



Cabinet
15 October 2018

**Report from the
Chief Finance Officer**

Quarter 2 Financial Forecast 2018/19

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	N/A
Background Papers:	N/A
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1.0 Purpose of the Report

- 1.1 This report sets out the current forecasts of income and expenditure against the revenue budget for 2018/19 and other key financial data.
- 1.2 There is a forecast overspend of £1.5m in the Children & Young People department. The other departments are forecast to spend to budget, although there are some expenditure pressures and risks. Work is underway to ensure that these overspends are constrained, and reduced where possible, as explained in the detail below.

- 1.3 Table One summarises the overall position. The report then sets out more detail on a department by department basis.

Table One: Overall revenue financial position 2018/19

Department	Budget	Forecast spend	Variance
	£m	£m	£m
Children & Young People	41.0	42.5	1.5
Community Wellbeing	132.3	132.3	0
Performance, Policy & Partnerships	9.9	9.9	0
Regeneration & Environment	38.2	38.2	0
Resources	36.0	36.0	0
Subtotal Service Area Budgets	257.4	258.9	1.5
Other Expenditure	8.5	8.5	0
Subtotal Net expenditure	265.9	267.4	1.5
Business Rates, Council Tax and Specific Grants	(265.9)	(265.9)	0
Total General Fund	0	1.5	1.5
DSG funded activity	0	0	0
HRA funded activity	2.5	2.5	0
Overall position	2.5	2.5	0

- 1.4 A forecast overspend of £1.5m at quarter 2 is a greater overspend than has been forecast in either of the two previous financial years. This emphasises the continued need for strong financial management.

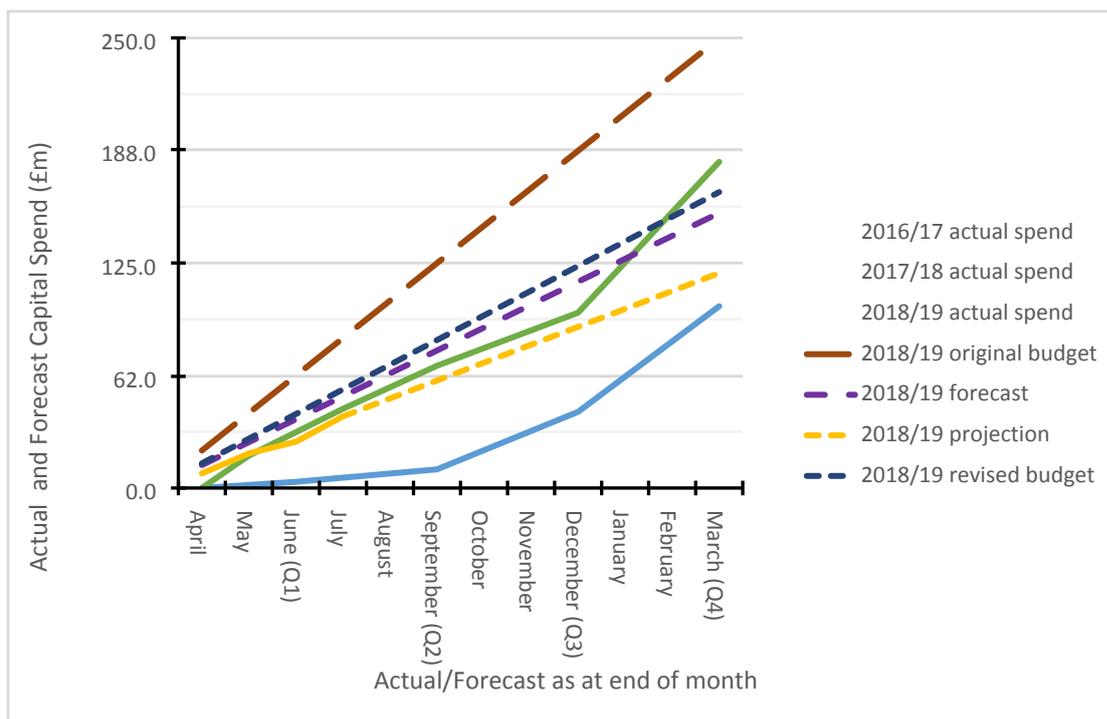
1.5 The Capital Programme is currently forecast to underspend by £11.6m, principally on South Kilburn, Public Realm and the Schools as shown in table two below. The reasons for the underspends are detailed in section three below.

