regeneration Investment & Capital Delivery	1.8	(0.2)	1.6	1.3	(0.3)
Standards & Enforcement	2.8	(1.3)	1.5	1.0	(0.5)
Sub total	**14.1**	**(10.8)**	**3.3**	**1.8**	**(1.5)**
Total	**72.0**	**(38.4)**	**33.6**	**29.9**	**(3.7)**

3.2 During the period July to September 2016 the department carried out a forensic review of all significant budget headings. The consequence is that the department is able to forecast a significant in-year underspend.

3.3 This exercise was extremely effective as a budget management tool. However, in a number of cases the savings identified were ones planned to be delivered in 2017/18, with for example posts being held vacant in anticipation of budgeted staffing restructures. As a result of these and similar actions a substantial in year underspend was generated, without which the council would be facing an overall overspend in 2016/17.

3.4 A sum of £0.25m is currently set aside to account for unexpected expenditure due to the reactive nature of the services. It follows that any additional requests for projects or works outside the current specification could not be accommodated within the existing financial envelope.

3.5 The strategic consequence is that the department is not, subject to all the usual forecasting uncertainties, at risk of overspending in 2017/18, and will be able to ensure that strategic priorities such as bolstering the planning service and developing a town centre management service can be met.

Children and Young People

3.6 Table Two, below, summarises the departmental position.

Table Two: CYP financial position 2016/17

An overspend of £2.8m is forecast, as budgeted cost reduction strategies have not yet achieved the intended results, compounded by financially adverse demographic factors

	Expenditure	**Income**	**Net budget**	**Forecast spend**	**Variance**
	£m	**£m**	**£m**	**£m**	**£m**
Localities	7.7	0	7.7	8.8	1.1
Looked after children and permanency	6.8	(0.2)	6.6	6.5	(0.1)
Partnership, Planning and Performance (Placements)	16.1	(2.2)	13.9	16.1	2.2
Other GF supported activity	36.8	(24.2)	12.6	12.2	(0.4)
General Fund Total	67.4	(26.6)	40.8	43.6	2.8

3.7 The overspend in the Localities service is principally driven by a high dependency on agency staff (£0.8m). Permanent social worker recruitment, using external marketing agents, has had only very limited success, and as a result staff costs are £0.8m above budget, representing the difference in cost between agency and permanent staff in social care. Management continue to work with Human Resources to market and recruit permanent staff, and current resource is also being drawn from the public sector consultancy Impower to advise on recruitment and retention strategies. A broader workforce development strategy is being created and social work recruitment and retention will sit within this. Rapid progress will be needed to ensure that this activity reduces the existing pressure before the start of the new financial year.

3.8 The Placements budget is substantially overspent at £2.2m above budget. This forecast has increased by £0.3m due to 3 additional residential and 1 secure accommodation placement having to be made during November. Across the placements budget there is an under delivery of a directed saving of £0.7m, which was expected to be achieved by moving children to lower cost placements. Alongside this, the LAC population has risen from 326 on 31 January 2016 to 351 by December 2016, with children coming into care tending to be older with more complex and challenging needs which has added an unbudgeted pressure of £0.2m to the service. This in turn is creating pressure on the care leaver and semi-independent care budget. An external consultancy, Impower, have produced a review on whether alternative ways of managing the demand might be employed to reduce costs, and CYP management are considering the findings. A recruitment campaign to take on more in-house foster carers, so improving the durability of placements at lower cost, is ongoing.

3.9 The department may also have duties under the Children Act to families who have been classed as intentionally homeless. At present an overspend of £0.3m has been forecast, representing the additional housing costs faced once housing benefit income has been factored in. There are 50 families currently being supported. An integrated approach between housing and children's services was agreed at CMT in March 2016, and has to date resulted in bringing this overspend down from £0.5m.

3.10 Additionally, the department is currently supporting 87 unaccompanied asylum seeking children (UASC), this has risen from 64 at 1 April 2016. The average costs of support are about £13k, once the Home Office grant has been accounted for, so this translates to a pressure of £0.25m in 2016/17. The national transfer scheme for UASC should now start to reduce numbers, and CYP management are tightening procedures to ensure UASC grant support from the Home Office is maximised.

3.11 The department has generated net underspends of £0.4m on other activity to mitigate the overspend, through expenditure controls, and this will be recurring in 2017/18. There is a risk of a continued overspend in 2017/18, as in order for the structural position to be in balance, the following mitigating actions will need to be delivered in full;

- Spending reduction of close to £0.8m can be delivered through recruitment and workforce redesign to reduce the dependency on agency staff;
- Demand for children's placements can be managed down to deliver at least £0.5m savings;
- The integrated housing and children's services team can deliver cost reductions of £0.3m; and
- The UASC dispersal programme begins to operate nationally as expected.
- Approved savings for 2017/18 are delivered.

