Brent	**Cabinet** 11th October 2021
	Report of the Director of Finance

Quarter 2 Financial Report 2021/22

Wards Affected:	All
Key or Non-Key Decision:	KEY
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	OPEN
No. of Appendices:	Two Appendix A Savings Delivery Tracker Appendix B Recovery Initiatives
Background Papers:	
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1. Summary

1.0. This report sets out the current forecast of income and expenditure versus the revenue budget for 2021/22 and other key financial data. Total pressures for the year are forecast to amount to £4.2m.

1.1. All the £4.2m pressure relates to the Dedicated Schools Grant (DSG), and needs to be recovered from DSG received in future years.

1.2. The 2021/22 budget was set to accommodate additional costs and losses of income arising as a result of the COVID-19 pandemic. At present, it is expected that the pressures reported can be contained within the growth provided to service areas. Currently, the General Fund and the Housing Revenue Account (HRA) forecasts match the central case as set in the February budget, however, the DSG is facing a £4.2m pressure.

Table 1	Budget	Forecast	Overspend / (Underspend)
	£m	**£m**	**£m**
Chief Executive Department	29.2	29.2	0.0
Children and Young People	59.8	59.8	0.0
Community and Well-Being	133.6	133.6	0.0
Customer & Digital Services	29.0	29.0	0.0
Regeneration & Environment	51.0	51.0	0.0
Subtotal Service Area Budgets	**302.6**	**302.6**	**0.0**
Central items	(302.6)	(302.6)	0.0
Grand Total General Fund Budgets	**0.0**	**0.0**	**0.0**
DSG Funded Activity	0.0	4.2	4.2
Housing Revenue Account (HRA)	0.0	0.0	0.0
Position before COVID-19 funding	**0.0**	**4.2**	**4.2**

DSG and HRA gross income and expenditure			
	Budget	**Forecast**	**(Under)/ overspend**
	£m	£m	£m
DSG			
Income	203.2	202.5	0.7
Expenditure	(203.2)	(206.7)	(3.5)
	0.0	**4.2**	**4.2**
HRA			
Income	56.7	56.7	0.0
Expenditure	(56.7)	(56.7)	0.0
	0.0	**0.0**	**0.0**

1.3. At the time of writing, there are significant uncertainties connected with COVID-19, such as how individuals and businesses will change their behavior following the pandemic, how quickly the economy will recover from COVID-19, and whether there will be a significant fourth wave of COVID-19 infections.

1.4. A new emerging risk to the Council's budget is the significant increase in asylum seekers and refugees arriving in the UK. While the Council continues to be committed to supporting vulnerable families and individuals seeking asylum, it is important that the asylum seeker dispersal scheme is proportionate and reasonable across all London Boroughs. Although indicative funding has been set out, individual council allocations are yet to be announced, as is funding for extra school places and long term accommodation. At this stage there is a concern that the funding will not cover the totality of pressures expected, which are across community safety, housing services, adult social care, public health and children's services.

1.5. The Council's budget has savings of £5.5m this year, and £2.2m next year. The latest savings delivery tracker in Appendix A shows that the Council is on track to deliver £6.9m of these savings, with £0.8m delayed. The detail below in section three highlights any implications for the overall forecast. Overall, the latest forecast on savings is broadly positive at this stage of the financial year, in that the majority of savings are on track to be delivered and mitigating actions have been put in place for those savings identified as delayed. Further details are set out in Appendix A.

1.6. In July 2021 Full Council agreed £17.6m of funding from reserves to promote the recovery from COVID-19. This year's budget is £6.3m, currently forecast to be spent in full, details of which are in Appendix B.

