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|  | <b>Cabinet</b><br>14 October 2024  |
|   | <b>Report from the Corporate Director<br/>of Finance and Resources</b>   |
|   | <b>Lead Member - Deputy Leader,<br/>Cabinet Member for Finance &amp;<br/>Resources<br/>(Councillor Mili Patel)</b> |
| <b>Quarter 2 Financial Forecast 2024/25</b>                                       |  |

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| <b>Wards Affected:</b>  | All  |
| <b>Key or Non-Key Decision:</b>   | Key  |
| <b>Open or Part/Fully Exempt:</b><br><small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small> | Open   |
| <b>List of Appendices:</b>  | Two:<br>Appendix A: Savings Delivery Tracker<br>Appendix B: Prudential Indicators  |
| <b>Background Papers:</b>   | None   |
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## 1.1 Executive Summary

1.2 This report sets out the financial forecast for the General Fund revenue budget, the Housing Revenue Account, the Dedicated Schools Grant and the Capital Programme, as at Quarter 2 2024/25.

1.3 The Council's revised General Fund revenue budget for 2024/25 is £386.7m. There is a forecast overspend of £14.4m against the revenue budget at quarter two. If sustained until the year end, this would require a transfer from unallocated reserves. Equally, any overspend not dealt with in 2024/25 could potentially carry over into following year, therefore increasing the requirement for further savings whilst at the same time depleting the Council's reserves. The Council is taking a number of mitigating actions, including continuing to implement spending controls, in order to contain

identified pressures. The current budget also reflects £8m of savings that are set out in Appendix A.

1.4 There are also potential budget pressures being reported within the Housing Revenue Account as a result of considerable savings being required following rent limitations imposed by central government in previous years and increased demand and costs associated with repairs. Further details are set out in section 7. The Dedicated Schools Grant is reporting a £0.4m overspend, however there remains a legacy deficit of £15.1m that presents a significant risk. Further details are set out in section 6. There is significant risk within the delivery of the Capital Programme due to the complex nature of the projects within it which may result in slippage. Further details can be found in section 8.

1.5 The tables below show the forecast position against budget for the General Fund, Dedicated Schools Grant and Housing Revenue Account.

|  | <b>Budget</b>  | <b>Forecast</b> | <b>Overspend /<br/>(Underspend)</b> |
|--|----------------|-----------------|-------------------------------------|
|  | <b>£m</b>      | <b>£m</b>       | <b>£m</b>                           |
| <b>Community, Health and Wellbeing</b>             | 156.3          | 154.2           | (2.1)                               |
| <b>Children and Young People</b>                   | 91.0           | 90.5            | (0.5)                               |
| <b>Neighbourhoods and Regeneration</b>             | 29.4           | 28.4            | (1.0)                               |
| <b>Law and Governance</b>                          | 13.8           | 13.4            | (0.4)                               |
| <b>Finance and Resources</b>                       | 17.2           | 16.6            | (0.6)                               |
| <b>Partnerships, Housing and Resident Services</b> | 38.8           | 52.8            | 14.0                                |
| <b>Subtotal Service Area Budgets</b>               | <b>346.5</b>   | <b>355.9</b>    | <b>9.4</b>                          |
| <b>Central Budgets</b>                             | <b>40.2</b>    | <b>45.2</b>     | <b>5.0</b>                          |
| <b>Total Budget Requirement</b>                    | <b>386.7</b>   | <b>401.1</b>    | <b>14.4</b>                         |
| <b>Funding</b>                                     | <b>(386.7)</b> | <b>(386.7)</b>  | <b>0.0</b>                          |
| <b>Grand Total General Fund Budgets</b>            | <b>0.0</b>     | <b>14.4</b>     | <b>14.4</b>                         |
| <b>DSG Funded Activity</b>                         | 0.0            | 0.4             | 0.4                                 |
| <b>Housing Revenue Account (HRA)</b>               | 0.0            | 0.0             | 0.0                                 |
| <b>Net Total*</b>                                  | <b>0.0</b>     | <b>14.8</b>     | <b>14.8**</b>                       |

\*DSG and HRA budgets have been presented as net figures in the table above. Gross income and expenditure budgets for the DSG and HRA are shown below.

\*\*In-year forecasts are inclusive of the in-year savings as discussed in section 1.16

| <b>DSG gross income and expenditure</b> |               |                 |                                     |
|---|---------------|-----------------|-------------------------------------|
|   | <b>Budget</b> | <b>Forecast</b> | <b>Overspend /<br/>(Underspend)</b> |
|   | <b>£m</b>     | <b>£m</b>       | <b>£m</b>                           |
| <b>DSG</b>                              |               |                 |                                     |
| <b>Income</b>                           | (235.9)       | (235.9)         | 0.0                                 |
| <b>Expenditure</b>                      | 235.9         | 236.3           | 0.4                                 |
| <b>Total</b>                            | <b>0.0</b>    | <b>0.4</b>      | <b>0.4</b>                          |

| <b>HRA gross income and expenditure</b> |               |                 |                                    |
|---|---------------|-----------------|------------------------------------|
|   | <b>Budget</b> | <b>Forecast</b> | <b>Overspend/<br/>(Underspend)</b> |
|   | <b>£m</b>     | <b>£m</b>       | <b>£m</b>                          |
| <b>HRA</b>                              |               |                 |                                    |
| <b>Income</b>                           | (65.9)        | (65.9)          | 0.0                                |
| <b>Expenditure</b>                      | 65.9          | 65.9            | 0.0                                |
| <b>Total</b>                            | <b>0.0</b>    | <b>0.0</b>      | <b>0.0</b>                         |

1.6 The table below shows the current forecast against the revised budget for the Capital Programme for 2024/25.

| <b>Directorate</b>        | <b>Original Budget</b> | <b>Revised Budget</b> | <b>Current Forecast</b> | <b>FY Variance</b>             |                                     |                       |
|---------------------------|------------------------|-----------------------|-------------------------|--------------------------------|-------------------------------------|-----------------------|
|                           |                        |                       |                         | <b>£m</b>                      | <b>£m</b>                           | <b>£m</b>             |
|                           |                        |                       |                         | <b>(Underspend) /Overspend</b> | <b>(Slippage) / Brought Forward</b> | <b>Variance Total</b> |
| <b>Corporate Landlord</b> | 14.2                   | 17.2                  | 16.2                    | (0.1)                          | (0.8)                               | (0.9)                 |
| <b>Housing GF</b>         | 59.8                   | 62.7                  | 61.4                    | 0.6                            | (1.9)                               | (1.3)                 |
| <b>Housing HRA</b>        | 57.3                   | 53.7                  | 52.2                    | 1.9                            | (3.4)                               | (1.5)                 |
| <b>PRS I4B</b>            | 46.3                   | 46.2                  | 20.5                    | 0.0                            | (25.7)                              | (25.7)                |
| <b>Public Realm</b>       | 23.8                   | 25.4                  | 24.5                    | 0.5                            | (1.4)                               | (0.9)                 |
| <b>Regeneration</b>       | 64.7                   | 65.8                  | 64.3                    | (0.6)                          | (1.0)                               | (1.4)                 |
| <b>Schools</b>            | 24.7                   | 25.5                  | 20.1                    | (0.4)                          | (5.0)                               | (5.4)                 |
| <b>South Kilburn</b>      | 27.2                   | 33.4                  | 33.7                    | 0.3                            | 0.0                                 | 0.3                   |
| <b>St Raphael's</b>       | 0.3                    | 0.5                   | 0.5                     | 0.0                            | 0.0                                 | 0.0                   |
| <b>Total</b>              | <b>318.3</b>           | <b>330.4</b>          | <b>293.5</b>            | <b>2.2</b>                     | <b>(39.3)</b>                       | <b>(36.9)</b>         |

## **Current Economic Environment**

- 1.7 The current economic environment is volatile and uncertain with high interest rates designed to curb high inflation seen since 2021. This particularly impacted energy costs and exacerbated the cost-of-living crisis.
- 1.8 Consumer Price Index (CPI) inflation returned to the Bank of England target of 2% in May 2024, for the first time since July 2021, before rising slightly again to 2.2%. In its March 2024 economic and fiscal Outlook report, the Office for Budget Responsibility forecast that inflation will average at 2.2% this year and 1.5% in 2025 before gradually returning to the Bank of England target level of 2% in 2028.
- 1.9 However, it is important to note that this lower level of inflation is now being applied to prices that are more than 20% higher on average than they were three years ago, more than triple the increase that would have occurred if inflation had remained at the target. This continues to make the economic environment challenging for Brent Council and its residents and businesses.
- 1.10 On 31 July 2024, at the meeting of the Monetary Policy Committee, The Bank of England reduced the base interest rate by 0.25 percentage points to 5.0%. This was the first reduction in the base rate since 14 consecutive increases between December 2021 and August 2023. Future policy decisions are dependent upon UK economic data with the Bank monitoring both inflation and employment. These factors create a challenging environment for the Council to plan its future resourcing requirements.

## **Maintaining Financial Control**

- 1.11 Local government is facing the most challenging financial environment for many decades. Many councils are overspending and depleting their reserves, most are experiencing the adverse effects of a prolonged period of high inflation, high interest rates and significant increases in demand due to demographic changes. Some are even declaring bankruptcy by issuing Section 114 notices. Concerns about future levels of government funding are widespread. Against this backdrop, Brent has maintained a strong position in terms of financial resilience and sustainability with a good track record of delivering savings and balancing the overall budget. However, in 2023/24 the Council overspent its revenue budget by £14m and is forecast to overspend again in 2024/25.
- 1.12 Despite the considerable efforts of the Council to manage its position, the operating environment and wider economic context continues to be volatile with small changes in demand disproportionately materialising in large financial pressures. These are particularly in Children's social care and Adult social care packages in terms of volumes and complexities, and temporary accommodation volumes, costs of provision and loss of Housing Benefit subsidy from central government. The Council is also dealing with the impact of rising costs due to continued high level of provider inflationary pressures,

and the impact of the cost-of-living crisis which also affects important income streams of the Council.

