Brent	**Cabinet** 13 November 2017
	Report of the Chief Finance Officer

Wards affected:
ALL

Financial Forecasts 2017/18

1 Summary

1.1. This report sets out the forecasts as at 30 September of income and expenditure against the revenue budget for 2017/18, and other key financial data. The actual spend information in the report is to the 31 August 2017, and the forecasts were prepared and finalised as at 30 September.

1.2. The outlook for local government as a whole remains challenging, and the extent of the challenge remains uncertain given the developing national policies on matters such as exiting the EU, health and social care, and the new policy announcements made through the conference season. However, progress is being made towards business rates retention in London for 2018/19, and along with the forthcoming Autumn Budget this will provide greater certainty as the Council continues to develop its financial strategy for future years.

1.3. In order to be able to deliver a balanced budget and spend within its means, the council has put considerable effort into developing both a realistic budget that addresses the various challenges, and developing a culture of strong financial control so that areas at risk of overspend are addressed and solutions put in place. This means that the Council is able to continue to navigate this potentially turbulent period on a sound financial footing.

1.4. As a result of this work, the current forecast is that the 2017/18 general fund net revenue budget is broadly on target, with a small forecast overspend in Community Wellbeing relating to Mental Health Services offset by underspends in Regeneration & Environment relating principally to vacancies in the service and increased income. The Housing Revenue Account (HRA) is on target, and the Dedicated Schools Grant (DSG) is forecast to underspend due to reduced growth in primary school place requirements.

1.5. This outturn forecast does not mean that the council can afford to be complacent, there are still notable risks, which are discussed below, and there is extensive work necessary to deliver the savings on procurement and income generation through the civic enterprise strategy.

1.6. Table one summarises the overall position. The report then sets out more detail on a department by department basis.

Graph One: Overall revenue financial position 2017/18
Net overall revenue spend is forecast to be contained within the agreed budget. The General Fund variance is shown in the graph compared to the variances reported in 2016/17, this includes the August update provided to the Council Management Team. An underspend in Regeneration and Environment offsets an overspend in Community Wellbeing. The overall position is an increased underspend, relating additionally to an increased underspend on DSG funded activity.

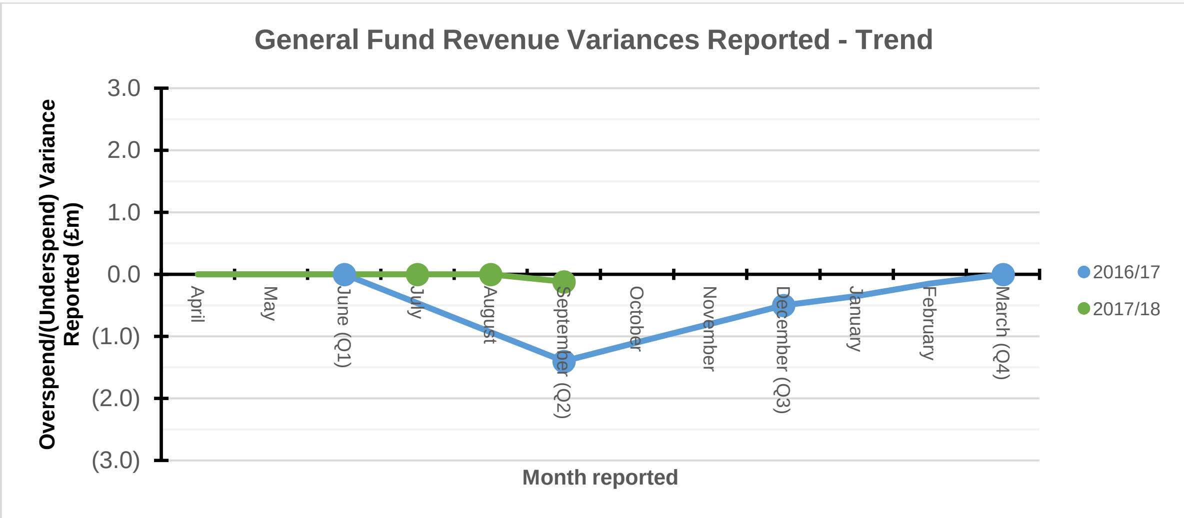
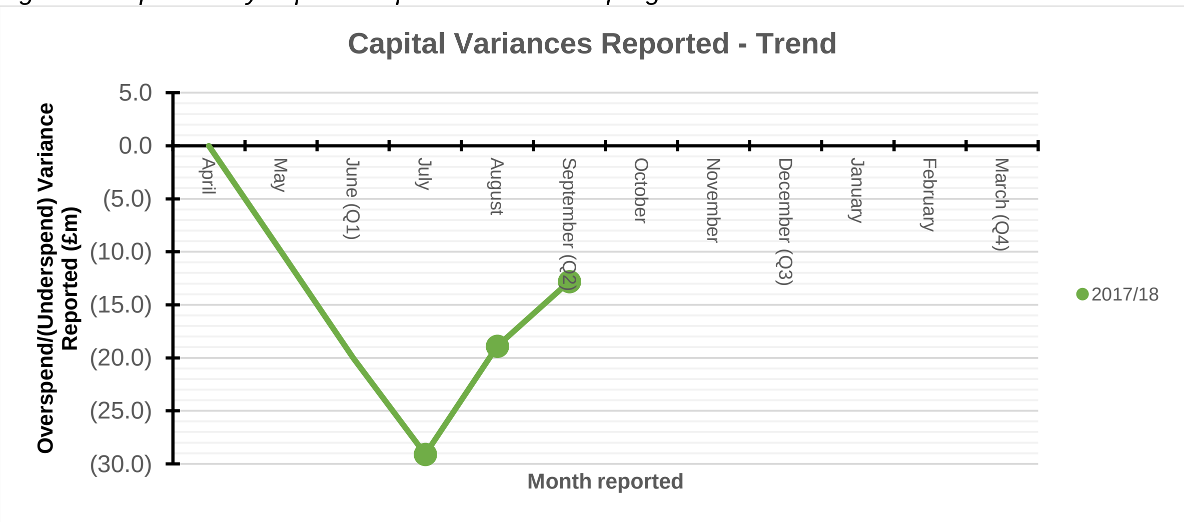