1.7. The pandemic has also created some significant risks for the Council's capital programme, such as increasing costs for construction and housing acquisitions, which are detailed in section 4. The capital programme is forecast to underspend by £0.2m overall, as shown in the table below, and detailed in section 4:

Directorate	Original Budget Approved Feb 21 (£m)	Revised Budget (£m)	Current Forecast (£m)	Over / (Under) Spend to Budget (£m)
Corporate Landlord	5.9	16.3	16.8	0.5
Housing GF	64.4	60.2	60.7	0.5
Housing HRA	64.7	66.1	66.3	0.2
PRS I4B	24.4	24.4	24.4	0.0
Public Realm	13.7	16.5	17.3	0.8
Regeneration	36.6	12.9	12.9	0.0
Schools	26.3	10.0	9.3	(0.7)
South Kilburn	23.6	17.9	16.5	(1.4)
St Raphael's	1.3	1.5	1.4	(0.1)
Total	**260.9**	**225.8**	**225.6**	**(0.2)**

1.8. As reported to Cabinet in July 2021, the Council agreed a two year budget in February 2021 covering the period 2021/22 and 2022/23. In February 2022 it would be open to Council, subject to all the usual planning uncertainties and caveats, simply to re-confirm the proposals set out a year earlier, which would result in a balanced budget for the 2022/23 financial year. However, it is now understood that there will be a three year Spending Review on 27 October 2021 covering the period 2022/23 – 2025/26. This is expected to include how the new Health and Social Care Levy will work alongside other existing social care grants/schemes such as the Improved Better Care Fund, the Social Care Grant and the Adult Social Care Council Tax precept. Given the timing of the announcement and the changes expected to be set out in the Local Government finance settlement for 2022/23, it is now planned to publish the draft 2022/23 budget at the Cabinet meeting of 6 December 2021, instead of 11 October 2021 as previously planned. This will allow sufficient time to work through any changes, and impacts, to refine the draft budget and to ensure it is balanced and robust.

2. Recommendation

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

2.1. To note the budget setting strategy for 2022/23.

3. Revenue Detail

3.1. Chief Executive Department (CE)

Chief Executive Department	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Legal, HR and Audit	10.0	10.0	0.0
Finance	9.4	9.4	0.0
Assistant Chief Executive	9.8	9.8	0.0
Total	**29.2**	**29.2**	**0.0**

Summary

3.1.1 Legal, Human Resources (HR) and Audit are currently forecasting to budget for 2021/22.

3.1.2 Finance is forecasting to budget for 2021/22.

3.1.3 The Assistant Chief Executive (ACE) department is currently forecasting to budget for 2021/22. The department has been allocated £1m for the delivery of the Borough Plan and £0.9m for the Recovery Initiatives projects.

Risks and uncertainties

3.1.4 There is uncertainty in the conferences and events income forecast which is dependent on the Delta variant and potential further lockdowns and restrictions. The outturn, which has been heavily affected by lockdowns in the past year continues to be reviewed as COVID-19 restrictions evolve.

Savings and Slippages

3.1.5 A total of £0.3m savings were planned to be delivered from the department's budgets. The department is on track to deliver the savings.

Recovery Initiatives

3.1.6 The department has been allocated £0.9m comprised of £0.2m for revenue projects and £0.7m for capital projects (reported in paragraph 4.11) to fund the following projects and is forecasting to fully spend to budget. The projects for each of the initiatives are on track to be delivered.

- Decarbonisation via LED Lighting Upgrades (£0.5m - Capital project)
- Black Excellence Quality Mark (BCAP) Projects and Black Excellence Quality Mark (BCAP) Markets (£0.2m)

- Zero Carbon Projects (£0.2m - Capital project)

3.2 **Children and Young People (CYP) (General Fund)**

CYP Department	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Central Management	5.1	5.1	0.0
Early Help	5.6	5.6	0.0
Inclusion	1.8	1.8	0.0
Localities	18.6	18.6	0.0
Looked After Children and Permanency	6.6	6.6	0.0
Forward Planning, Performance & Partnerships	20.0	20.0	0.0
Safeguarding and Quality Assurance	1.9	1.9	0.0
Setting and School Effectiveness	0.2	0.2	0.0
Total	**59.8**	**59.8**	**0.0**

Forecast

3.2.1 The Children and Young People department is currently forecasting to breakeven in Qtr. 2, in line with the reported Qtr. 1 forecast position. There are a number of risks and uncertainties discussed below which may have an impact on this breakeven position going forward. The forecast assumes that COVID-19 related pressures impacting this financial year, will be supported by one-off funding, however, if pressures are recurring, longer term solutions will need to be identified.