Table Two: Overall capital programme position 2018/19

Net revenue spend is forecast to be contained within the agreed budget

2018/19	Original Budget (Incl. 17/18 c/fwds)	Revised Budget	Forecast Outturn	Variance
	£m	£m	£m	£m
Corporate Landlord	7.8	6.6	6.1	(0.5)
Regeneration	8.7	9.3	9.1	(0.2)
South Kilburn	8.2	18.4	13.8	(4.6)
Public Realm	19.5	22	18.1	(3.9)
Schools	24.4	28.7	26.2	(2.5)
Housing	21.9	12.7	12.9	0.2
Housing Revenue Account	53.8	32.7	32.6	(0.1)
Invest For Brent	55.5	34	34	0
Pipeline	50	0	0	0
Grand Total	249.8	164.4	152.8	(11.6)

- 1.6 In previous years the council has underspent on its capital budget, as shown in the chart below. Expenditure in 2018/19 to date has started slowly, so there are some risks around deliverability of the year's capital programme and the reliability of the forecast.



2.0 Recommendation

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

3.0 Detail

Children and Young People (General Fund)

- 3.1 The Children and Young People department is forecast to overspend by £1.5m. This compares to a broadly balanced budget position in 2017/18. The overspend is mainly caused by the growth in demand for Children's Social Care in the last 12 months. There are three main demand led causes of the overspend; higher numbers of cases in the Localities service, higher spending on supporting children in care and care leavers in need, and increased numbers of Looked After Children (LAC) placements. Some of the overspend can be contained through management action and from identified underspends. Any residual overspend at the year end will be met from departmental reserves.
- 3.2 The total number of reported cases of individual children supported by the Localities team in July 2018 is 1,675. Following the social work realignment which committed to safe social work case-loads the budgeted establishment can support 1,480 cases. This was based on the demand levels a year ago, but since then there has been an increase in the number of referrals, particularly from partner agencies, resulting in a higher number of children in need. The Ofsted inspection report states the service 'makes good decision about level of risk and need', but it recognised that partner agencies should be completing more early help assessments. CYP are working with partners to enable this, which should reduce the number of statutory assessments taking place.

- 3.3 Consequently the Localities service is currently over-established by approx.15 FTE, and one third of case holding staff are agency workers. Should this continue throughout the year the overspend will be £1m. Management are taking action to contain costs by ensuring that Agency staff take holidays, limit the length of any handover periods, and making sure cases are closed when appropriate, but the commitment to safe case loads per social worker will result in a significant overspend if this level of demand continues.
- 3.4 Spending by the LAC and Permanency service on supporting children in care and care leavers in need has so far increased compared to last year and this will result in an over spend. Some of this spending is discretionary or emergency by its nature, but management are implementing spending controls to contain this. The total cases held within the LAC and Permanency service are within the safe thresholds recommended by Ofsted and so it may be possible to reallocate social work resources to mitigate other overspends, though the number of care leavers is forecast to rise. The forecast for LAC and Permanency is £0.5m overspent.
- 3.5 The total number of Looked After Children (LAC) is just under 320, which is the number used as the basis of the placements budget, but there are significant cost pressures. There are now fewer Unaccompanied Asylum Seeker Children (UASC) within the LAC cohort, which means that fewer of the placements are supported by the government's UASC grant and so this is a pressure on CYP budgets. In addition there has been inflation in the costs charged by the Independent Fostering Agencies (IFA). The largest pressure is that the mix of placements now includes five new high cost residential placements which were made during Q1 2018, which have added £1m of cost pressures. The service's forecasts assume that work will be done to step down certain higher cost placements where safe to do so, including into the semi-independent block contract for young people. For context the number of LAC in Brent is 42 per 10,000 compared to the national average of 60 per 10,000. Considering the high numbers of cases in the Localities service it is expected that the number of LAC in Brent will increase. The forecast overspend on placements is £1m.
- 3.6 In mitigation against these pressures CYP management are identifying commissioning actions for placements including a renewed focus on the regional commissioning arrangements, and other underspend opportunities. Work has also begun on making savings for 2019/20 which if implemented early will contain the overspend position to a forecast £1.5m.

Community Well-Being (General Fund)

- 3.7 The Community Well-being department has a budget of £132.3m and is forecasting to manage expenditure within this. Within this Culture (budget of £5.3m) and Public Health (budget of £21.7m) are both forecasting to break-even and at this stage no significant risks to this have been identified.
- 3.8 The Adult Social Care net budget is £105m including BCF funding. As at quarter two Adult Social Care is forecasting to spend within budget. Adult Social Care is expected to make £2.4m of savings in 2018/19.
- 3.9 Most (£1.9m) of these savings are expected to be delivered through the New Accommodation for Independent Living (NAIL) programme. This will be a

challenging saving to achieve due to delays in the private market delivering NAIL schemes which has consequently led to further delays to the Council to mobilise these schemes. The total planned NAIL savings are still expected to be delivered, but later in the programme life. Therefore, it is likely that at least some of the planned NAIL savings for this financial year will need to be funded through the iBCF grant in this financial year only.