Table One: Overall revenue financial position 2017/18

Department	Budgeted Income	Budgeted Expenditure	Net Budget	Forecast spend	Variance
Figures as at September 2017	£m	£m	£m	£m	£m
Children & Young People	(29.0)	69.6	40.6	40.6	0.0
Community Wellbeing	(74.2)	202.2	128.0	128.5	0.5
Regeneration & Environment	(40.0)	72.8	32.8	32.2	(0.6)
Resources	(16.9)	50.5	33.6	33.6	0.0
PPP	(1.4)	11.0	9.6	9.6	0.0
Central Items (excludes Housing Benefit)	(288.6)	44.1	(244.5)	(244.5)	(0.0)
Total (General fund)	**(450.1)**	**450.2**	**0.1**	**(0.0)**	**(0.1)**
DSG funded activity (see table three)	(201.9)	201.9	0.0	(0.7)	(0.7)
HRA funded activity (see table four)	(53.1)	57.1	4.0	4.0	(0.0)
Overall position	**(705.1)**	**709.2**	**4.1**	**3.3**	**(0.8)**

1.7. The Capital Programme is currently forecast to underspend by £12.8m (5%), principally on projects reporting to the Housing Care Investment Board and Public Realm Board, as shown in table two, below. Overall, the variance is broadly the same as last month with the exception of South Kilburn, which is delivering £4m spend originally planned for future years. The budget has increased slightly due to the addition of new projects, mainly funded by direct grants and contributions from developers through Section 106 planning obligations and Community Infrastructure Levy.

Graph Two: Overall capital programme position 2017/18
Capital spend is forecast to be contained within the agreed budget. The underspend has reduced significantly since the last report. This is primarily due to greater certainty over spend by the South Kilburn team and an acquisition of £2.7m being agreed without needing to complete a CPO, and higher than previously expected spend on the PRS programme. .



Graph Three: Actual Capital Spend 2017/18
Actual capital spend compared with last year is shown in the graph, and has been updated to include data to 30 September. The dotted line on the graph shows the profile commonly taken by capital spend. This indicates that spend would need to accelerate to achieve the current forecast, as the current position is already £11m under the profiled budget and approximately the amount of the forecast underspend. Further detailed analysis of this potential issue and explanation of the methodology is provided in section 3, below. That said, spend in six months of 2017/18 is the same as over eleven months in 2016/17 (budget £223m and outturn £101m), therefore it remains clear that the programme is on track for far higher spend in 2017/18 than 2016/17 and that forecasting above £200m is reasonable.