3.12 In order to reduce the overspend, other control actions are also being undertaken; Operational Directors began a program of bi-monthly service budget reviews commencing August 2016 which continue, with finance support, to look at each service area line by line.

The management team are working with finance to scrutinise pre-paid card and purchase order expenditure across CYP, with consideration of Operational Directors approving any spend over £1K. The entry to care panel will be chaired by an operational Director rather than Head of Service from January 2016 to manage demand.

Community Well-Being

3.13 Table Three, below, summarises the departmental position.

Table Three: CWB financial position 2016/17

An overspend of £3.1m is forecast, principally caused by slippage on the NAIL programme

Service Area	Expenditure	Income	Net Budget	Forecast spend	Variance
	£m	£m	£m	£m	£m
Culture	7.5	(2.0)	5.5	5.5	0.0
Housing Needs	50.4	(44.0)	6.4	5.9	(0.5)
Housing Central Services, Travellers site, Private Housing and Partnerships.	6.4	(4.1)	2.3	2.3	0.0
Supporting People	4.3	0.0	4.3	4.3	0.0
ASC Directorate, Commissioning, Direct Services	11.2	(8.5)	2.7	3.0	0.3
Mental Health	7.2	(2.5)	4.7	5.0	0.3
Reablement and Safeguarding	40.6	(4.3)	36.3	37.6	1.5
Support Planning and Review	46.5	(10.0)	36.5	37.9	1.5
Public Health	22.5	0.0	22.5	22.5	0.0
Total	**196.6**	**(75.1)**	**121.5**	**124.6**	**3.1**

3.14 The NAIL programme is a key element of the department's plans to reduce the cost of adult social care whilst enhancing the independence afforded to service users. Savings of £4.1m were planned in the 2016/17 budget, predicated on an additional 260 units of provision coming on stream during the year. However, only 76 units have currently been commissioned, forecast to increase to the target level by the end of the year. As a result there is an in-year shortfall.

3.15 The delays are principally due to:

- Programmed de-registrations by residential care homes not progressing at the rate estimated;
- The building of new developments by the private market being delayed; and
- Underestimation of the time required for schemes to go live.

3.16 Over the medium-term planning horizon, 2016/17 to 2018/19, the total planned savings of £6.9m should still be deliverable, but the profile of these will change as a result of the delays. Lessons have been learned about the improvement required to the delivery of the capital programme to minimise the risk of further slippage. However, in 2016/17 the impact of the delay is to cause a forecast overspend in the department's revenue budget of £2.9m, which will be partially offset by underspends in the capital programme (£0.9m) and correspondingly lower debt charges (shown in the corporate items section of this report).

3.17 In addition, the budget for homecare was based on an assumption of a 9% increase in client numbers in 2016/17 based on trend data that estimated in absolute terms, growth of 140 clients in 2016/17. However, a spike in demand in the last quarter of 2015/16 and the first two months in 2016/17 added an unexpected 74 homecare clients (on top of the normal trend growth of 60, or 134 in total over these five months). Since then, demand for Homecare has returned to the existing trend-line analysis that demonstrated a net 12 client increase per month. This additional spike led to an unbudgeted stepped increase in cost of £0.7m.

3.18 Average homecare hours allocated per client have increased from the 13.5 experienced last year to 14. This may reflect the ageing demographic and correspondingly higher care needs, and is creating an in year financial pressure of £0.5m.

3.19 Price led fee increases of 2% were budgeted for. A number of providers have requested increases from between 4% and 25%. Each 1% (on average) above the 2% assumed would create a pressure of slightly over £0.1m. Following a review of fee requests against a locally derived sustainable market rate, offers had to be made to providers at an average of 11% which represents a pressure of £0.9m.

3.20 In addition, there are also pressures relating to delays in achieving the planned 2016/17 savings for the department:

- The delay in the de-registration of Tudor Gardens has added a pressure of £0.3m in the 2016/17;
- The savings from the recovery pathway in mental health have stalled due to a lack of general needs housing to step down to, creating a pressure of £0.3m; and
- Savings from the transformation of the Commissioning function across the Council has not been delivered leaving a pressure of £0.5m in CWB.

3.21 These pressures are being partially offset by a mitigation plan that includes:

- investment in aids and equipment, which has reduced the need for double-handed care visits;
- A reduced transaction costs in processing financial assessments;
- A targeted review of LD packages;

- Recovery of unused Direct Payment funds; and
- Early delivery of planned 2017/18 savings through fairer contributions from the NHS to continuing health care packages.

3.22 The general needs housing budget is forecasting to underspend by £0.5m. This is due the implementation of the temporary accommodation reform plan, from which further savings are anticipated in future years, so the early success is an encouraging indicator.

3.23 Taken together these reduce the forecast overspend to £3.1m in 2016/17.

3.24 Work is underway to identify the planned £1m savings in public health. Re-commissioning activity is underway to seek to deliver these for 2017/18, and savings of £0.5m have been achieved in substance misuse through vacancy management and service re-commissioning, without impacting on outcomes achieved. To the extent that further savings cannot be achieved in year a contribution from the ring-fenced public health reserve will bring this budget into balance for 2016/17.