- 1.13 Since the Quarter 1 forecast report was presented to Cabinet in July 2024, the financial position has worsened. The forecast overspend in the Housing service, which is experiencing high levels of demand due to a rise in homelessness and a reduction in the supply of suitable temporary accommodation, has increased from £10m to £15m. Additionally, a new pressure of £5m has been identified against 'Supported Exempt Accommodation'. These pressures are being partially offset by £6m of in year savings required to delivered across other services, but have resulted in another forecast £14m overspend in 2024/25. Section 4.6.15 of this report sets out the Council's strategy in dealing with the significant increase in the cost of providing temporary accommodation for those homeless people to whom the Council owe a legal duty.
- 1.14 The introduction of spending controls and the Budget Assurance Panel in 2023 helped to facilitate better grip of the Council's financial position and stabilise the in year overspend. This introduced a range of measures including proactive vacancy management, directorate led targeted non-essential spending control including agency and interim spend, alongside department led management action plans reflecting other actions being undertaken. These sensible, proactive and prudent measures are estimated to have led to cost avoidance of c£3m across the Council and are providing more assurance over the Council's spending decisions.
- 1.15 While Brent is not currently in the financial situation of those Councils that have recently issued, or threatened to issue, a Section 114 notice (legally required when the council cannot balance its budget, unlike the NHS and other parts of the public sector, councils are not allowed to carry a deficit) all efforts must be focused on positively changing the financial position. For Brent, the current forecast overspend represents approximately 4% of our net revenue budget. This is close to the level of 5% that the Council decided should be held as generally usable reserves at the time of setting the 2024/25 budget and without the in year savings required to be delivered by services, this threshold would have been reached.
- 1.16 Given the current forecasted overspend, these spending controls will continue throughout 2024/25. However, it is clear that further actions are now necessary, including a new requirement for services to deliver £10m of in year savings in addition to the £8m of savings already being delivered during 2024/25. Identifying and delivering this level of additional savings will be a significant challenge for the Council's services during the coming months, but this is considered to be a necessary step to ensure that the Council's budget can be returned to a sustainable position. The Q2 forecast reflects where departments are in the identification and delivery of these new in year savings targets, which will continue to focus on rigorous spending controls, reviewing staffing levels, increasing income, as well as using new technology to transform services and reduce overheads. Council officers and members

will continue to work hard to minimise the impact on residents and provide the highest possible quality of service within the current resource constraints.

- 1.17 A further update on the overall financial position over the medium term will be provided in the draft budget for 2025/26, which will be brought to Cabinet in November 2024.

## **2.0 Recommendation(s)**

- 2.1 That Cabinet note the new grant funding received in year, the overall financial position and the actions being taken to manage the issues arising.
- 2.2 That Cabinet note the savings delivery tracker in Appendix A.
- 2.3 That Cabinet note the prudential indicators for treasury management in Appendix B.
- 2.4 That Cabinet approve the virements set out in section 4.7.15 of this report.

## **3.0 Cabinet Member Foreword**

- 3.1 This report sets out the Quarter 2 forecast for 2024/25. This report should be considered alongside the Quarter 1 forecast set out earlier in the year and with the changes in the economic and political picture since the Q1 figures were ascertained. This report builds on our understanding to give the most comprehensive picture of where we were financially, where we are today, and where we might be heading.
- 3.2 This report continues to demonstrate the aggregate of thousands of hours of officer time, with careful input from service areas across the council; and is part of our longstanding commitment for transparency around our budget: joining our externally audited accounts, the budget scrutiny process, public consultation, and the ongoing work of the Members of the Audit & Standards Committee.
- 3.3 While our financial monitoring is robust and an area of pride to this council, the picture that these reports paint is much more sobering. If central government is the body entrusted to preserve the health and condition of the nation, it is local government that is left to deliver it. Since 2010, Brent Council has made at least £210m of cuts and the impact continues to be felt by everyone that lives and works in this borough. In the same period, our core funding from central government has decreased by 78%.
- 3.4 We have made it clear at each Council Tax setting budget meeting, this has meant that the funding burden for Brent Council has been derived principally from Council Tax, Business Rates and Fees and Charges. In other words – local Brent residents.
- 3.5 In this period, the number of council employees has also reduced by at least 50%, shifting more work onto fewer people. As a council, we have innovated,

we have identified efficiencies and we've continued to generate more income than ever before. These measures alone are not enough in the long-term though, but for now they are enough to keep this council on borrowed time.

- 3.6 Since the Q1 report was presented to Cabinet in July, the financial position of the Council has worsened. In the next financial year (2025/26) officers and members will now be asked to identify a staggering £16m in cuts if this council is to continue standing still as we are today. There is no doubt, these cuts will be challenging for residents and for officers and members alike.
- 3.7 Sadly, we are not alone in this position. There were more section 114 notices in 2023 than in the 30 years before 2018, with a survey from the Local Government Association showing that almost one in five councils "think it is very or fairly likely they will need to issue a section 114 notice this year or next due to a lack of funding".
- 3.8 Local authorities like Brent have become the government's emergency provider of last resort, delivering more services than ever, patching over political paralysis; from adult social care reform to the housing crisis; it is local government left picking up the price.
- 3.9 Residents are rightly angry – as the compact between council and citizen creaks more with every year. Residents rightly expect that by paying into the system that they should see a positive dividend. It is far harder to explain to residents that they are paying not just for their bins; but for looked after children, for whom the council is morally and legally obliged to support.
- 3.10 Under the Homelessness Reduction Act, we are also compelled to support those at threat of losing their home. As shown in our financial reports published earlier this year, the common thread across them is the enormous pressure our Housing teams are under.
- 3.11 Over 150 families per week are presenting at the Civic Centre as homeless, and this report sets out a further £16m overspend on Temporary Accommodation, up from the £10m projection of our Q1 report. The housing crisis did not begin in the council – and until there is fundamental change; things will only get worse before they get better.
- 3.12 Compared to our European counterparts, councils in the UK have significantly fewer powers over local spending and taxation. It can perhaps be of little surprise that over the past 15 years the average British household has become £8,800 poorer than its equivalent in five comparable countries, according to research prepared by the Resolution Foundation. Sluggish growth and a "toxic combination" of poor productivity and a failure to narrow the divide between rich and poor has resulted in a widening prosperity gap with France, Germany, Australia, Canada and the Netherlands, leaving us struggling to compete internationally.
- 3.13 Without a wholesale reset, our hands remain tied, and the status-quo will prevail. We should never forget, Council Tax is based on values that are now

more than thirty years out of date, and the rate structure is so heavily regressive that Buckingham Palace pays less council tax than a 3-bed semi-detached home in Blackpool. That is the reality we exist within.

3.14 We now find ourselves with a different government than we had at the time of dispatch of the Q1 report. But while markets adjust and the Autumn Budget awaits, the challenges facing the Council remain the same. If we are to avoid more reports like the following, something has to give. Given the opportunity, Brent Council stands ready to rebuild and renew our public services. Until then, we will use our voice wherever we can to fight for the reforms we desperately need. For now, officers and members will continue working hand in hand to protect our residents – breathing life into the services we offer and the change we can make today.

## 4.0 Revenue Detail

### 4.1 Community, Health and Wellbeing

| Community, Health and Wellbeing             | Budget (£m)  | Forecast (£m) | Overspend / (Underspend) (£m) |
|---|--------------|---------------|-------------------------------|
| Adult Social Care                           | 84.7         | 82.1          | (2.6)                         |
| Strategic Commissioning & Capacity Building | 45.8         | 45.9          | 0.1                           |
| Public Health                               | 24.2         | 24.2          | 0.0                           |
| Leisure                                     | 1.5          | 1.9           | 0.4                           |
| Integrated Health Partnerships              | 0.1          | 0.1           | 0.0                           |
| <b>Total</b>                                | <b>156.3</b> | <b>154.2</b>  | <b>(2.1)</b>                  |

### Summary

4.1.1 The Community, Health and Wellbeing (CHW) department is currently forecasting an overall underspend of (£2.1m), which is a movement from the Quarter 1 breakeven position mainly due to the requirement to identify in year savings currently forecast to be (£2.6m). The underspend is mitigating a £0.4m pressure against the Leisure budgets arising from the Bridge Park Leisure Centre and Vale Farm and a slippage against saving CHW01 of £0.1m against technology enabled care.

4.1.2 As set out in section 1.16, the directorate needs to identify further in year savings of c£3.9m in order to contribute to the overall £10m in year savings target. At this stage it is anticipated that some of the savings that were previously agreed to be delivered in 2025/26, can be brought forward and delivered early. In addition, the impact of the changes to the charging policy that was implemented earlier this year has been factored into the forecast.



- 4.1.3 The section below provides further details of the areas and risks which may further impact on the forecast position going forward.

### **Risks and uncertainties**

- 4.1.4 There remains a number of risks and uncertainties which could impact on the budgets within the CHW department. These include the following:
- 4.1.5 There is a forecast pressure of £0.1m against Strategic Commissioning budgets. This is due to the slippage of a £0.1m saving which was expected to be generated through technology enabled care (CHW01). It is unlikely this will materialise into realisable savings this year as the project is still in the scoping phase.
- 4.1.6 Demographic changes could put pressure on existing systems and budgets if the trend of rising number of clients using social care services in Brent continues. Since the 31 March 2024, the average number of weekly service users has increased by 231. This is an increase of 5%, an average of 1% per month. If this trend continues, there could be 4,878 service users by March 2025. The trend of client numbers will be monitored so that any pressures can be identified and managed. In addition to demand pressures, the average weekly cost has increased by 2% since the 31 March 2024. This combination of increased demographic and inflationary pressures, above which has already been budgeted for, could add to the existing budget pressure.
- 4.1.7 Regarding complex cases, it remains a challenge that an increasing number of clients are presenting with more complex health and social care needs, requiring additional resources and more specialised staff. There is a risk of additional costs due to difficulties in managing complex cases and the need for detailed assessments and personalised care plans, such as one-to-one support in a residential / nursing placement which costs £1,299/ £1,177 per week respectively.
- 4.1.8 The risk remains that nationally, the adult social care sector has consistently faced challenges with recruitment and retention, with high staff turnover and vacancy rates. Also, the shortage of qualified staff can have detrimental effects on the care provided to adult service users and added stress on existing staff. The national shortage of care workers has changed the workforce model across social care leading to a reliance on agency staff that are more costly compared to permanent staff. Management continues to focus on agency to permanent conversions as part of its workforce planning strategy and to maintain stability for the clients.
- 4.1.9 Supporting the Care Market could also place pressures on the budget as there are risks related to the sustainability of private care providers and the need to ensure the care market has sufficient capacity to meet demand. There is also the need to support care providers through fair contracts and financial assistance to ensure continuity of services and care quality.

- 4.1.10 To manage demand, the service continues to focus on prevention through continuing work with the Partnerships, Housing and Resident Services directorate, providing advice and ensuring that only those who are eligible access council funded services, including ensuring appropriate referrals to the NHS for Continuing Health Care and appropriate reviews of aftercare provision under Section 117 of the Mental Health Act 1983. The valuable role of carers is also recognised, and the Directorate is working hard to ensure that carers are well supported. Brent's commitment to carers is outlined in the new co-produced carers strategy and the services focus on strength-based practice to promote independence and aid people to remain supported within their community.
- 4.1.11 There is currently a review of the 'Better Care Fund' being undertaken by the North West London Integrated Care System (ICS) with the aim to have clear sight of all spend, activity & impact of BCF schemes in order to assess their value in achieving whole system aims, and to develop consistency across ICS. There is therefore a risk that if a decision is made to revise commissioned services this could mean some in year changes during 24/25. A revised BCF which takes full account of the outcomes of the review will be agreed by 30 September 2024 and in place for April 2025 following due governance processes including approval by Health & Wellbeing Boards (both approval of the outcomes of the review and the proposed allocations) and consideration through Councils' Scrutiny process. The current size of Brent's BCF, including Local Authority & Health funding, for 2024/25 is £55m.