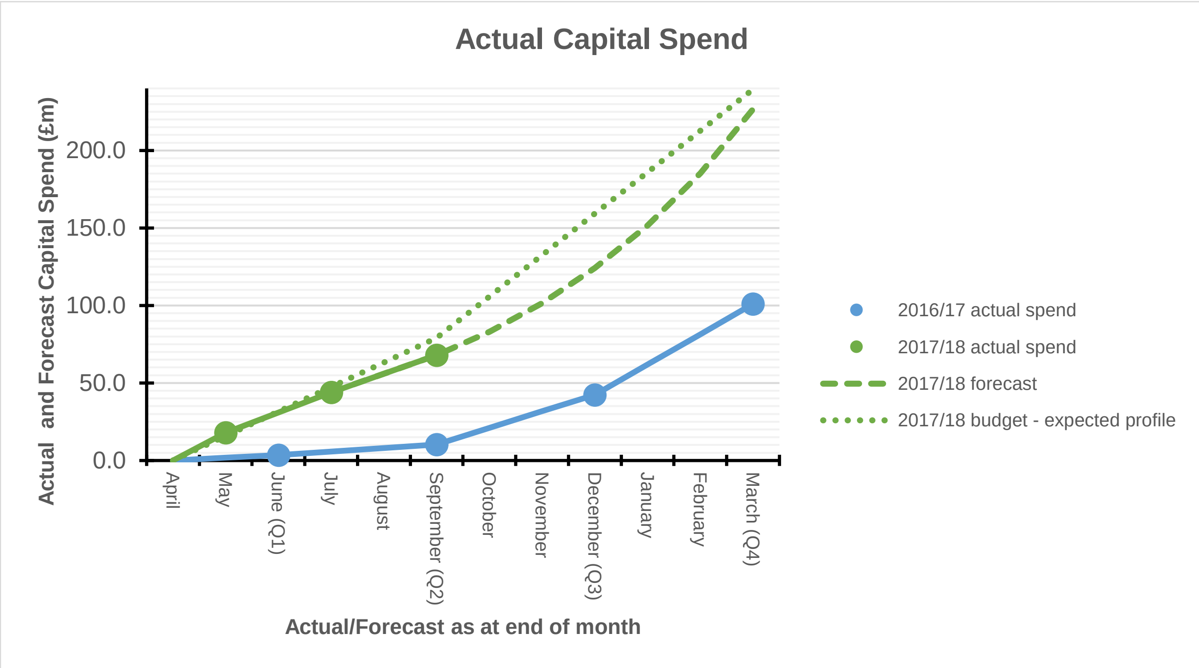


Table Two: Overall capital programme position 2017/18

As at September 30th	Budget £m	Revised Budget £m	Forecast Outturn £m	Actual Spend £m	Forecast Variance £m
Corporate Landlord	2.1	3.5	2.7	0.4	(0.8)
Housing Care Investment Board	147.7	153.5	145.7	46.4	(7.8)
Public Realm Board	17.1	26.3	19.7	2.0	(6.6)
Regeneration Board	8.7	11.9	10.3	5.0	(1.6)
Schools Programme Board	30.6	32.5	32.5	8.7	0.0
South Kilburn	11.7	11.7	15.7	5.4	4.0
Grand Total	**217.9**	**239.4**	**226.6**	**67.9**	**(12.8)**

2. Recommendations

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

2.2. To note that the overspend of £0.8m across nursing and homecare will be offset through short term one-off improved Better Care Fund resources, which are currently available until 2019/20 only. The government has committed to finding a longer term solution for the funding of adult social care.

2.3. To delegate to the Chief Finance Officer the authority to increase existing Capital Programme budget lines to reflect additional spending funded by ring-fenced grants or contributions, in line with agreed policy objectives.

3. Detail

Children and Young People (General Fund)

3.1. The Children and Young People department forecasts spending within its agreed budget. This compares to a £2.3m overspend in 2016/17. In 2017/18, structural budget issues have been addressed and management have committed to a series of mitigating actions in order to limit expenditure to the budget.

3.2. Looked After Children (LAC) and Care Leaver placement numbers and placement mix are key cost drivers for CYP, as each placement is costly and the different types of placement mean a wide range of costs. More detail on the current numbers and mix is included in the following paragraphs. The General Fund forecast of a nil variance is dependent upon these remaining relatively constant, and the delivery of agreed savings and budget control actions within the year.

3.3. LAC numbers as at 30 September are 310, and in 2017/18 have remained consistently lower than the previous year (average 344). This is consistent with the budget assumptions for 2017/18. The cohort continues to include a high proportion of older children with just over a third aged 16 and over, and 50% of these are unaccompanied asylum seekers (UASC). The placements budget does however remain challenging as it also includes the cost of supporting a proportion of the increased number of care leavers. The number of care leavers in financially supported placements has risen from 59 in April to 69 in August. This pressure is expected to grow further due to the older age profile of LAC and legislative changes through the Children and Social Work Act 2017.

3.4. Within the LAC numbers there are currently five high cost youth offending and one secure welfare placement, which on its own has an annual cost of £0.3m. The other youth offending placements represent a significant overspend risk at an average cost of £550+ per night, with the council having no control over court-directed remand placements. The number of placements is forecast to continues at this level until the end of the year and cause an overspend of £0.3m in this area.

3.5. Actions to manage the risk to the placements budget have been taken, and in particular there has been a rebalancing in the number of in-house vs. external foster carers compared to the position at the start of the year. 86 LAC placements are now with in-house foster carers and 73 with external agencies, compared to foster placements in April of 81 and 82 respectively. However, the rate of change has slowed over the summer, and there will be some attrition through retirement and care leavers ‘staying put’ with their in-house foster carers. The Placements Assessments and Recruitment Team have continued to attend community events, and there are 8 assessments ongoing which need to be successfully brought through the process in order to sustain the increase in the number of in-house foster carers.