- 3.10 The other planned saving of £0.4m of additional Continuing Healthcare Funding is at present forecast to be achieved. However, it is also proving to be challenging to sustain as there has recently been a reduction in funding for jointly funded packages following recent reviews where it has been determined that these packages no longer have the same level of ongoing health requirements as when the packages were previously assessed. The department is continuing to challenge the CCG decisions robustly, but joint funding remains a key risk.
- 3.11 There has been a significant growth in the demands for Older People's and Learning Disabilities Services which reflects demographic growth but also an increase in acuity meaning that the Council is receiving more cases of older people with multiple long-term conditions including Dementia and younger adults with more complex Learning Disabilities. If these trends continue this will create a budget pressure for Adult Social Care.
- 3.12 The 2018/19 non-HRA housing net budget is £7.3m and is forecast to spend within budget, although there is a significant risk of £0.5m as the continuation of the Housing Association Lease Scheme (HALS) for Temporary Accommodation (TA) is at risk. . HALS are seen to be one of the most cost effective TA schemes and currently make up 49% of TA usage (1,145 families of the 2,353). On average, HALS schemes used to cost £15 pw compared to an average of £60 pw across the other types of TA scheme. From June 2018, the HALS fee was increased by £20pw to ensure the continuation of the supply. The cost increase for 2018/19 is forecasted to be £1m for 18/19. This is being partially offset by the use of the Flexible Homeless Support Grant, resulting in the net forecast spend to budget on non-HRA housing.

Performance, Policy and Partnerships

- 3.13 Performance, Policy and Partnerships is forecast to break even. No issues are identified at this point.

Regeneration & Environment

- 3.14 Regeneration and Environment department is currently forecasting to spend within budget, although risks of £0.4m have been identified.
- 3.15 This risk largely stems from the Parking and Street lighting service which is forecasting a potential over spend of £0.5m. This is attributable to a shortfall in income from parking permit sales, pay & display usage and enforcement. This is offset by an increase in revenue from suspensions and dispensations.
- 3.16 SEN demand remains a concern to the department. The Brent Transport Service typically experienced average passenger number increases between 5% and 7.5%. However, unprecedented increases in 2016/17 of 11.4% and in 2017/18 a further increase of 22% causing a budget overspend of £1.3m, has

placed both operational and financial pressure on the service. Further demand increase is forecast to impact 2018/19 resulting in a projected budget pressure of £3.8m which this year the pressure has been managed through a combination of corporate contingencies and earmarked reserves set up for this purpose. Going forwards the pressure has been accounted for as part of the budget process.

- 3.17 R&E also hosts a large number of services that are responsible for volatile income budgets where actual demand may turn out to be different to that modelled, such as in Parking and Planning. At present it is anticipated that management action across the department can contain the risk of an overspend within Parking.

Resources

- 3.18 The Resources department is forecast to breakeven overall. However, there are emerging risks within the Property budget in relation to the timing of delivery of planned savings. Mitigating actions are being planned to offset these risks, so at present the overall forecast remains on budget

Central items - Collection Fund

- 3.19 The budgeted net collectible amount for Council Tax (after exemptions, discounts and Council Tax support) is £143.2m. The actual net collectible amount as at July 2018 was £140.7m, an increase of £0.2m since May 2018. This is expected to increase further during the year as more properties are built in the borough and recorded with the Valuation Office Agency, but is unlikely to achieve the budget set this year. This is being closely monitored, and the shortfall is forecast to be eliminated over the timeframe of the medium term financial plan. For context, the budgeted net collectible amount in 2017/18 was £132.9m and the actual amount at the end of the year was £132.5m. As at the end of July 2018 the amount collected was 0.2% higher than the in-year target, an improvement compared to the previous year.
- 3.20 The budgeted net collectible amounts for Business Rates (after exemptions, reliefs and discounts) is £133.7m. The actual net collectible amount as at July 2018 is £134.5m, an increase of £0.2m since May 2018. This figure can vary during the year as new assessments are made, which may be entitled to certain reliefs, and assessments are deleted, if businesses either leave the borough or go into administration. As at the end of July 2018 the amount collected was 0.4% lower than the in year target. This is not a cause for concern as it is primarily attributed to the timing of recording income and performance is expected to get back on track during the year.