### **Public Health**

- 4.1.12 The Public Health grant is currently forecast to breakeven. Contracts have been affected by the rising levels of inflation. Most public health services are commissioned from the NHS where the national Agenda for Change (AfC) and medical pay awards have significantly outstripped uplifts in the Public Health grant. While the Department of Health and Social Care (DHSC) has allocated an additional AfC supplement of £0.3m to help fund these pressures, there remains a shortfall against the actual costs which will be incurred. In previous years, the council has managed to keep in year expenditure below the total grant, allowing the service to maintain a reserve. This was a prudent response to the year-on-year decline in the real-time reduction in the value of grant and to prior in year reductions. Funding from the reserve will be drawn down to manage these pressures and continue to deliver vital services.
- 4.1.13 Public health spend activity against the additional grants, Supplementary Substance Misuse Treatment and Recovery Grant (SSMTRG), Rough Sleepers Drug and Alcohol Treatment Grant (RSDATG), Stop Smoking Grant and the Start for Life Grants, are all on track and in line with the outcomes that have been set out within the respective guidelines. Funding for these grants, except for the Stop Smoking grant, is not currently guaranteed beyond 2024/25. The SSMTRG and RSDATG have allowed significant expansion of the local treatment offer with improved outcomes. While OHID has given positive indications of at least one more year of funding, the service is

developing a contingency plan to utilise the public health reserve to maintain the outcomes in 2025/26.

- 4.1.14 Sexual Health services are under increasing pressure to deliver due to the increasing Sexually Transmitted infection (STI) rates including emerging infections and increased clinical complexity including antimicrobial resistance. The service is exploring with providers the potential to expand the online offer to meet this increased need at the lowest cost.

### **Leisure**

- 4.1.15 The Leisure service relies on income generation, and any shortfall in expected demand, or unexpected increases in cost, could lead to financial difficulties. There is currently a forecast pressure of £0.4m in 2024/25 largely as a result of pressures at Bridge Park Community Leisure Centre of £0.2m and Vale Farm £0.2m. The council is working to identify a more sustainable approach to managing income fluctuations and funding the rising costs of operating the service.
- 4.1.16 The increasing running and maintenance at Bridge Park Community Leisure Centre is leading to pressures on the budget. Although the fees for some services have increased, it is not sufficient to cover the rising costs of staffing, cleaning, security, repairs and maintenance. The service is trying to mitigate this by identifying ways to increase income through renting office space and reduce costs through effective contract negotiations.
- 4.1.17 The Leisure service provision at Vale Farm Sports Centre is delivered through a Tri Borough contract with Ealing, Brent and Harrow. In order to mitigate the impact of increasing costs of utilities and other goods and services, the council has offered a reduced management fee income, a pressure has therefore arisen due to the shortfall in income of £0.2m. Both Ealing and Harrow Borough are making a similar contribution to support the service.
- 4.1.18 The indexed unitary charges and rising utility costs at Willesden Sports Centre are placing considerable strain on the budget. A smoothing reserve of £1m is available to manage the fluctuating cash flows over time, but it is anticipated that most of this will be spent in 2024/25. The current forecast assumes a £0.8m drawdown from reserves. The council is collaborating with leisure providers to ensure the continued provision of an affordable service that does not depend on temporary reserves.

### **Savings and Slippages**

- 4.1.19 The department has a savings target of £0.8m to deliver in 2024/25. Most of the savings are on track to be delivered, however, savings target CHW01 – technology enabled care (£0.1m) will be delayed as work required in determining an approach to deliver the saving is still underway.

## Summary of Key Assumptions

4.1.20 The table below summaries the main assumptions made in the CHW forecast.

| Key Assumption   | Downside if worse  | Upside if better   | Mitigations  |
|--|--|--|--|
| Adult Social Care providers' costs will increase to the anticipated level in line with inflationary assumptions. | A 1% increase over and above budgeted levels on the cost of care packages could result in a £1m pressure | A 1% decrease on the cost of care packages could result in a £1m reduction in anticipated costs. | The Council is working closely with the service providers and provides robust challenge of individual package costs based on evidence as part of placement reviews.            |
| Client numbers and unit costs stay within the forecast range   | Additional budget pressures should there be clients beyond those predicted in the forecast               | Client numbers falling below those forecasted would reduce costs                                 | The Council are monitoring both client numbers and package costs for each service. This should allow for early identification of pressures so mitigating actions can be taken. |
| Leisure - Utility costs to stay within the expected forecast   | Additional pressure on the leisure reserves  | Reduced pressure on the reserves   | Service is monitoring activity and pricing to ensure are updated and reflected in a timely and accurate way.   |

## 4.2 Children and Young People (CYP) (General Fund)

| CYP Department                               | Budget (£m) | Forecast (£m) | Overspend / (Underspend) (£m) |
|--|-------------|---------------|-------------------------------|
| Central Management                           | 4.0         | 4.0           | 0.0                           |
| Early Help                                   | 5.5         | 5.4           | (0.1)                         |
| Inclusion                                    | 2.9         | 2.9           | 0.0                           |
| Localities                                   | 24.2        | 23.9          | (0.3)                         |
| Looked After Children and Permanency         | 7.4         | 7.3           | (0.1)                         |
| Forward Planning, Performance & Partnerships | 44.7        | 44.7          | 0.0                           |

|   |             |             |              |
|---|-------------|-------------|--------------|
| <b>Safeguarding and Quality Assurance</b> | 2.2         | 2.2         | 0.0          |
| <b>Setting and School Effectiveness</b>   | 0.1         | 0.1         | 0.0          |
| <b>Total</b>                              | <b>91.0</b> | <b>90.5</b> | <b>(0.5)</b> |

### Summary

- 4.2.1 The CYP directorate is forecasting an underspend of £0.5m at the end of Quarter 2. However, there are risks and uncertainties discussed below which may impact this position going forward.
- 4.2.2 The challenges typically faced by the directorate are largely due to rising demand and volatility of care packages and placement costs; recruitment and retention challenges which have led to a reliance on qualified social worker agency staff; increasing number of children with complex needs requiring Education, Health and Care Plans (EHCP) and the impact of rising inflation driving increased costs of services. Therefore, ongoing actions are being undertaken by the directorate to control spend within the funding envelope available.
- 4.2.3 The budget for SEN Transport transferred to CYP at the beginning of the financial year. The budget also covers transport services for adults with social care needs. Pressures are expected mainly from the taxi service to transport children and young people with SEN who cannot be transported by more cost-effective modes of transport. A new Travel Assistance Policy for CYP aged 0-25 in Education was approved by Cabinet in June 2024 and will begin to be implemented this financial year. However, the financial impact of the new policy is unlikely to be seen until 2025/26 onwards. The department is reviewing the service to identify areas where in year savings could be achieved against this budget.

### Forecast

- 4.2.4 The Forward Planning, Performance and Partnership service demand led budgets have seen the following increases in this financial year:
- On average, a 2% increase in residential placement prices, although numbers have remained stable this year with 32 placements. On the other hand, there has been a 13% decrease in the number of CYP children placed in independent fostering agencies (IFAs) compared to the last financial year, in line with the fall in the number of Looked After Children.
  - The semi-independent provision supporting care leavers budget, has seen an overall 1.63% increase in numbers compared to 2023/24. Currently around 18% of the care leavers in semi-independent provision are Unaccompanied Asylum-Seeking Children (UASC).

- The forecast is also dependent on income from the Home Office for UASC and leaving care grants, contributions from health and housing benefits income.
- 4.2.5 The Localities service which includes the Children with Disabilities (CWD) demand led care packages budgets i.e. Direct Payments, Care at Home, Residential and Day Services has seen the number of supported clients rise by 5% since March 2024. A cost driver in this area is the increasing number of Education, Health, and Care Plans (EHCPs) which is also affecting the High Needs Block of the Dedicated Schools Grant (DSG). Care packages are also seeing significant price increases including 5% increases in Care at Home and 10% in Direct Payments. The Localities and the Looked After Children and Permanency services are also reliant on the need to use agency social workers to cover vacant positions.
- 4.2.6 To manage these pressures, a CYP Strategic Placements Commissioning Group chaired by the Corporate Director for CYP has been put in place to oversee the development of two workstreams:
- Growing Brent's in-house foster care provision by developing a new and competitive package for in-house carers and reducing the requirement to use more expensive Independent Fostering Agencies (IFAs).
  - Promoting greater independence for care-experienced young people thereby reducing placement spend and the number of care-experienced young people in paid for accommodation through a system-wide approach that supports young people transitioning to independence (e.g., working with the Housing department to enable tenancy sustainment, ensuring care leavers claim Housing Benefit when entitled with the aim of reducing the impact on the placements' budgets).
- 4.2.7 CYP management continue to take steps to improve recruitment and retention of social workers including several recruitment drives, a weekly Establishment Board created to scrutinise all agency recruitment, and corresponding activity to achieve permanency through conversations with agency staff to convert to permanent roles.

### **Risks and Uncertainties**

- 4.2.8 The main risks and uncertainties impacting on the CYP directorate stem from inflationary pressures resulting in increased costs from private providers of fostering, semi-independent and residential accommodation for looked after children.
- 4.2.9 The SEN transport service is a demand-led budget and increases in the number of children needing Education, Health and Care Plans (EHCPs) could put additional pressures on this budget. Furthermore, there could be inflationary and market pressures which could impact on taxis, fuel and other

running costs and thereby exacerbating the pressure to achieve the expected savings for this financial year.

- 4.2.10 Recruitment and retention of skilled and experienced social work staff continues to be a risk in Localities and Looked After Children, and Permanency (LAC&P) services with agency staff occupying up to 50% of the workforce in some teams.
- 4.2.11 The volatility surrounding the placements budget for looked after children (LAC) is a key challenge. If demand for residential placements increases, this will increase the financial pressure as an individual high cost residential or secure placement can cost over £0.5m per annum.
- 4.2.12 Ofsted has introduced regulation of the 16/17-year-old placement market. This new approach, alongside a testing inspection framework for children's residential homes may cause a risk of a reduction in the number of homes available from providers, causing higher demand and higher costs for local authorities competing for the same places. In response, Brent has been successful in a DfE bid to build and run a children's home, which will help manage costs and improve placement sufficiency. The home is expected to open in April/May 2025.
- 4.2.13 The Children with Disabilities budget within the Localities service funds the social care cost element for many children with an EHCP. There remains a risk that further increases in EHCPs will put additional pressure on the care packages budgets in this area and impact on staffing costs. The average cost of supporting a new CWD client can range between £33K to £8K (Direct Payment). These are average costs, some of the most expensive packages can be substantially higher.
- 4.2.14 A lack of full, agreed cost sharing for children's care packages at an Integrated Care Board level for CYP Placements and Children with Disabilities remain a high risk for the department, particularly in events where placement charges are disputed.
- 4.2.15 The forecast position is also dependent on estimated income from the Home Office for UASC and Care leavers (£2.8M) and health contributions from the ICB (£1.66m). Any major fluctuations against these income streams could impact on the outturn position.
- 4.2.16 Currently young people are being successfully prepared for independence to have their own tenancy. However, the current housing crisis is placing significant pressure on the Council's housing stock. This means young people have to wait for a social tenancy to become available during which time they remain in accommodation funded from CYP budgets. To mitigate this, a Brent Shared House model is being tested which will result in lower accommodation costs compared to relatively higher average placement costs.
- 4.2.17 Mitigating factors include the development of the new in-house children's home which is expected to open later in this financial year and reduce the

need to use costly independent providers. Brent is part of a pan-London vehicle to ensure greater sufficiency of secure welfare residential placements which will be operational in 2025.