3.6. The other main budget risk in CYP is the delivery of the social work staffing remodelling. Managers have launched the remodelling consultation with proposals that seek to optimise the social work staffing model within the Localities and the Looked after Children and Permanency Services, without compromising social work caseloads. The proposed establishment does achieve the savings for 2017/18 and creates a well-documented baseline staffing level designed for current caseloads, against which management can monitor and control staffing levels. The long term strategy is for Brent to become a desirable and attractive employer for social workers, with well managed team structures resulting in manageable caseloads, an important part of the offer to potential employees. The remodelling is now planned for implementation in late November, subject to the consultation which is later than planned, adding financial pressure.

3.7. There is also the related challenge of reducing the reliance on agency social workers throughout 2017/18. In 2016/17 35% of social workers were agency, and the target during 2017/18 was 20%. The IR35 legislation (which requires employers to deduct tax from certain agency staff) and a targeted recruitment campaign had some early impact, reducing the percentage to 29%. However, this has not been sustained and as at 31 August the figure is at 33%. The problem is particularly acute in more senior roles and in team leader positions which are harder to fill permanently due to market conditions. The uncertainty for staff undergoing the remodelling is also likely to have had some effect, but as above, the long term impact of the remodelling should be to improve the recruitment and retention position. In the short term CYP management are controlling agency costs through close monitoring and ensuring that all workers take appropriate leave. The combined cost of the agency staffing and the delay to the remodelling is forecast at £0.5m.

3.8. The total pressures described above on placements and staffing total £0.8m. Mitigating underspends have been identified in the Inclusion Service of £0.2m and CYP management will seek non-ringfenced grant opportunities to support appropriate expenditure and create further compensating savings of £0.1m. The DSG contribution of £0.3m in lieu of the former Education Services Grant can offset some of the cost of CYP management and education support services. This would leave £0.2m as a pressure which CYP are seeking to address to achieve a balanced position in year.

3.9. Elsewhere in the CYP General Fund the committed procurement savings and income targets must be met to avoid an adverse impact on the budget.

Community Well-Being (General Fund)

3.10. The Community Wellbeing department is forecasting to overspend by £0.5m.

3.11. Demand for homecare services has increased by 5% from June to August (since the previous report), an increase of 83 service users, which was 23 more than assumed in the budget. This additional increase can be partially explained by earlier discharges of service users from hospital to reduce Delayed Transfer of Care (DTOC) rates, but there is an element of unbudgeted growth. If not managed down by the end of the year this means an overspend of £0.3m, which is included in the current forecast.

3.12. The demand for nursing care has continued to grow across the first five months of 2017/18, with 376 clients as at 31 August, an 11% (38 client) increase since 1 April, when there were 338. The budgeted growth for business as usual demographic change in 2017/18 accommodates for an increase of nine clients across the full year.

3.13. A significant number of cases where nursing care was approved also relate to hospital discharges, and more specifically, the management of discharge delays. A lack of available appropriate provision means that clients are being discharged to more expensive nursing care settings due to lack of an alternative. The additional cost of this increase in demand means a forecast overspend of £0.5m.

3.14. The additional cost of £0.8m across nursing and homecare will be offset through the short term one-off DTOC related improved Better Care Fund (iBCF) funding programme. This is a specific intervention identified by the Council to support a reduction in hospital discharge delays by block purchsasing additional nursing beds and adding community care provision, as these are seen as a major alleviator of delayed discharges in Brent.

3.15. The Mental Health budget is projected to overspend by £0.5m. Although existing service users have moved from residential to supported living schemes and from supported living to general needs, these reductions have been largely offset by new demands. The Mental Health target number of placements was set as 75 (ten residential, and 65 supported living). The current number of placements is 115 (20 residential, and 95 supported living) which represents a pressure of £0.5m in 2017/18. A specialist team has been set up to support service users, whilst ensuring their safety, to move to less intensive provision and the intention is for the number of placements to reach 75 (15 residential, and 60 supported living) by the end of 2017/18. The Chief Operating Officer at Central and North West London NHS Foundation Trust and the CWB Strategic Director are closely monitoring this work.

3.16. The continuation of the Housing Association Lease Scheme (HALS) for Temporary Accommodation (TA) continues to be uncertain, with discussions with providers ongoing. So far both Genesis and Network housing associations have contacted the Council about increasing their management fees by approximately £15 per week per property.

3.17. HALS are one of the cheaper TA schemes (average £12 per week compared to an average of £60 per week across other TA schemes) and currently make up 54% of TA usage (1,370 families of the 2,538). Any changes will therefore have a significant impact on the budget and planned savings in this area. Cost increases are expected at the renewal of leases, and are estimated at a full year effect of £1m for all HALS. However, if it emerges, this pressure would be staggered over a two year period as the leases come due for renewal. Options for mitigation are being appraised, and negotiations with providers have commenced.

Regeneration & Environment

3.18. The Regeneration and Environment department is forecasting a budget underspend of £0.6m. The department's current budget pressures/risks are as set out below.