Central items - Corporate Savings targets

- 3.21 At present two corporate savings targets are held centrally, Procurement and Civic Enterprise savings.
- 3.22 Procurement savings of £8m were committed between 2017/18 and 2018/19. The target for 2018/19 is £4.5m and a balance £2.2m remains as at quarter two. Further work is being undertaken to manage this as the pipeline of contracts is regularly reviewed and so far an estimated £1m of further savings have been identified to go against this target over the course of the year. This

work will continue and it is expected that in the medium term this target will be achieved.

- 3.23 Civic Enterprise savings of £2.5m were committed between 2017/18 and 2018/19. £1.3m of savings have been delivered, leaving a balance of £1.2m as at quarter two. Further work is being undertaken to identify additional income streams to be badged against this target and it is expected that this target will be achieved in the medium term.

Central items - Capital financing and other central items

- 3.24 The capital financing budget for 2018/19 is £23.0m, this is currently forecast to be spent as below. Zero variance on this is being forecast.

	£m
Interest Payable	23.5
Interest Receivable	(14.1)
Capital Financing and Minimum Revenue Provision	13.6
Total	23.0

Dedicated Schools Grant

- 3.25 The Dedicated Schools Grant (DSG) is expected to spend within budget, its expenditure budget totals £315m which is supported by £312m of grant income and £3m of DSG reserves released in consultation with Schools Forum. The £315m represents the total cost of funding education to early years and school age pupils in the borough before recoupment of funds by the Department for Education to fund the borough's Academies.
- 3.26 There should be little volatility in the net position of the funds allocated to schools (£229m), the funding formula is already set for 2018/19 and in-year academy conversions will have little net impact. The Early Years Block is worth £24m and 95% is passed on to fund providers, with 5% (£1.2m) funding early years support.
- 3.27 The Central Block of the DSG (£2.4m) funds central services for schools and this is forecast to spend to budget at this stage.
- 3.28 The main risks of variance to budget are in the High Needs Block (£54m), and the growth budget which is funded from the main schools block. The High Needs block underspent in recent years but is now experiencing growing demand led pressures. The block supports high needs pupils in specialist provision, in mainstream settings, and provides specialist support services. Although there has been an increase in the amount of in-borough places, which are less costly than places out of borough, the increase in number of High Needs children and increased severity of need means there is a forecast overspend of £1m on the total cost of these placements. The rise in demand includes increased numbers of post 16 places where approx. 180 young people are now supported compared to 150 in the previous year. The number of Education Health and Care Plans (EHCPs) is approximately 2,200, compared to 1,600 statements 3 years ago. Many of these plans are for children in

mainstream settings, and additional funding is allocated to the schools according to need. This is an additional pressure on the High Needs Block. Work is continuing with a Schools Forum sub-group on addressing the pressures for the 2019/20 budget.

- 3.29 There is a risk of underspend of £1m against the growth contingency budgets of £3m, which are prudently set aside for localised primary growth and for the demographic bulge in Secondary phase pupil numbers. Allocations will be known at the end of the autumn term, but the indications from the number of primary place offers made indicate a likely underspend on these reserves.
- 3.30 It is expected that the underspend on growth budgets will substantially compensate for an overspend on high needs, and DSG reserves can be called on if required. The blocks will continue to be monitored and reported to Schools Forum in addition to Cabinet.

Housing Revenue Account

- 3.31 Overall the HRA is forecasting to spend in line with net budget of £2.5m. However, there are some emerging unbudgeted pressures estimated at £0.3m that will require mitigating action plans to ensure it is contained within existing budgets. Salary budgets will partially offset this cost during the transformation programme due to a number of posts being unfilled partway through the year, but other HRA budgets will need to be challenged to mitigate the total risk.
- 3.32 The £0.3m pressures relates to £0.1m for cleaning contract inflationary uplift higher than budgeted for, £0.1m to fund a new tenants employment hub, and £0.1m for un-accrued payments to third parties for decanting tenants in previous years.
- 3.33 The £1.3m savings target expected as a result of implementing the transformation programme is still on track to be delivered in 2019/20.

Capital – Overall

- 3.34 The programme as a whole currently stands at £164.4m. £221.2m was originally approved in March 18 by full Council which was subsequently increased by £28.6m to £249.8m to take account of 17/18 carry forwards. Since then the original budget has been revised to take account of budget virements and an extensive re-profiling exercise across the three year programme. The programme is currently forecast to spend £152.8m for the year which is 93% of the revised budget.