- 4.2.18 The Placements Commissioning Strategic Group has focused on two workstreams aimed at reducing financial pressures: “Growing the In-house Fostering Service” (To increase the number of in-house Brent Foster Carers to reduce the reliance on higher cost IFAs) and “Promoting Care Leavers Independence” (A review of Brent’s support for care leavers to promote independence to achieve financial savings). A key risk is the pipeline of care leavers waiting for permanent secured tenancy, in line with the Council’s agreed offer to care leavers.

### **Savings and Slippages**

- 4.2.19 The directorate has a £1.9m savings target to deliver in 2024/25. There are also savings of £1.2m against the SEND Transport budget, however, this has now been deferred to 2025/26 following the implementation of the new Travel Assistance Policy.
- 4.2.20 There are savings from reductions in care packages of £0.86m, staffing efficiencies of £0.51m, £0.376m arising from contract and other miscellaneous items and £0.2m from “service transformation/digital” savings. The digital savings remain a risk as not all of the £0.2m has yet been identified. Implementation of changes will involve support as part of the Council’s wider Digital Programme. The rest of the savings are on track to be delivered, and any risk of slippage will be managed by the department.
- 4.2.21 As part of the requirement to deliver £3m in year savings to address the challenging financial situation the Council is facing, the directorate has reviewed some of the savings previously planned for 2025/26 with the potential to bring these forward into the current financial year. As of July 2024, the directorate has identified c£0.5m worth of savings that could be achieved, and these have been included in the reported forecast. Identifying and delivering the full level of additional savings will be a significant challenge for the directorate, given the inherent pressures against the CYP budgets, particularly placements which tend to be costly, volatile and unpredictable. Theoretically, to find the required balance of £2.5m by the end of the financial year, given the limited time to implement any structural changes, would require a major reduction in agency staff and placements spend. However, this would increase caseloads for remaining staff and significantly increase a number of risks, many related to safeguarding, which would be extremely challenging for the directorate to manage effectively. The directorate is scrutinising all aspects of discretionary spend to identify where greater impact can be seen to deliver the total £3m in year savings in this financial year.

### **Summary of Key Assumptions**

- 4.2.22 The table below summaries the main assumptions made in the CYP forecast.



| <b>Key Assumption</b>  | <b>Downside if worse</b>   | <b>Upside if better</b>  | <b>Mitigations</b>   |
|--|--|--|--|
| LAC and Care Leaver placements forecast assumes numbers of 799 FTEs and unit costs reflect current trends                    | An increase in the number of high cost residential or secure placements would place additional pressure on the budget. e.g., an increase by 4 placements in year could cause an additional in-year pressure of c£0.5m (and £2m per annum). | Increased step-down arrangements result in falling number of residential placements. A single stepdown from a residential placement to a semi-independent placement could reduce expenditure by c£0.2m in-year | Ongoing review of packages for best outcomes and focus on stepdown arrangements to support children to transition from residential to foster and/or semi-independent placements. Supporting the transition of care leavers to their own tenancies, to improve outcomes and independence. Innovative support and partnering with Health for CYP Mental Health and Wellbeing, among other preventative measures. |
| CWD placements forecast assume numbers of 684 and packages & unit costs reflect current trends                               | An increase in the number of packages would place pressure on the budget.  |  | Rigorous gate keeping of care packages. Enhanced clawback arrangements.  |
| Health contributions for CYP placements and Children with Disabilities (CWD) packages will be lower than the 2023/24 levels. | spend will not be mitigated by these contributions in proportion to the overall demand.  | It will assist in mitigating overall net spend.  | Maximising joint funding approaches with health to ensure contributions to placement costs where applicable. Targeted activity across ICS to ensure consistency in Continuing Health Care funding.   |
| Mix of social work staff and caseloads in the  | If increases of 15% during the year, there   | There would be a reduction in the use of   | Continued management action to monitor caseloads   |

|   |   |   |   |
|---|---|---|---|
| Localities and LAC & Permanency service to include the use of agency staff at a similar level than 2023/24. | could be up to £0.4m additional spend on agency social work staff to manage the pressure. | agency staff and the reduced caseloads could be attractive to social workers seeking permanent roles. | across the service and review and manage social work resources and incentives. New/more targeted recruitment campaign |
| Assume numbers of SEN clients requiring transport do not increase significantly                             | An increase in the numbers would place pressure on the budget                             | Reduction of the expected overspend   | Transformation programme is reviewing options to achieve savings and avoid costs                                      |

### 4.3 Neighbourhoods and Regeneration

| <b>Neighbourhoods and Regeneration</b>         | <b>Budget (£m)</b> | <b>Forecast (£m)</b> | <b>Overspend / (Underspend) (£m)</b> |
|--|--------------------|----------------------|--------------------------------------|
| <b>Public Realm</b>                            | 26.3               | 25.5                 | (0.8)                                |
| <b>Strategic Housing</b>                       | 1.9                | 1.9                  | 0.0                                  |
| <b>Inclusive Regeneration &amp; Employment</b> | 1.2                | 1.0                  | (0.2)                                |
| <b>Total</b>                                   | <b>29.4</b>        | <b>28.4</b>          | <b>(1.0)</b>                         |

#### Summary

- 4.3.1 Neighbourhoods and Regeneration Directorate are currently forecasting an underspend of £1.0m at Q2. This underspend is a result of in year savings implemented to assist the Council with forecast budget pressures.
- 4.3.2 The service is expecting to generate more income from the parking service, based on forecast PCN income. Smaller savings come from bringing forward voluntary redundancy dates, and minor restructures related to this.

#### Risks and uncertainties

- 4.3.3 Within Inclusive Regeneration & Employment, pressures reported on income generated by Building Control and Planning remain.
- 4.3.4 Increased interest rates and material costs have seen cancellation or scaling back of some major developments, which has affected the ability of Building Control to generate the fee income that it has collected historically. The Health and Safety Executive (HSE) high-rise building regulations were introduced in October 2023, which meant a switch to a cost recovery basis for charging. In addition, almost all major project work is assigned to Local

Authorities by the BSR (Building Safety Regulator) which has taken away the department's ability to bid for further work. The department is working to mitigate the effect of these factors.

- 4.3.5 Within Planning and Development Services, application and pre-application fee income has seen a decline in recent years. This reduction in income is not exclusive to Brent and has been the case across the country. This was managed in 2023/24 due to an implementation of fee increases in December 2023, which is currently estimated to be sufficient to prevent any pressures in 2024/25.
- 4.3.6 For Public Realm the new contractual arrangements for a number of key services such as parking and waste management, commenced in 2023/24. These continue to be closely monitored as the contracts become embedded.
- 4.3.7 Within the new waste contract there is close monitoring of recycling tonnage and market prices to ensure they align with the predicted figures for the contract. It was anticipated the new service would face some pressure in the first few years, and as such an earmarked reserve was created to smooth any financial impacts between years. £1m from the reserve was factored into the RLS finance model for 2024/25 and the remainder will be utilised by next year.

### **Savings and Slippages**

- 4.3.8 Savings for 2024/25 were set under the Council's previous structure. Following the senior leadership realignment, savings have been realigned and £1.2m of savings are attributable to the new Neighbourhoods and Regeneration department.
- 4.3.9 At Quarter 2 there are no reported issues, and all savings are expected to be delivered in year.
- 4.3.10 The table below summaries the main assumptions made in the N&R forecast.

## Summary of Key Assumptions

| Key Assumption   | Downside if worse   | Upside if better   | Mitigations   |
|--|---|--|---|
| That newly implemented in-year savings can be achieved. This also assumes that the service would otherwise have broken even. | If the savings are not achieved, it will put pressure on the Council's overall budget.      | There are significant pressures on the Council's overall budget, so if further savings are achieved to will go towards alleviating this. | Work has already begun to achieve the savings. Some are straightforward, such as holding vacancies and therefore already achieved.  |
| Building Control is able to mitigate pressure on its income generation.  | In 23/24 the department reported a £600k overspend, without mitigation the same could occur | The department is able to generate more income providing additional revenue to the Council   | Cases arriving through the BSR are being closely monitored to ensure accurate forecasting. A reserve was created in 2023/24 to mitigate pressures whilst a longer term plan is implemented. |
| The new waste contract is still embedding and recycling performance will improve   | The full reserve could be utilised and pressures spread into future years.                  | The reserve balance is not fully used and is available to repurpose and utilise for other pressures                                      | The monthly data around tonnage, rejections and market prices for recycling are closely monitored. With ongoing work to improve recycling performance.                                      |

### 4.4 Law and Governance

| Law and Governance              | Budget (£m) | Forecast (£m) | Overspend / (Underspend) (£m) |
|---------------------------------|-------------|---------------|-------------------------------|
| Legal Services                  | 5.3         | 5.3           | 0.0                           |
| HR & Organisational Development | 3.5         | 3.1           | (0.4)                         |

|                            |             |             |              |
|----------------------------|-------------|-------------|--------------|
| <b>Democratic Services</b> | 4.1         | 4.1         | 0.0          |
| <b>Total</b>               | <b>13.8</b> | <b>13.4</b> | <b>(0.4)</b> |

### **Summary**

4.4.1 The Law & Governance Directorate are forecasting to underspend by £0.4m in 2024/25.

4.4.2 The underspend is a result of implementing in year savings measures to contribute to the overall £10m in year savings target. These come largely from reviewing savings previously agreed for 2025/26, and where possible bringing these forward. This includes holding posts vacant, reducing subscriptions and releasing the corporate training budget that is not committed.

### **Risks and uncertainties**

4.4.3 Although the department is forecasting a small underspend there are some pressures which present a risk to this forecast within Legal Services.

4.4.4 Legal services are currently using temporary staff to cover critical positions in the department which are vacant. There is a risk to the staffing budget if the department is unable to permanently recruit to these. A recruitment campaign is planned to mitigate this risk.

4.4.5 Additionally, the department is experiencing budget pressures due to increases in Barrister fees since the start of the year when a new Framework was procured through the London Boroughs Legal Alliance. The new rates are generally advantageous compared to rates available outside that framework but are higher than under the previous framework. The service is seeking to mitigate this by close controls over instruction of barristers and by increasing advocacy capacity internally.

### **Savings and Slippages**

4.4.6 Under the new Council structure £0.3m of 2024/25 savings are attributable to Law & Governance. At Quarter 1 there are no reported issues, and all savings are expected to be delivered in year.