3.19. The contract to implement LED Lanterns in street lights was delayed last financial year due to technical procurement problems and legal challenges from unsuccessful bidders. The project to make street lights more energy efficient was expected to save £0.8m, which has been removed from the budget. However, the delay has meant an underachievement (and therefore a reported overspend) of approximately £0.6m in the service area

3.20. The revised LED implementation start date is set for 1 November. The service is confident this date will be achieved as the issues causing the previous delays have been resolved. However, a potential risk exists if the manufacturers fail to achieve the negotiated 8 week manufacturing lead time. This will further postpone the start date potentially leading to increased installation costs and lost revenue savings both in 2017/18 and 2018/19. The service has placed the manufacturing order and delivery is on track.

3.21. The Brent Transport Service 3 year joint passenger transport inter-authority agreement (IAA) model with Harrow went live September 2016. While operationally the merged service has so far proved capable of delivering a collective transport solution, rising costs during the first 10 months have become an area of growing concern. The latest forecast presented to Brent is a net overspend of £0.8m (an increase of £0.4m) driven principally by increased demand. While passenger number increases typically averaged between 5% and 7.5% in recent years, last year saw an 11.4% overall increase. Current data for 2017/18 indicates an increase of between 7.5% and 10%. The core requirements for passenger transport come from children and young people with Special Educational Needs and adults who are elderly or disabled. Demand management work continues, principally moving adult clients from day centres to other forms of provision, and to ensure Educational Health and Care Plans for children are robustly assessed so transport is definitely needed.

3.22. To offset these pressures, a line by line review has been undertaken of budgets throughout the directorate, and action has been taken to reduce costs to budget by holding vacancies in Highways and Parking. In total, in Environment Services a £1.2m offsetting underspend is forecast due to additional income in the Parking Service and the holding of vacancies. In Regeneration, the forecast for additional planning income has increased to £0.4m and a further £0.4m (relating mainly to vacant posts) has been identified due through the line by line review. This means a total of £0.6m underspend for the directorate.

Resources & PPP

3.23. As last quarter, Resources and PPP are forecasting a breakeven position against their 2017/18 budgets. However, as previously reported, there are known risks within the Customer Services budget in relation to the timing of the planned restructure and income generation within the Registrars and Nationality service and mitigating actions are being taken.

3.24. In addition, budget pressures have emerged within the HR department in relation to their £0.2m savings target for 2017/18, of this only 25% is expected to be achieved, so there is a risk that the department will overspend its current budget by approximately £0.15m. Mitigation actions are being put into place and, in any case, it is expected that the overspend will be contained through underspends elsewhere in the Resources department, so overall the forecast is on budget.

Central items - Collection Fund

3.25. The declining share of total council income made up by central government grants makes it increasingly important that the council monitors and maximises available income, even if, nationally, planned devolution of business rates does not proceed as previously envisaged. The first key source of income is Council tax. In order to deliver the plans set out in the budget, the total council tax payable needs to grow to £136.2m in 2017/18. As at 22 September this amount (technically, the gross debit) is materially the same as at 1 April, at £133.0m. Whilst there is considerable planned development of new residential properties the expected completion of many of these is in the latter half of 2017/18 and first half of 2018/19.

3.26. The council does not collect 100% of its council tax, so the other key element is the collection rate. The budget for 2017/18 set a challenging cumulative target collection rate for August of 48.1%, which has not been hit with an August actual of 48.04%. For comparison, last year the target was 47.3%, and actual collection was 47.94%. Officers are in regular discussions with the contractor responsible for collection in relation to their plans to achieve the required the collection rate by the end of the financial year. This is currently considered achievable.

3.27. The other key source of income in the collection fund is business rates. The council budgeted for total business rates payable of £133.2m. This figure is currently £135.2m, and is expected to grow slightly in year, so the council is above target. This income is vulnerable to economic conditions, and may rise or fall depending on changes to the economic climate.

3.28. As with council tax, the actual collection rate is important in determining how much money the council ultimately collects, at the end of August, the council's target was to have collected 46.89% of business rates, and only 46.38% was collected. The underperformance shown is primarily due to timing differences in payments expected from new ratepayers, and in recognising some of the income. Therefore at this point it is forecast that the council's collection rate will return to target, but this needs to be monitored throughout the year.

3.29. A detailed review of the Council's Council Tax and Business Rates assumptions is underway in preparation for the budget reports to Cabinet planned for December to ensure that the assumptions included in plans for future years remain appropriate. However, it is expected that for 2017/18 performance across Business Rates and Council Tax will be on budget.

Central items - Corporate Savings targets

3.30. The Council set challenging procurement savings between 2017/18 and 2018/19 of £3.5m and £4.5m respectively, predicated on saving 10% on a range of existing contracts. Realising these savings in 2017/18 has been challenging and has got off to a slow start where £1.5m or 44% of planned savings have been achieved so far. This shortfall is largely due to the re-letting of contracts where no savings were able to be negotiated and where contracts have yet to be re-let.

3.31. In order to address this risk, compensating savings of £1.9m have been identified to offset the shortfall in procurement savings in 2017/18 which offsets the pressure. These savings are factored into the forecasts. However, delivering these savings will require extensive effort across the council.