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Grand Total	249.8	164.4	152.8	(11.6)

Corporate Landlord

- 3.35 Cabinet originally agreed a budget of £7.8m. Transfer of the Energy scheme to South Kilburn and other minor changes reduced the budget to £6.6m. At this stage the programme is showing underspend of £0.5m. The digital strategy is forecasted to underspend by £1.5m with mobilisation issues meaning that most of the expenditure is now expected to occur in 19/20 and 20/21. However this has been offset by overspends against the ICT budget carried forward from 17/18, which is a particular concern as this budget also overspent last year.

Regeneration

- 3.36 The programme is currently forecasting to spend £9.1m or 98% of budget for 2018/19 with the underspend spread across a number of smaller projects. At Stonebridge Park discussions with the developer to agree a concept design have now been concluded, allowing the Council to progress a scheme with NAIL, community facilities and enterprise centre on top of the leisure centre as well as additional housing. On Wembley Housing Zones a general consent

order for disposal of the Copland school site has been submitted and we await confirmation from the EFA that the site is not required for a free school.

South Kilburn

- 3.37 South Kilburn Regeneration scheme is forecasting to spend £13.8m of the £18.4m budget for 18/19. The £4.6m variance is spread across several schemes however the main contributory factor is difficulties in meeting the acquisition targets in accordance with the current programme. There are on-going discussions with the Property team to put in place a recover plan and potentially come up with a more realistic forecast of acquisitions to be delivered in the financial year.
- 3.38 The Energy centre scheme (£0.9m) has been transferred from Corporate Landlord into South Kilburn, as operationally this aligns better with the works being undertaken at South Kilburn.

Public Realm

- 3.39 The expected outturn for the programme is currently reported as £18.1m against an approved budget of £22m. This is mainly due to delays in implementing section 106 (s106) funded schemes within the highways and infrastructure portfolio. A review of s106 schemes is ongoing and if it is determined that some of these budgets are no longer required they will be removed from the programme. The Street lighting (LED) programme is expected to underspend by £1.1m in 2018/19. The majority of this (£0.7m) relates to contingency which is not expected to be used, and the remainder (£0.4m) as a result of less lanterns being installed than previously planned.

Schools

- 3.40 The expected variance for the schools programme is £2.5m in 18/19. The main reason being a reduction in the Phase 4 Primary programme forecast. This was necessary as a decision on future strategy is due to be taken by Cabinet once the School Place Planning Strategy is presented in November 2018 and funds will not be committed before then. In addition to this there has been a release of unused contingency that was built into the school place expansion programme. The School Capital Improvement programme forecast has also been reduced to reflect the need to re-schedule works from 18/19 to 19/20 to address previously unforeseen requirement to undertake works in the next significant school holiday period.

Housing Care Investment

- 3.41 Cabinet originally agreed a total Housing budget of £131.2m for 2018/19 (Housing GF, HRA & I4B) which was revised to £79.4m after taking account of 17/18 carry forwards and the re-profiling exercise. The most notable movements relate to the Church Road and to a lesser extent the NAIL (HRA) schemes, both has been re-profiled to future years. The programme budget for 2018/19 was also initially expected to cover the Plot 3 project which is now unlikely to progress as the developer's request to consider a leasing scheme was reviewed and rejected. Alternative NAIL proposals are now being considered.

- 3.42 The main variance for 18/19 relates to the NAIL Purchase and Refurbishment project which is expected to overspend by £0.4m although this overspend has been reduced by a small saving in planning fees.

i4B

- 3.43 The i4B programme has spent £12m as at July 18 and is on track to spend to budget, completing the acquisition of approximately 100 properties by March 2019.

Pipeline

- 3.44 The pipeline provision (£50m) has been pushed back into 19/20 as it is unlikely that any pipeline schemes will be approved and ready to spend during the current financial year. A report is scheduled to Cabinet in Oct/Nov setting out in detail the capital pipeline proposals and making recommendations as to which schemes should be prioritised for the main programme. This is necessary as the proposals include over 100 individual potential schemes worth £1bn, which exceeds the c£400m provision built into the current three year programme.

Conclusion

- 3.45 Currently, the forecast shows that the revenue financial position for the council in 2018/19 is of a forecast £1.5m overspend, with action being taken to limit the overspend, and prevent it getting larger. There are some further risks identified that could develop into overspends if the council is unsuccessful at addressing them.
- 3.46 Since the quarter 1 report, work has been undertaken on the profiling of the capital budget, and the forecast expenditure for 2018/19 of £152.8m is challenging, but achievable

4.0 Financial Implications

- 4.1 This report is about the council's financial position in 2018/19, but there are no direct financial implications in agreeing the report.

5.0 Legal Implications

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

6.0 Equality Implications

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

7.0 Consultation with Ward Members and Stakeholders

- 7.1 None.

Report sign off:

CONRAD HALL
Chief Finance Officer