## 4.5 Finance and Resources

| <b>Finance and Resources</b>                     | <b>Budget (£m)</b> | <b>Forecast (£m)</b> | <b>Overspend / (Underspend) (£m)</b> |
|--|--------------------|----------------------|--------------------------------------|
| <b>Finance</b>                                   | 5.2                | 5.2                  | 0.0                                  |
| <b>Organisational Assurance &amp; Resilience</b> | 4.2                | 4.2                  | 0.0                                  |
| <b>Shared Technology Services</b>                | 0.0                | 0.0                  | 0.0                                  |
| <b>Property &amp; Assets</b>                     | 7.8                | 7.2                  | (0.6)                                |
| <b>Total</b>                                     | <b>17.2</b>        | <b>16.6</b>          | <b>(0.6)</b>                         |

### Summary

- 4.5.1 Finance and Resources are currently forecasting to underspend by £0.6m in 2024/25.
- 4.5.2 Shared Technology Services has a net zero budget as it recharges all its costs to the member councils, including the Brent client service within Partnerships, Housing and Resident Services.

### Property & Assets

- 4.5.3 Property and Assets are required to find new tenants to replace expired leases and vacant property to meet income forecast. The service is working to mitigate this risk by actively marketing these properties and working with agents where appropriate.
- 4.5.4 Based on the current forecasts of energy prices from the Council's energy supplier, which is based on the contracts they have already bought for future energy supply, Property & Assets are expecting energy costs to the council to fall in October. The current estimate is an underspend of £0.6m.

### Savings and Slippage

- 4.5.5 A total of £1.1m in savings is planned through staff reductions, digital transformation, leasing additional floors of the Civic Centre, streamlining Facilities Management services, maximising income potential from Council assets, and other departmental efficiencies.

## 4.6 Partnerships, Housing and Resident Services

| <b>Partnerships, Housing and Resident Services</b> | <b>Budget (£m)</b> | <b>Forecast (£m)</b> | <b>Overspend / (Underspend) (£m)</b> |
|--|--------------------|----------------------|--------------------------------------|
| Communications Insight and Innovation              | 15.5               | 15.0                 | (0.5)                                |
| Communities & Partnerships                         | 4.1                | 4.0                  | (0.1)                                |
| Housing Needs & Support                            | 2.2                | 17.4                 | 15.2                                 |
| Private Housing Services                           | 0.3                | 0.2                  | (0.1)                                |
| Residents Services                                 | 14.8               | 14.3                 | (0.5)                                |
| Housing & Resident Services Corporate Director     | 1.9                | 1.9                  | 0.0                                  |
| <b>Total</b>                                       | <b>38.8</b>        | <b>52.8</b>          | <b>14.0</b>                          |

### Summary

- 4.6.1 The Partnerships, Housing and Resident Services Directorate is forecasting a possible budgetary pressure for 2024/25, which could amount to £14.0m and is directly attributable to the high level of pressures in the Housing Needs and Support service, partially reduced by in year saving measures across other service areas within the department. In year saving measures amounting to £1.2m contribute to the overall £10m savings target and are largely achievable as a result of holding vacant posts, generating additional income and reviewing opportunities to postpone expenditure plans in the short term.
- 4.6.2 The department continues to take a number of actions to support Brent residents and businesses and mitigate the impact of the cost-of-living crisis.
- 4.6.3 The Household Support Fund (HSF) grant has been extended for 12 months, until 31 March 2025, to support residents through the cost-of-living crisis. The initial grant, to be spent between April and September 2024, was £2.8m. The second tranche of funding, to be spent between October 2024 and March 2025 has not yet been announced but is estimated to be in the region of £2.3m. This is anticipated to be utilised to continue to support households receiving free school meals, Care Leavers, Disabled households on Housing Benefits, Credit Union and external partners. An amount will also be allocated for reactive support where residents who are in hardship can apply for help and support.
- 4.6.4 In addition, a new model of support for Brent residents has been developed through the piloting of Cost-of-Living Outcome Based Review (OBR) projects and guided by a series of design principles. The approach proposes a single, joined-up model including development of a Community Wellbeing

Programme aligned with a refreshed Resident Support Fund (RSF), designed to support residents to be more resilient in the longer term and align more closely with strategic priorities and related projects. The RSF supports the Council's approach towards addressing key community needs through strategic funding and partnerships, ensuring impactful and sustainable support for residents. £1m of recurring funding has been allocated in the Medium Term Financial Strategy to support this new model. The Council's original RSF, a discretionary support fund, has been in place since August 2020 to provide more support to residents and businesses with the cost of living.

- 4.6.5 The 2024/25 budget has been set considering assumptions around future demographic changes, the impacts of the cost-of-living crisis and inflationary trends. It is based on these assumptions and current trends that the Partnerships, Housing and Resident Services department is forecasting a break-even position for areas other than Housing Needs for 2024/25. However, there are risks and uncertainties that could impact the year's final financial outturn position.

#### **Risks and uncertainties**

- 4.6.6 Housing Needs and Support continues to be the most significant area of risk for the department. An extremely elevated level of demand for housing services and emergency accommodation is a national issue that is particularly acute in London. The Housing Needs Service in Brent has seen a 12% increase in the number of homelessness presentations received in 2023/24 (7,300) compared to 2022/23. The total number of households in temporary accommodation in Brent has increased by 8% over the same period, and the number of families in emergency temporary accommodation has increased by 36%. As at the end of August 2024, the total number of homeless households living in emergency type accommodation had risen to 1062, with the service placing an average of 30 households every week. This is a 15% rise in comparison to April 2024 that had 922 households in stage 1 temporary accommodation.
- 4.6.7 London Councils conduct analysis and benchmarking of peers that help to gauge the situation in London. They revealed that Housing pressures are increasing rapidly compared to budgeted levels and that Councils' net deficit on homelessness service spending was projected to be £104.9m (54.2%) higher in 2023/24 than it was in 2022/23. Brent has seen a 259% increase in the deficit between 2022/23 and 2023/24. The gross total monthly TA spend was £65.2m in January 2024 up 28.1% on a year earlier. Across London, the total number of households in temporary accommodation has increased by 8.4% and the total number of families living in B&B accommodation rose by 70% when compared to the previous year. There was a 131% increase in families living in B&Bs beyond the six-week limit.
- 4.6.8 As these issues are London wide, the availability of B&B and Annexe accommodation is severely restricted across the capital, with many Councils being forced to book rooms in commercial hotels to meet statutory duties.



This lack of availability of accommodation is resulting in having to use expensive providers and at times outside of Brent, which also causes significant financial pressures to the families placed there due to additional travel costs for children at schools in Brent.

- 4.6.9 The supply of settled TA properties, leased from private owners and used to move families out of B&B and Annexe accommodation has also contracted. This is due to fewer new properties being procured under Private Sector Leasing (PSL) schemes, and owners not renewing the lease for existing stock when the lease ends.
- 4.6.10 London Councils' findings suggest that London's PRS (Private Rented Sector) is affected by multiple factors driving a reduction in the availability of properties for rent. The demand for housing is continuing to increase while supply is reducing across the whole market. Greater reliance on the PRS to house lower income households and increasingly limited housing benefits are making accommodation less affordable and available. It appears to be supply side factors notably taxation, interest rate changes and uncertainties about future regulation that are reducing availability at the lower end of the PRS.
- 4.6.11 Homeless households placed in temporary accommodation who are entitled to it can claim housing benefit to go towards their housing costs. Local authorities pay the cost of that housing benefit upfront and then are paid back by the Department for Work and Pensions (DWP) through subsidy arrangements. Households receive the full housing benefit they are entitled to, however the amount the council can claim back is limited to 90% of the Local Housing Allowance (LHA) rates from 2011. This means that if the cost of the housing benefit claim is higher than those rates, the local authority loses money. The council is essentially bridging the gap between rent and the amount the council is allowed to recover in housing benefit subsidy from the Department of Works and Pensions. This means that if the weekly award of housing benefit for a placement in a bed and breakfast is higher than £170 on average per week, the council only receives £170, and the difference comes at a cost to the council. The average placement is in excess of £280 per week.
- 4.6.12 In 2023/24, the total subsidy loss for the Council amounted to £10.4m. In 2024/25, the Council is changing its approach to rental charges, which is expected to reduce the amount of lost subsidy, but these costs will be borne by the Housing Needs service.
- 4.6.13 A programme of works has been designed to focus on containing the projected overspend. Several workstreams covering affordability of Temporary Accommodation and new and alternative supply have been set up. Officers are actively looking to renegotiate prices and identify alternative arrangements that would allow the Council to move some of the most expensive cases with the aim of reducing costs for the Housing Needs service. Officers also continue to carefully consider and assess the needs of homelessness applications. In 2023/24, 49% of approaches were

successfully prevented or relieved. At the end of August 2024, the average percentage of approaches that had successfully been prevented or relieved in 24/25 reached 53%.

- 4.6.14 In 2024/25, i4B is continuing its street property acquisition programme and had a target to acquire 25 homes. i4B is a housing company wholly owned by Brent Council set up to acquire, letting, and manage a portfolio of affordable, good quality private rented sector (PRS) properties. Properties are let to homeless families at Local Housing Allowance (LHA) levels. This enables the Council to either prevent or discharge its homelessness duty and therefore reduce temporary accommodation costs whilst also ensuring families have a secure and responsible landlord. The rise in LHA rates has enabled i4B to increase its acquisition price caps. As at end of August 2024, 26 properties have been acquired and these property sizes range between one to five bed properties, meaning i4B has exceeded its target for the year and is on track to acquire a total of 40 properties in the year. Negotiations are in progress for additional properties in the borough. i4B continues to be self-financing and the current portfolio results in an annual saving in excess of £4m in Temporary Accommodation costs. Whilst building and new acquisitions would not solely resolve the homelessness crisis, the Council is doing everything within its powers and the funding available to source new supply. Any new supply would help to avoid additional housing costs and mitigate the risk of the projected overspend increasing.

### **Supported Exempt Accommodation**

- 4.6.15 In addition, the supported exempt accommodation properties are leading to growing financial pressures on the Council and present a new budgetary risk for 2024/25. This is because providers are not constrained by the LHA caps like other landlords and are able to charge a higher rent once they justify that they are providing support. The amount of Housing Benefits subsidy is dependent on the Rent Officer decision and is awarded based on the claim related rent. This is a national challenge as there is a need for better regulation around the agreed criteria that a provider should meet to be considered as a Supported Exempt Accommodation provider and further clarity on what constitutes as minimal care would enable a universal approach when considering an individual's support needs. In Brent, the resulting subsidy loss to the Council is forecast to be in the region of £5m - £9m for the year. Historically, this has not been a significant budget pressure for the Council and has been managed corporately within Central Budgets. At this stage an overspend of £5m is forecast while further work investigative work takes place.
- 4.6.16 A dedicated working group has been set up within the Council and its work aims to minimise the opportunities for exploitative landlords to join the Supported Exempt Accommodation market by introducing a clear strategy on the Council's mechanisms to review landlords that enter this market and those already established. Reviews will also be carried out to consider the individual's support care needs and to verify whether the provider is providing the appropriate amount of care.