3.32. The Civic Enterprise savings of £5.6m were agreed between 2017/18 and 2018/19. Of this, £2.5m relates to fees and charges underpinned by comparing Brent to neighbouring authorities in order to bring charges in line including for services that were previously free, with £1.25m in each year. So far this year 50% of the target has been achieved. There remains a gap of £0.6m from the original target, which is forecast as an overspend in this area. Further proposals are being developed by service areas and will be reported to the Civic Enterprise Board, though none were ready for the last meeting and the item was deferred. As appropriate, any proposals will be brought to Cabinet to agree. Developing and delivering these proposals will need imagination to identify new opportunities for the council and drive to realise the income, which is why this is an area being prioritised as part of Brent 2020.

3.33. Overall, it is recognised that the Council has got off to a slow start in 2017/18 in the delivery of Procurement and Civic Enterprise savings, though for

Procurement the additional savings compensate for the shortfall. However, it should be noted that despite implementing reasonable contingency plans in 2017/18, there are still savings for 2018/19 that need to be delivered and therefore given the experience of 2017/18, further scrutiny will need placed on each procurement decision.

Central items - Capital financing and other central items

3.34. Historically, Capital financing has underspent due to delayed delivery of the capital programme. At the moment, this budget is forecast to underspend by £0.5m, reflecting the small underspend in the capital programme referred to above In addition, corporate debt collection targets are forecasts to be exceeded, offsetting the shortfall in corporate savings targets, above. Together, these offset the £0.6m shortfall in corporate savings targets, above.

3.35. Other areas of central items are expected to be on budget in 2017/18.

Dedicated Schools Grant

Table Three: Dedicated Schools Grant 2017/18

Dedicated Schools Grant	Budget as at July 2017	Forecast spend	Variance
	£m	£m	£m
School Budget Shares	141.6	141.4	(0.2)
Inclusion Service	27.4	27.2	(0.2)
Early Years	24.0	24.0	0.0
Central Services and Pupil Growth	8.9	8.4	(0.5)
Total DSG Expenditure	**201.9**	**201.0**	**(0.9)**
Total DSG Income	**(201.9)**	**(201.7)**	**0.2**
Total net DSG funded activity (to table one)	**0.0**	**(0.7)**	**(0.7)**

3.36. The Dedicated Schools Grant (DSG) expenditure and income budgets for Brent total £312m before recoupment of funds by the Department for Education (DfE) to fund the borough's Academies. This figure therefore represents the total cost of funding education to early years and school age pupils in the borough. Recoupment is expected to total £110m, so the borough will receive £202m of DSG and Sixth Form grant. This is £5m less than previously reported, with the correction relating to recoupment for high needs places, mainly at the Manor School which converted to Academy status this year. An underspend of at least £0.7m is forecast in 2017/18.

3.37. There are known DSG underspends on the school budget share budget and school growth allocation forecasts. The Floreat free school was included in the mainstream funding formula budget, but will no longer be opening, causing an underspend of £0.2m.

3.38. Additional placements in SEN provision are expected to increase spend in the High Needs block compared to last year so no underspend is forecast at this stage. Further work is being carried out to review these budgets ahead of 2018/19. An underspend against the capital charges budget for The Village School is forecast due to interest rates remaining low.

3.39. The Early Years block of the DSG was rebalanced for 2017/18, but it is possible that there will ultimately be an underspend. The numbers of parents who have opted for the extended 30 hours' free child care for three and four year olds is lower than budgeted. Original budgets were set in line with DfE forecasts and it is not currently known whether the grant income will be reduced commensurately. For this reason the underspend is not currently reported.

3.40. The rate of growth in Primary school numbers has slowed, the budget was reduced for 2017/18 by £1m, but given the final underspend in 2016/17 was £2m, a variance of at least £0.5m against the growth budgets is anticipated this year. The demographic increase to pupil numbers is expected to impact the Secondary school phase from the autumn of 2017, and a more definitive forecast will be available after growth allocations have been calculated following the October schools census.

3.41. The Early Years Block grant income figure provided by DfE is based on the previous year and is therefore indicative. Final funding depends upon actual provision as per the early years census. An reduction of income of £0.114m has already been made in 2017/18, and this relates to the January 2017 early years census which showed that provision as measured by FTE had fallen by approximately 30 compared to the previous January. Although a relatively small adjustment this is significant in that there has been a swing from growth to a reduction in early years numbers. The previous year's adjustment was an increase of £0.272m representing growth of approximately 80 FTE.