3.25 Subject to the forecasting uncertainties, the budget in 2017/18 should be in balance provided that the following challenging targets can be met:

- The sourcing of NAIL units is accelerated or diversified to ensure the department meets the targeted number of units by the end of 2016/17 and 2017/18;
- Demand for Social Care services is further managed down to an extent that the planned growth funding for 2017/18 (£2m) is sufficient to also accommodate the stepped increase in client numbers in 2016/17;
- The Temporary Accommodation reform plan continues to reduce demand; and
- Public health re-commissioning deliver the required savings to meet the target savings.

HRA

3.26 The current financial position of the HRA is showing a forecast underspend of £3.1m for 2016/17. A number of small variances are expected but the main contributors to the overall underspend are:

- Warden services and concierge - underspend of £0.9m. This is as a result of savings anticipated from the retendering of warden and concierge services.
- Leaseholders major works income - underspend of £1.0m. This is due to the increase in the anticipated leasehold major works income as a result of section 20's now issued for Fire Safety works which was not budgeted for.
- Capital financing charges - underspend of £1.5m. This is due to the reduction in the forecast of long term borrowings and the premium on early repayment charges.

Resources & PPP

3.27 Table four below, summarises the departmental position.

Table four: Resources & PPP financial position 2016/17

An overspend of £1.8m is forecast, principally caused by overspend in Legal

Service Area	Expenditure	Income	Net Budget	Forecast spend	Variance
	£m	**£m**	**£m**	**£m**	**£m**
Director's Office	1.2	- 0.4	0.8	0.8	0.0
Finance	3.7	-0.1	3.6	3.7	0.1
Legal	2.9	-0.9	2.0	3.0	1.0
Property	14.8	- 9.3	5.5	5.6	0.1
Customer Services	15.4	-3.6	11.8	12.1	0.3
Digital Services	7.1	-1.9	5.2	5.2	0.0
Human Resources	2.8	-0.4	2.4	2.7	0.3
Sub-Total	**47.9**	**-16.6**	**31.3**	**33.1**	**1.8**
PPP	11.4	-0.8	10.6	10.6	0.0
Total	**59.3**	**-17.4**	**41.9**	**43.7**	**1.8**

3.27 Of the items causing the £1.8m overspend in Resources in 2016/17, all items are currently on track to be delivered by 2017/18, except the Legal overspend of £1m.. A staffing restructure has taken place and reduces the pressure into 2017/18 to £0.7m. A plan is being developed to resolve the remainder of this overspend.

3.28 Finance, HR and Property have one-off overspends and there are action plans to ensure that in none of these services will overspends continue into 2017/18. The Resources Director's budget and Digital Services are on track to balance their budgets.

3.29 Customer Services is overspending by £0.3m. This is made up of two different structural issues. £0.2m of Registration & Nationality income targets were set in a year, when a change in Government policy caused a one-off income spike and the Barnet contract has not met its anticipated benefit of £50k. There is also £0.1m of costs in Finance Service Centre, due to a combination of staff being at the top of linked grades and unbudgeted supplies and services spend. This will be solved with a large department-wide restructure in 2017/18 alongside expected growth in income.

3.30 PPP is on track to deliver to budget in 2016/17.

3.31 Overall, the forecast overspend is expected to be £1.8m in 2016/17.

3.32 Subject to the forecasting uncertainties, the budget in 2017/18 should be in balance provided that the following savings and income targets are delivered:

- £0.5m of back-office savings in Resources will be met through the Customer Services restructure; delays in the restructure might cause temporary overspends
- Digital Services delivers on its additional sale;
- Property delivers on all of its £0.5m savings from extra income and contract savings in 2017/18
- Conference & Events (within Resources Director) delivers on its mitigating action of £0.2m extra income target
- Successful plan to reduce costs in Legal

Conclusion

3.33 There are some budget pressures within 2016/17 that are potentially structural as may continue into 2017/18 if the issues causing them are not addressed. There are steps planned to address the structural overspend within Children and Young People, but some of this depends on the implementation of the dispersal programme for unaccompanied asylum seeking children, and is therefore outside the council's control. Similarly, there are plans to address the structural overspends in Community Well Being, and plans are being developed to address the pressures in Resources. Subject to these plans being delivered, no new major cost pressures emerging, and the savings agreed by full council being delivered, the council should be on budget in 2017/18.

4 Financial Implications

4.1 This report is about the council's financial position in 2016/17, but there are no direct financial implications in agreeing the report

5 Legal Implications

5.1 Managing public money responsibly is a key legal duty, but there are no direct legal implications in agreeing the report

6 Equality Implications

6.1 There are no direct equality implications in agreeing the report.

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