## Savings and Slippages

4.6.17 A total of £1.5m in savings is planned to be delivered from the department's budgets in 2024/25, including a £0.4m housing saving deferred from the previous financial year. The main savings are expected from service transformations, restructures and digital projects. Considering the overall pressures on the Housing service, there is a risk that the £0.4m saving will not be achieved in the current financial year due to slippages against the delivery of this saving, however it is anticipated that any slippages will be managed by the department through one-off in year measures.

## Summary of Key Assumptions

| Key Assumption   | Downside if worse   | Upside if better  | Mitigations  |
|--|---|---|--|
| The additional number of homeless people can be managed within the existing forecast.          | Each person costs on average £360 per week to accommodate, therefore any further increases in demand would result in a circa £0.1m per quarter for every 20 people. | Faster progress on homeless pathways or any decrease in demand will reduce expenditure by £350 per week per person. | The service is focusing on moving homeless clients along the various pathways.<br><br>Various project workstreams are focusing on sourcing additional housing supply to alleviate some of the pressures. |
| Rent collection rates for the Housing Needs service will not fall below the anticipated level. | A 5% worsening in the collection rate will cost £0.4m.  | A 5% improvement in the collection rate will recover £0.4m.   | Collection rates are being closely monitored and investigations into the drivers for the movements in the collection rates are ongoing.  |
| Other inflation linked costs can be contained within existing budgets.                         | A 3% increase in costs above budgetary assumptions could cost an additional £0.2m per annum   | A 3% cost reduction in costs would result in a circa £0.2m saving for the year.                                     | The department continues looking for best way to achieve value for money, utilising the most efficient procurement and service delivery  |

|  |  |  |                           |
|--|--|--|---------------------------|
|  |  |  | options and negotiations. |
|--|--|--|---------------------------|

## 4.7 Central items

### Collection Fund – Council Tax

- 4.7.1 The net collectible amount for Council Tax for 2024/25 (after exemptions, discounts and Council Tax Support) as at 31 August 2024 is £217.1m (£216.9m at 31 May). As at the end of August 2024, the amount collected was 43.3%, a decrease of 1.7% when compared to the in year target and equal to the amount collected in the same period in 2023/24.
- 4.7.2 At the meeting of General Purposes Committee in December 2023, the decision was taken to increase the long-term collection rate for budget setting back to the pre-pandemic target of 97.5%. The target had previously been reduced to 97.0% in December 2021 to account for anticipated increase in uncollectable debts arising from the acute economic impact of the Covid-19 pandemic and the resulting recession. The decision to reverse this reduction was taken on the basis that with all Covid-19 restrictions having been lifted, it could be expected that collection would return to the pre-pandemic average. Increasing the long-term collection rate resulted in an increase to the tax base used for budget setting purposes, which in turn resulted in an increased Council Tax income used to fund the 2024/25 budget.
- 4.7.3 In 2023/24, by 31 March 2024 only 92.2% of the net collectable debit for 2023/24 had been collected, 1.8% below the 94% in year target and 2.1% lower than the equivalent figure for 2022/23. Based on the collection in the year to date, a similar level of collection can be expected at the end of 2024/25, indicating that the issues that have been negatively affecting the collection of Council Tax are continuing. The most prominent of these impacts is likely to be the ongoing cost-of-living crisis, which has been exacerbated in Brent by levels of unemployment above national and London averages.
- 4.7.4 Furthermore, analysis of the trends in the Council Tax collection over several years has shown that the collection has been falling since before the Covid-19 pandemic, meaning that the short-term shocks have only accelerated the longer-term trend.
- 4.7.5 The Revenue and Debt service are currently utilising external resources to enable a deeper analysis of the outstanding Council Tax debts and the reasons for non-payment. The analysis will also enable the service to segment the debts based on the likelihood of collection, ensuring that appropriate actions can be taken which maximise the collection within the internal resources that the Council has available.
- 4.7.6 The results of this work and the effect that it has on the long-term forecast for Council Tax collection will determine whether it is possible to continue

with the current long term collection target for setting the 2025/26 budget. Current Medium Term Financial Strategy assumption is for a 97.5% long term Council Tax collection for all years. The current low in year collection does not necessarily mean that the target needs to be reduced and every effort will be made by the Council to achieve this target if possible. However, if it is necessary to reduce the target, this will reduce the funding available to the General Fund for 2025/26 by approximately £0.9m for every 0.5% reduction.

4.7.7 In the current uncertain funding environment for local government there is potential significant risk to the Council's financial resilience. Any budget gap arising from reduced expectations for collection will have to be met either from reserves in the short term or from additional budget savings. The Council has already committed to a challenging programme of savings across 2024/25 and 2025/26 and the reserves have been depleted in recent years due to high inflation and demographic pressures.

4.7.8 Recent years have seen some of the pressure from the reduction in Council Tax collection be mitigated by higher than average tax base growth, which has been driven by the regeneration work ongoing within the borough. Based on the homes we have delivered to date and those expected to complete within our pipeline, the Council will exceed our target to deliver 1000 homes by the end of 2024. Brent also received the highest level of New Homes Bonus in 2023/24 at £7.9m as a result of increasing the supply of homes more than any other Council in the UK. With interest rates at their highest level for over a decade and expected to remain high, it is not yet clear what effect (if any) this will have on the building of new homes in Brent. Work will continue in the coming months to produce a more accurate forecast for the growth in the Council Tax base, and this will feed into the budget setting for 2025/26.

#### **Collection Fund – Business Rates**

4.7.9 The budgeted net collectable amount for Business Rates (NNDR) for 2023/24 is £140.1m (after exemptions, reliefs and discounts). This was based on the forecast used for the NNDR1 form in January 2024 and has increased by 11.6% from £125.5m in 2023/24. This increase is largely the result of a £10.5m reduction in the transitional relief provided to businesses (£1.7m, down from £12.2m in 2023/24), which deferred the increase to their business rates resulting from the revaluation of all non-domestic properties as at 1 April 2023.

4.7.10 The actual net collectible amount for NNDR as at 31 August 2024 is £135.5m, a reduction of £4.6m from the budget in January 2024. This is mostly due to additional empty properties for which relief is given to the businesses. Further adjustments to this may occur during the year due to increases or reductions in the number of non-domestic properties and successful appeals against rateable values.

- 4.7.11 Any movement in the net collectible amount for NNDR does not directly affect the General Fund as the overall resources that the Council receives from the Business Rates retention system are determined in the Local Government Finance Settlement. However, where the actual income to the Collection Fund is different to the budget, Brent's share of the resulting surplus or deficit estimated in January is distributed to or from the General Fund in the following financial year. The reduction in business rates income resulting from the additional empty property relief is an unfunded relief, meaning that this will result in a deficit that will affect the 2025/26 budget.
- 4.7.12 As at 31 August 2024, the amount collected was 43.7%, which is 3.06% below the amount collected in the same period in 2023/24 (46.78%). This is partly due to delays with the payment of a small number of large liabilities, which should be resolved in the coming months.
- 4.7.13 Furthermore, there remains a number of factors present in the economy, which could have a negative impact on the ability of businesses to pay their Business Rates, such as high interest rates and the reduction in consumer spending power as a result of the ongoing cost-of-living crisis. Work is underway to review the NNDR collection rates and determine if the future trend is one of continued growth, or if the aforementioned economic factors will result in a new drop in collection rates.

### **Savings**

- 4.7.14 The 2024/25 budget, agreed at Full Council on 29 February 2024, included an £8.0m savings target, of which £4.5m had been agreed in February 2023. Appendix A sets out the progress in delivery against this savings target and any mitigating actions. Of the savings for 2024/25, at quarter 2, 96% of these are on track to be delivered, which equates to delivering £7.7m of the £8.0m budgeted savings required.

## Virements

4.7.15 The table below shows the virements which have been entered to adjust the budgets at Corporate Directorate level during 2023/24. Cabinet are recommended to approve these virements.

|  | 2024/25<br>Opening<br>Budget | In-year<br>growth | Transfer of<br>functions<br>between<br>services | Technical<br>Adjustments | 2024/25 In-<br>Year Budget<br>at<br>31.07.2024 |
|--|------------------------------|-------------------|---|--------------------------|--|
|  | £m                           | £m                | £m  | £m                       | £m   |
| <b>Community,<br/>Health and<br/>Wellbeing</b>             | 147.2                        | 10.1              | 0.0   | (1.0)                    | 156.4  |
| <b>Children and<br/>Young People</b>                       | 85.8                         | 4.6               | 0.0   | 0.7                      | 91.0   |
| <b>Neighbourhoods<br/>and Regeneration</b>                 | 26.0                         | 0.0               | 2.4   | 1.1                      | 29.4   |
| <b>Partnerships,<br/>Housing and<br/>Resident Services</b> | 43.1                         | 0.1               | (2.4)   | (2.0)                    | 38.8   |
| <b>Law and<br/>Governance</b>                              | 12.6                         | 0.1               | 0.0   | 1.1                      | 13.8   |
| <b>Finance and<br/>Resources</b>                           | 17.6                         | 0.0               | 0.0   | (0.2)                    | 17.3   |
| <b>Central Items</b>                                       | (332.2)                      | (14.9)            | 0.0   | 0.3                      | (346.8)  |
| <b>Total Budget</b>  | <b>0.0</b>                   | <b>0.0</b>        | <b>0.0</b>                                      | <b>0.0</b>               | <b>0.0</b>                                     |

4.7.16 In year growth items are budget movements from the Central Items budget to Departmental budgets which were not actioned at the start of the financial year. The table above includes the following in year growth items added between April and July 2024:

- Allocation of confirmed growth requirement for Concessionary Fares (£3.1m)
- Temporary funding for recurring budget pressures in Community, Health & Wellbeing (£6.9m) prior to 2025/26 growth.
- Allocation of confirmed growth requirement for Children & Young People (£2.8m)
- Temporary funding for deferred savings to 2025/26 following review of the service (£1.8m)
- Temporary funding for additional IT equipment (£0.1m)
- Permanent funding for increase to salary budget in Law & Governance (£0.1m)

4.7.17 Transfers of functions between services are budget movements between Corporate Directorates, which occur when a department is moved from one service to the other. The virement ensures that the department and the related

budget remain together. The table above includes the following transfer of functions between services items added between April and July 2024:

- Transfer of services from Partnerships, Housing & Resident Services to Neighborhoods & Regeneration following Council restructure in April 2024 (£2.4m)

4.7.18 Technical adjustments are budget movements resulting from either events which are provided for in the MTFS, but only confirmed during the year (e.g. pay award), or budget movements resulting from changes to processes (e.g. centralisation of budgets). The table above includes the following technical adjustment items added between April and July 2024:

- Allocation of funding for Climate Change and Cost-of-Living support from the Borough Plan budget (£0.5m)
- Reduction of Public Health expenditure budget to match grant income (-£0.3m)
- Reduction to Public Health salaries budget following change to recharge process (-£0.4m)
- Movements between departments as a result of the Council restructure in April 2024
- Transfer of positions between departments

## 5.0 Dedicated Schools Grant (DSG)

| Funding Blocks           | Overall DSG Funding 2024/25 | Forecast Expenditure | Overspend/ (Underspend) |
|--------------------------|-----------------------------|----------------------|-------------------------|
|                          | £m                          | £m                   | £m                      |
| <b>Schools Block</b>     | 121.6                       | 121.6                | 0.0                     |
| <b>High Needs Block</b>  | 77.0                        | 77.3                 | 0.3                     |
| <b>Early Years Block</b> | 35.2                        | 35.3                 | 0.1                     |
| <b>Central Block</b>     | 2.1                         | 2.1                  | 0.0                     |
| <b>Total DSG</b>         | <b>235.9</b>                | <b>236.3</b>         | <b>0.4</b>              |

### Summary

5.1 The DSG forecast is reflecting a deficit of £0.4m, against grant funds of £235.9m for 2024/25, due to £0.3m pressures from High Needs (HN) Block and £0.1m from Early Years (EY) Block. As reported in Quarter 1, the forecast assumes that the other funding blocks will achieve a balanced budget by the end of the financial year. This position is likely to change over the next two quarters, as more information becomes available.