Housing Revenue Account

Table Four: Housing Revenue Account 2017/18

Housing Revenue Account	Budget as at July 2017	Forecast spend	Variance
	£m	£m	£m
Housing Repairs	9.0	9.7	0.7
General and Special Management	16.7	16.8	0.1
Bad Debt Provision, Rent, Rates and Services	2.3	2.5	0.2
Capital Financing and Depreciation	29.1	29.1	0.0
Total HRA Expenditure	**57.1**	**58.1**	**1.0**
Rental Income	(49.8)	(49.5)	0.3
Service Charges and other Income	(3.3)	(4.6)	(1.3)
Total HRA Income	**(53.1)**	**(54.1)**	**(1.0)**
Total net HRA funded activity (to table one)	**4.0**	**4.0**	**(0.0)**

3.42. Overall the HRA is forecasting to spend within the proposed budget.

3.43. A number of variances have been identified as would be expected against a budget with gross expenditure of £57m. These relate to repair led pressures of £0.7m due to increased demand for both Gas and Lift servicing and repair, and the additional cost of recruiting two fire safety officers. Dwelling rents are showing under-recovery of income of £0.3m. It is envisaged that these costs and the under-recovery of income will be offset against the £1.3m over recovery of income on leaseholders' major works due to increase in the billing of leaseholders for capital works.

Capital - Overall

3.44. The Capital programme as a whole has a 2017/18 budget of £239m, two-thirds of which relates to Housing. The Forecast Outturn is currently £227m or 95% of target. It is forecast to underspend by £12m, a reduction of £16m since the previous report (and of which £6m is reported this month). Further detail about the movement is provided in each Board's section, below.

3.45. The budget has increased since the previous report as a result of approval of projects, including detailed profiles for Section 106 and neighbourhood CIL schemes (£7.5m), childcare places in schools (£1.6m), Gordon Brown additional funding (£0.3m), Digital Strategy (£2.1m) and Transport for London (TfL) additional funding (£0.5m). Where the increases do not relate to new, ringfenced funds which must be expended for the purposes specified by the funder, they have been approved under delegated authority, or by Cabinet.

3.46. Officers continue to work to secure additional funds through grants and contributions (for example from other public bodies such as TfL) within agreed policy objectives. To secure this money the Council has to make commitments to the funding body, and this sometimes includes taking on additional, fully funded spend. The current financial regulations require Cabinet approval for any new spend. However, to ensure that the Council has the agility and flexibility to incorporate and deliver this kind of additional spend (funded by ring-fenced grants and contributions), and to avoid reports at short notice seeking from Cabinet the required approval for relatively small amounts of money, it is recommended that authority to increase existing budget lines to reflect such spend is delegated to the Chief Finance Officer.

3.47. In general, Capital spend mainly happens towards the end of the year, and usually a third of spend takes place in the first half of the year. This is the profile shown in the graph in the summary. £68m of spend to date indicates an outturn position of around £208m compared to the current forecast of £227m. Much of the additional spend in the last two months relates to programmes funded by direct grant, which adds some comfort.

3.48. Spend-to-date at £68m in six months of 2017/18 is already the same as spend over eleven months in 2016/17 (budget of £223m and outturn of £101m), therefore it is clear that the programme is on track for far higher spend in 2017/18 (forecast of £227m and budget of £239m) than 2016/17.

3.49. However, concerns remain about the tendency of contractors not to send in invoices until the last couple of months of the financial year. Whilst the Council is required to account for spend incurred in-year regardless of the actual timing of the invoice, this tendency could generate a risk of increased underspend on the Capital Programme if not all adjustments were identified and made, as well as affecting the Council's statutory duty to produce its 2017/18 accounts by 31 May 2018 and have its audit completed by 31 July (two months earlier than the 2016/17 deadline). Project managers have therefore been requested to ensure that invoices are submitted promptly for payment and contractors are reminded to invoice on time. Where spend is actually incurred later in the year there is a risk of last minute delay due to inclement weather which may drag spend into future years.

Capital - Housing Care Investment Board

3.50. Overall, the largest Board expects to deliver £146m out of £154m budget with PRS (I4B Holdings Ltd), HRA Acquisitions and NAIL refurbishment schemes on track to deliver to budget. The forecast net £8m underspend is detailed in this section.

3.51. The Investment strategy linking capital spend to corporate objectives around affordable housing and social care accommodation was signed off in April 2016. A wholly owned investment vehicle – I4B Holdings Ltd (I4B) – was established late in 2016, and the company is now operating. The first two tranches of Private Rented Sector (PRS) spend, totalling £50m, have been approved with a view to purchasing 150 properties. The overall agreement in principle is £100m for 300 properties but, by splitting this into tranches, Cabinet is able to review progress and performance. The next planned request for £50m is expected to go to October Cabinet, along with the proposals for development of I4B's 2018/19 business plan.

3.52. As previously reported, the purchasing cycle has been reduced from six months to to four months with a target of three months (with the exception of existing tenanted properties) by making various improvements, most recently external buying agents have been appointed, and this is expected to generate further progress towards the three month target. Currently, 65 properties are owned and it is anticipated that further properties up to £45m will be purchased by the end of 2017/18. This is forecast as an over-delivery of £10m against the current year budget of £35m. This was previously expected to underspend, and accounts for the majority of the movement since the last report.

3.53. Development schemes are currently predicted to underspend by £11m on a budget of £23m, this is because infill schemes tend to be challenging due to their small sizes and complexity. There was a loss of units due to the scale of some schemes being reduced through the planning process, which also caused delays so the construction stage is now expected to extend into 2018/19. In-house Property-delivered schemes (Church End, Knowles House, and London Road) are forecast to only deliver £6m out of £21m due to over-programming.

3.54. Over £100m has already been approved in relation to the overall NAIL programme, but there are further approvals on a scheme by scheme basis. 351 units over the next three years (out of a planned 415 units) should contribute to the Council's existing savings targets (£6.1m out of £7.2m required savings over the next three years, with more to come by this and other means). The capital programme for NAIL is expected, materially, to spend to budget in 2017/18. However, Plot 3 is not forecast in 2017/18 until there is clarity over the status of the scheme and its budgets remain in 2018/19 onwards.

3.55. The Council is purchasing the headlease of Manor Court and Lodge Court to generate revenue savings on rental in the HRA. This is expected to be concluded in October at a total (including costs) of £10m.

Capital - Other Boards

3.56. Corporate Landlord (IT, Property, Energy) expects, subject to negotiations, to make the final payment on the Civic Centre and the approval of the digital strategy has increased the overall budget. The Corporate Landlord Board met for the first time in early September and began a comprehensive review of all projects. A detailed plan for its £0.8m budgeted spend on the rest of the Civic Centre was reviewed by the Board. The CHP Energy Project moved into the remit of the Board as all the works are commissioned by the Energy Team but it has been agreed that the deadlines of the South Kilburn Team will still be key. All of this led to a revision downwards to the Board's forecasts by £1.3m and an underspend of £0.8m reported. At the next quarterly meeting, the Board will review carbon emissions, other property management plans and the IT budget.

3.57. Schools Programme Board is reporting on budget. The spend relates to three of the primary school builds (Uxendon, Byron Court and Stonebridge). This is in relation to a delay in award of the stage two contract by one month while these costs are reviewed by the programme team and a value engineering exercise undertaken. This is being closely monitored but so far the project managers feel that the budget can be delivered. The slight increase (£1.9m) in the budget is due to Gordon Brown Outdoor Education Centre requesting additional budget (£0.3m) and the spend on free childcare places in schools (£1.6m).

3.58. Public Realm board consists of Highways, Parks, Sports and Street-Lighting, and is reporting a £7m underspend. There has been an extended delay on the Street-lighting project. Delivery was originally expected to be completed within 2016/17 but due to procurement delays, it will only start on site in October 2017. The contracted price is also expected to cost £1.5m less than the budget, generating an in-year underspend of £3.9m (£2.4m of which is related to delays). CCTV is predicting a £0.8m spend out of £2.3m in 2017/18. Unfortunately, a few months‘ delay can lead to this impact as the spend is usually weighted towards the end of the project. The difference between the original and revised budgets relates to £3.6m of Transport for London spend and £5.6m of S.106 and Neighbourhood CIL spend, the majority of which is currently being commissioned from contractors.

3.59. Regeneration spend relates primarily to Housing Zones. The purchase of Ujima House (£4.9m) has already taken place. The majority of the £3.2m growth relates to expenditure funded by direct grant, such as the £0.7m S.106 schools obligation to Ealing or the many small Neighbourhood CIL grants. The Tricycle Theatre project is expected to complete in 2017/18 (£1m), as they are due to open in April 2018.

3.60. The forecast for South Kilburn has increased to £15.7m, as spend to date is £5.4m. This is £4m more than the revised budget. The outturn depends on decisions made by leaseholders to accept Council offers so it is challenging to get an accurate forecast. However, the early agreement over the £2.7m purchase of the Post Office site in the land North of Chippenham Gardens means it was possible to increase the forecast. In addition, work to re-base the South Kilburn budget nears completion, so the Council will have a more accurate estimate of future costs and an understanding of the resources supporting the regeneration scheme.

Conclusion

3.61. Currently, the forecast shows that the financial position for the Council in 2017/18 is broadly on target with revenue overspend in Community Wellbeing offset by underspend in Regeneration & Environment, lower than expected growth in Council Tax offset by higher than expected Business Rates, and underspends on DSG and Capital.

3.62. However, there are some risks identified that could develop into structural issues if the Council is unsuccessful at addressing them. In particular, changes in the temporary accommodation market could significantly increase costs, and action needs to be taken now to ensure that the Procurement and Civic Enterprise savings for 2018/19 are delivered. Subject to these plans being delivered, no new major cost pressures emerging, and the savings agreed by full Council being delivered, the Council should spend within its budget in 2017/18.

3.63. Work is underway to update the financial strategy and budget for 2018/19 and future years to ensure that the Council remains on a secure financial footing.

4. Financial Implications

4.1. This report is about the council's financial position in 2017/18, 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.

Contact Officers
Conrad Hall
Chief Finance Officer
Brent Council
020 8937 6528
conrad.hall@brent.gov.uk