5.2 The EY Block is projecting an overspend of £0.1m. This is mainly resulting from the DfE's in year adjustment to the EY Block funding in July 2024, following the completion of the January 2024 census which confirmed the actual childcare hours Brent was set to receive for the current financial year.



It is worth noting that this position is likely to change over the next few months as payments to childcare providers for the autumn term would determine if there has been an increase in the number of take up hours for EY provision from September 2024. In addition to this, due to changes in EY funding from September 2024 - working parents of 9 months – 3 years old can receive up to 15 hours a week free education and childcare, which will also have an impact on the projected overspend.

- 5.3 Although the HN Block allocation increased by £2.3m in 2024/25, the number of children with Education, Health, and Care plans (EHCPs) has continued to rise, therefore adding continued pressure against the HN Block from growing demand. The HN budget, including the proportion allocated to academies, is £77.0m. This allocation includes a £1.4m transfer from the Schools Block. The HN Block funding is expected to be adjusted for a recoupment of funds for school place funding for Brent pupils in other local authority areas and for a place funding repayment from other local authorities, following a recent import/export review by the DfE in July 2024.
- 5.4 The cumulative DSG deficit brought forward from 2023/24 is £13.2m, this included an in -year surplus of £0.6m achieved in 2023/24. The deficit carried forward since 2022/23 has been disclosed as an earmarked unusable reserve in line with DfE regulations (the School and Early Years Finance (England) Regulations 2023). The regulations state that the deficit must be carried forward and held separately from in year surpluses, to be funded from future years' funding and/or recovery plans agreed with the DfE. The overall forecast will increase the DSG deficit to £13.6m by the end of this financial year.

### **Forecast**

- 5.5 The £0.3m deficit against the HN Block is an increase from the break-even position reported in Quarter 1. This is mainly due to an increase in the forecast spend on top-up funding to out-borough mainstream schools and academies and independent Special schools.
- 5.6 The growth in EHCPs is a London and national trend whereby the number of children assessed as meeting the threshold for support continues to increase. However, the HN funding has not increased in line with the growth in overall pupil numbers creating financial pressures. At the end of July 2024, there were 3763 EHCPs, which represents a growth of 12% compared to July 2023 with 3363 EHCPs.

The forecast position is due to the following pressures:

- £1.2m forecast pressures against top-up funding paid to out-borough academies and mainstream stream schools and Independent Special schools due to increased number of pupils with special educational needs placed within the borough.
- The pressure is further offset by a £0.8m forecast underspend against SEN Services and support being provided for inclusion services. This

forecast is likely to change by year end as activity is subject to the actual number of pupils excluded from mainstream schools during the year, following enrolments from September 2024.

- 5.7 The Council has a High Needs Block Deficit Recovery Management Plan in place with longer-term actions to recover the deficit. A task group led by the Corporate Director of CYP and the Corporate Director of Finance coordinates and monitors these actions. Some of these actions to reduce costs include; managing demand for EHCPs through adopting a graduated approach framework, improving sufficiency of places through increasing the amount of special provision within the borough, particularly for secondary phase pupils and 16–25-year-old SEND students and financial management to identify efficiencies and charging an administrative cost to ensure that there is full cost recovery from other local authorities that place pupils in Brent Special Schools. A combination of these longer-term recovery actions and anticipated funding increases is expected to achieve continued reduction in the deficit.
- 5.8 In 2022/23 Brent participated in the DfE programme called Delivering Better Value (DBV) in SEND, to provide dedicated support and funding to help local authorities reform their high needs systems. The first phase of the programme included a comprehensive diagnostic to identify root cause cost drivers and mitigating solutions or reforms and support in developing a quality assured Management Plan and the opportunity to bid for a £1m grant to deliver the actions in the Management Plan. Brent was successful and has received £1m funding over two financial years 2023/24 and 2024/25. The programme is in its test and learn phase with specific project workstreams being implemented and monitored along with key performance indicators designed to ensure that actions are tracked. The DBV programme will not address the historic deficit but changes that will be embedded as a result of the programme will be aimed at reducing future spend. The current Management Plan and efficiencies identified from the programme may allow funds to be released to address historic deficits.

### **Risk and Uncertainties**

- 5.9 A balanced budget has been set for the HN Block but there remains a risk that the number of children and young people with Education Health and Care Plans (EHCPs) will continue to grow above forecast levels. The growth in EHCPs is a national and London wide trend whereby the number of children assessed as meeting the threshold for support continues to increase. However, the HN Block funding has not increased in line with continued growth. Over the years, this has created financial pressures with many authorities holding deficit balances. The HN Block received a 3.5% increase in funding for 2024/25, however the risk remains that this increase may not be sufficient to cover the costs of further increases in EHCP numbers and increases from providers for high inflationary costs.
- 5.10 The financial year 2022/23 was the final year of the statutory override set out in the School and Early Years Finance Regulations 2021 which required local

authorities to either carry forward any cumulative DSG deficit to set against the DSG in the next funding period or carry forward some or all the deficit to the funding period after that. The government has now extended the arrangement for another three financial years from 2023/24 to 2025/26. There remains the risk that the local authority would then be required to absorb any accumulated deficit from the DSG by using General Fund reserves.

## 6.0 Housing Revenue Account (HRA)

| <b>HRA gross income and expenditure</b> |               |                 |                                    |
|---|---------------|-----------------|------------------------------------|
|   | <b>Budget</b> | <b>Forecast</b> | <b>Overspend/<br/>(Underspend)</b> |
|   | <b>£m</b>     | <b>£m</b>       | <b>£m</b>                          |
| <b>HRA</b>                              |               |                 |                                    |
| <b>Income</b>                           | (65.9)        | (65.9)          | 0.0                                |
| <b>Expenditure</b>                      | 65.9          | 65.9            | 0.0                                |
| <b>Total</b>                            | <b>0.0</b>    | <b>0.0</b>      | <b>0.0</b>                         |

### Summary

- 6.1 Budgets for the Housing Management function are contained within the ring-fenced Housing Revenue Account (HRA), which has a balanced budget for 2024/25 made up of £65.9m of income matched by expenditure.
- 6.2 The HRA is forecasting a break-even position, unchanged from the Quarter 1 forecast. However, based on the analysis of last years' activity and spend on repairs, there is a potential pressure on these budgets in 2024/25 that could be circa £2m due to continued levels of demand to address disrepairs, complex repairs and damp and mould related works. If these responsive repairs related pressures materialise, overspends will be mitigated through in year savings and efficiencies.

### Risks and uncertainties

- 6.3 High levels of uncertainty around the inflation and interest rates pose a financial risk to the HRA. This impacts the cost of materials and repairs and the cost of new build contracts. In addition, an increase in service requests relating to damp and mould and repairs in general is likely to put additional pressure on budgets.
- 6.4 Other pressures involve the capital programme as there is currently insufficient government funding having been made available to meet environmental priorities and requirements such as carbon reduction works to homes.
- 6.5 Government rent policy currently allows for CPI+1 inflation on rents up to March 2026 and could be subject to policy changes depending on the next

government. Rent setting uncertainties add to the difficulties in financial planning and budgeting for improvements and building new homes.

- 6.6 These risks are being continuously monitored and reflected in the HRA Business Plan and the Council's Medium Term Financial Strategy (MTFS).

## 7.0 Capital Programme

- 7.1 The capital programme as at Q2, forecasts expenditure to be £36.9m less than the revised budget for the financial year. This is split between £39.3m of budgets that are forecast to slip into next financial year and £2.2m of budget overspends in the current 2024/25 financial year. The budgets have been updated compared to Q1 in two key areas: first a £2.9m increase in the Corporate Landlord budget approved at the 9th of September 2024 Cabinet meeting to meet critical additional capital improvement costs on corporate properties with the bulk of it relating to the Civic Centre. Secondly is the utilisation of contingency Regeneration budgets for the Wembley Housing Zone to meet upward revisions to cost estimates of the Ujima House development. Further explanations for the variances are provided below.

| Directorate               | Original Budget | Revised Budget | Current Forecast | FY Variance                 |                                |                |
|---------------------------|-----------------|----------------|------------------|-----------------------------|--------------------------------|----------------|
|                           |                 |                |                  | £m                          | £m                             | £m             |
|                           |                 |                |                  | (Underspend)/<br>Overspend/ | (Slippage)/<br>Brought Forward | Variance Total |
|                           | £m              | £m             | £m               |                             |                                |                |
| <b>Corporate Landlord</b> | 14.2            | 17.2           | 16.3             | (0.1)                       | (0.8)                          | (0.9)          |
| <b>Housing GF</b>         | 59.8            | 62.7           | 61.4             | 0.6                         | (1.9)                          | (1.3)          |
| <b>Housing HRA</b>        | 57.3            | 53.7           | 52.2             | 1.9                         | (3.4)                          | (1.5)          |
| <b>PRS I4B</b>            | 46.3            | 46.2           | 20.5             | 0.0                         | (25.7)                         | (25.7)         |
| <b>Public Realm</b>       | 23.8            | 25.4           | 24.5             | 0.5                         | (1.4)                          | (0.9)          |
| <b>Regeneration</b>       | 64.7            | 65.8           | 64.3             | (0.6)                       | (1.0)                          | (1.4)          |
| <b>Schools</b>            | 24.7            | 25.5           | 20.1             | (0.4)                       | (5.0)                          | (5.4)          |
| <b>South Kilburn</b>      | 27.2            | 33.4           | 33.7             | 0.3                         | 0.0                            | 0.3            |
| <b>St Raphael's</b>       | 0.3             | 0.5            | 0.5              | 0.0                         | 0.0                            | 0.0            |
| <b>Total</b>              | <b>318.3</b>    | <b>330.4</b>   | <b>293.5</b>     | <b>2.2</b>                  | <b>(39.3)</b>                  | <b>(36.9)</b>  |

### Corporate Landlord (Capital)

- 7.2 Corporate Landlord, which is made up of the Civic Centre, Digital Strategy, ICT and Libraries, is forecast to underspend by £1m. This is predominately due to slippage of £0.7m in anticipated agency costs for Digital Strategy. This has been revised downwards based on the expenditure trend to date. There is also a £0.2m projected underspend relating to budgets created to enable

more flexible working and funds sets aside to support energy efficiency improvements on corporate buildings.

### **Risks and Uncertainties – Corporate Landlord**

- 7.3 Ongoing works to the Civic Centre such as complex roofing works and improvements to the lifts could experience higher spending than budgeted for and will be monitored throughout the year. At the 9th of September Cabinet meeting an additional budget of £8.7m was approved to cover critical major repairs predominately at the Civic Centre for the next 3 years which will help mitigate some of these risks, but additional costs are expected to emerge as more condition surveys are completed on other non-housing Council properties and assets.

### **Housing General Fund (Capital)**

- 7.4 The Housing General Fund as at Q2 is forecasting to spend £1.3m less than the revised budget for 2024/25 of £62.7m. The variance consists of net slippage of £1.9m and an actual forecast overspend of £0.6m. The slippage is made up of £3m forecast slippage on the Church End development project as the project start on site was later than initially assumed during budget setting. This is offset by accelerated spend on the Edgware Road project with an expected advance spend of £1.2m of future budgets in current financial year. £0.6m of actual overspends on budgets are reported in Q2 in two areas; £0.3m on the Preston Park mixed development relating to higher than budgeted library fit-out costs and Northwick Park spine road project which is being delivered in partnership with the hospital, university, and Sovereign Homes. The estimated project overspend of £0.4m on the Northwick Park project is primarily driven by adverse movements in the cost to deliver utility infrastructure and unforeseen ground conditions. It is anticipated that the additional costs on the Northwick Park will be recovered by the Council's partners, but the timing of the recovery is uncertain hence the overspend forecast. The Preston Park project is funded by SCIL and the Northwick Park by borrowing while the Council takes steps to recover the additional costs from its partners.

### **Housing HRA (Capital)**

- 7.5 Housing HRA is forecast to underspend by £1.5m compared to the revised budget, this splits between £3.4m of budgets expected to slip into next financial year and £1.9m of overspends on projects. Five Tower Blocks project is the main contributor to the slippage with £1m of the slippage attributed to it and a result of delays to the project from longer planning application processes than anticipated. Remaining slippages relate to various pipeline schemes that are not progressing as expected due to viability issues. These are offset by overspends of £0.7m relating to energy efficiency works within the Major Repairs Programme and other minor overspends spread across several major repair projects. The overspends in the current year are being offset by underspends from the slipping capital projects, however over the medium term it will be managed within the

affordability limits determined from the HRA business planning process.

### **Risk and Uncertainties – Housing**

7.6 While cost inflation has slowed down in recent months, the recent rises are baked into current costs while additional cost pressures have also emerged from recent updates to fire safety regulations and the resulting need for redesigns. These and the high-interest rate environment continue to pose viability challenges. The construction industry is also seeing an increase in the number of contractors and suppliers going into administration, which is affecting competition in the sector and therefore contract costs. To help mitigate the impact of these costs on Council capital budgets, officers have commenced an exercise to review and improve the procurement of development schemes across the Council for the New Council's Homes Programme. The main aim is to strengthen the commercial position of the Council when procuring development schemes to improve the financial returns of the Council from these schemes.

7.7 The Council continues to face substantial supply pressures for Temporary Accommodation and has several schemes in the pipeline to help increase supply. Delivery of these pipeline schemes is increasingly becoming challenging due to viability issues brought about by recent high cost of construction and related supply chain issues. To mitigate this, the on-going acquisition programme to increase the supply of temporary accommodation through the Council's subsidiary I4B is expected to continue in 2024/25. The Council has also secured funding under the government's Local Authority Housing Fund (LAHF) programme to increase supply in the borough to help tackle the supply pressures for temporary accommodation. Additionally, the Council is also exploring introducing other tenure types into its development programme to create cross subsidy for social housing units while also increasing supply of homes in the borough.

### **PRS I4B and First Wave Housing**

7.8 At Q2, I4B Private Sector Acquisitions is reporting to slip £25.7m of its allocated budget spend into next financial year. The current year's budget is composed of a loan facility for I4B to be drawn subject to them presenting a viable property acquisition programme.

### **Risk and Uncertainties - PRS I4B and First Wave Housing**

7.9 I4B and First Wave Housing are collaborating with the Council to shape their future acquisition strategy and assess the availability of loan funding.

### **Risk and Uncertainties - St Raphael's**

7.10 As at Q2, St Raphael's is forecast to spend £0.5m in line with £0.5m 24/25 budget, this will consist of £400k improvement to pavements and roads in the estate as well as £150k for additional CCTV equipment agreed with the residents. The next phase will be to instruct the community centre works

along with the landscaping enhancement on the estate, once planning award has been secured currently scheduled for October 2024. A notable risk is the future profile of major works scheduled to commence from 2025/26 and beyond, which requires a more realistic assessment. This profile will be established once there is greater clarity around the programming and timing of the works.

### **Public Realm**

- 7.11 As at Q2, Public Realm projects are forecast to underspend by £0.9m compared to the budget of £25.4m. There are approximately 135 live Public Realm capital projects. The majority of the £1.4m slippage reported in Q2 relate to delays for the following schemes; £0.8m on several Healthy Neighbourhoods schemes aiming to reduce traffic to improve air quality (e.g. Roe Green, Forty Lane, Watford Road and Hillside) – these have slipped due to reduced Healthy Streets staffing; £0.3m Gladstone Park tennis courts and sports pitches upgrades which have not yet been contracted; £0.3m waste bins, funded by the Council, which was delayed due to new DEFRA legislation. The Council continues to use sacks whilst further government advice is sought. The £1.4m underspends due to slippages are offset by the £0.5m of overspends in the 24/25 budget. These are the road potholes and carriageways resurfacing programmes (£0.4m, funded by Department for Transport) and the Brent School Streets development (£0.1m).

### **Risk and Uncertainties – Public Realm**

- 7.12 The reduction in grant funding for TFL has resulted in a smaller scope of work to deliver the Local Implementation Plan. The long-term programme is being developed in recognition of this reduced level of funding to ensure the impact of the funding received is maximised. In addition, whilst we wait for further advice on the new DEFRA legislation and residents use sacks for household waste rather than bins.

### **Regeneration**

- 7.13 The Regeneration programme budget is forecast to underspend by £1.4m compared to the current year budget of £65.8m. Most of the current year's budget is allocated to the Wembley Housing Zone. The underspend consists of £1m of budget slipped into next financial year on the Picture Palace and Bridge Park projects. For Picture Palace, due to delays in confirming the position of the operation of the building, the contract was awarded later than planned. The contractor is now on site and the project is expected to complete in summer 2025. For Bridge Park, the Council is working with GMH (the developer) to finalise the masterplan prior to beginning pre-planning consultation later this year. The UK Shared Prosperity Fund (UKSPF) works programme budget has reduced by £0.5m. £0.3m of capital costs have been reclassified to revenue grant funded sources and the remaining £0.2m was already part of the Picture Palace works budget. Underspends on the Morland Gardens project relate to budgets that are no longer required

following the decision to pause the scheme and review all delivery options for the site.

### **Risk and Uncertainties - Regeneration**

- 7.14 The capital regeneration and development projects are subject to various risks and uncertainties. These include land and planning risks, and increased cost from new health and safety regulations and recent high build costs all potentially leading to delays and impacting scheme viability. The Wembley Housing Zone contingency budget was applied in Q2 to mitigate cost uncertainties. These will be monitored throughout the year and updated accordingly.

### **Schools**

- 7.15 As at Q2, the Schools Capital Programme board is forecast to underspend by £5.4m. This consists of £5m forecast slippage in Q2, largely due to £4.3m of the budget for the SEND expansion programme slipping into future years due to an unsuccessful procurement process that has resulted in the scheme budget slipping into next financial year. The other £0.4m slippage relates to the Islamia School project which is attributed to delays in agreeing designs. An underspend of £0.4m is forecast in Q2 on staff capitalisation because of these slipped programme activities.

### **Risk and Uncertainties – Schools**

- 7.16 There have been delays to some of the projects within the SEND Capital Programme due to issues such as changes in OFSTED ratings and failed contractor procurement exercises. As a result, the programme could experience volatility in its delivery and costs to deliver due to the delays in starting some of the projects. The capital projects are also impacted on the challenges in the construction industry such as inflation, resource and material availability and contractor administration.

### **South Kilburn**

- 7.17 The South Kilburn Capital Programme is forecasting a minor underspend of £0.2m on the current year budget of £33.4m. This relates to the energy infrastructure work for the site and updated costs of procurement activities in the current year compared to budget.
- 7.18 The South Kilburn project will deliver over 2,400 homes, of which 50% will be affordable. The forecast for the financial year includes project costs for ongoing projects, acquisition costs for obtaining vacant possession as well as funding for a project to identify the most beneficial way of delivering the remaining phases of the South Kilburn programme. The District Energy Network (DEN) has experienced a delay in delivery, and the option of a temporary energy resource is being investigated.



## **Risk and Uncertainties – South Kilburn**

- 7.19 Viability is a key challenge for the remaining developments within the South Kilburn programme. The Council as a result is exploring other development routes aimed at improving the viability of the future phases and help provide certainty for the programme.

## **Treasury Management Prudential Indicators**

- 7.20 In line with changes to the Prudential Code in 2021, the performance of the Council's treasury and capital activities against the approved prudential indicator for the year are now reported quarterly within these financial reports to members. Details of the performance against the indicators in the first quarter of the financial year are captured in Appendix B and show the Council to be operating within the limits of the prudential indicators.

## **8.0 Stakeholder and ward member consultation and engagement**

- 8.1 There are no stakeholder and ward member consultation arising from this report.

## **9.0 Financial Considerations**

- 9.1 This report sets out the financial forecast for the General Fund revenue budget, the Housing Revenue Account, the Dedicated Schools Grant and the Capital Programme, as at Quarter 2 2024/25. Financial implications of agreeing to this report are included within the forecasts provided.

## **10.0 Legal Considerations**

- 10.1 The law requires that the council must plan to balance its spending plans against resources to avoid a deficit occurring in any year. Members need to be reasonably satisfied that expenditure is being contained within budget and that the savings for the financial year will be achieved, to ensure that income and expenditure balance (Section 28 Local Government Act 2003: the council's Financial Regulation 2.3 Revenue Budget Monitoring, Forecasting and Overspends).

## **11.0 Equity, Diversity & Inclusion (EDI) Considerations**

- 11.1 There are no EDI considerations arising out of this report.

## **12.0 Climate Change and Environmental Considerations**

- 12.1 There are no climate change or environmental considerations arising out of this report.

## **13.0 Human Resources/Property Considerations (if appropriate)**

- 13.1 There are no HR or property considerations arising out this report.

## 14.0 Communication Considerations

14.1 There are no direct communication considerations arising out of this report.

**Report sign off:**

***Minesh Patel***

Corporate Director of Finance and Resources