Risks and uncertainties

3.2.2 There remain a number of risks and uncertainties within the department that may affect the projected outturn such as:

- Rising caseloads in the Localities and LAC & Permanency service which are above the budgeted levels of circa 2,500 mainly due to an increase in referrals linked to the impact of COVID-19.
    - This has led to an increase in temporary agency social work staff. There has been a 20.9% increase in the number of cases to 2,806 in July 2021 exceeding the budgeted levels of 2,500 cases by 12% and the challenge also remains that many of these cases are highly complex.
    - The high caseloads and complexity of cases as well as attractive offers and manageable caseloads from other local authorities is creating a challenge with recruitment and retention of skilled and experienced social workers. However, CYP management undertook a project to review the Localities caseload pressures where there is a noticeable increase, and the outcomes include increasing the number of social workers in the service from 66 to 80 at an additional annual cost of c£1.5m which will be contained within growth funds allocated in the 2021/22 budget.

- Management will also continue to monitor the use of agency workers and continue the drive to recruit permanent staff. This coupled with one-off funds to cover the costs of £1.2m of COVID-19 related pressures arising from agency staffing costs and a bridging team to manage the surge in cases brings the Localities service area forecast to a breakeven position.

- The volatility of placement costs for Looked after Children (LAC) within the Forward Planning, Performance and Partnerships service and Children with Disabilities within the Localities Service remain a risk.

    - An individual high cost residential or secure placement can cost over £0.3m per annum. The highest current residential placement is £10.5k per week. However, there have been multiple successful step downs from expensive residential placements to semi-independent with an average weekly rate of £830 or independent foster placements, with an average cost of £900 per week.

    - Due to the pandemic, a delay still remains in the Home Office processing immigration status claims for care leavers and also delays in moving care leavers into their own tenancies. This has led to an increase in the number of over 18s being supported by the budget and numbers have grown from the start of the pandemic, i.e., 88 in January 2020 to 146 by July 2021, a 66% increase.

- Management actions in place to control spend include establishing additional sign off processes at Children's Placement Panel; undertaking further work with finance colleagues to refine the forecast; more challenge and support around stepdown arrangements from residential placements to foster placements and/or semi-independent placements, monitoring and actively supporting the transition of care leavers to their own tenancies.

- The forecast also assumes income will be received from the Home Office for Unaccompanied Asylum-Seeking Children (UASC). However, there is a risk that if by September 2021 number of UASCs are below the higher rate threshold of 0.07% of the child population, Brent will receive a lower daily UASC funding rate. Brent currently has 47 UASCs and the 0.07% threshold is 56. In 2020/21 Brent met the threshold and received the higher daily funding rate for UASC's of £143 and this continued in 2021/22 but if numbers are not up to 56, the rate will reduce to £114. The 2021/22 impact of this on UASC funding is a reduction of c£0.25m (£0.5m full year impact).

- The Early Help service is reporting a breakeven position, but the forecast assumes that successful claims will be made against the Supporting Families (previously called Troubled Families) grant which is based on a 'payment by results' system. Last year, the team successfully achieved 100% of their claims target. The target this year is to support 560 families, and as at the end of Qtr. 1, there have been 139 successful claims made and the service is on track to achieve the target.

Savings and Slippages

3.2.3 The department has a savings target of £0.6m of which £0.25m is at risk of slipping, due to the impact of the COVID-19 pandemic and these include:

- £0.15m CYP003 - Adjusting resources in demand led budgets (reduction in staffing assuming low caseloads). The LAC & Permanency service has seen caseloads increase due to the pandemic.
- £0.1m CYP002 - The Short Breaks Centre (SBC) and the Gordon Brown Centre (GBC) CYP005 each have a savings target of £50k to sell spare capacity at the SBC to neighbouring authorities at market rate, and increase trading at the GBC. These slippages are forecast to be mitigated by the COVID-19 funding for 2021/22.

Recovery Initiatives

3.2.4 The department has been allocated £1.7m to spend on recovery initiative projects across two financial years. The current forecast for 2021/22 assumes that £0.3m of the funds will be spent on:

- Setting up a team of specialist social workers, who are skilled in adolescent safeguarding interventions to deliver statutory work alongside current preventative services at a cost of £0.2m. The recruitment process for two additional social workers has commenced. (KSP-CYP-001)

- Fund the West London Fostering Collaboration project cross-borough co-ordination through two consultants (KSP-CYP-002); the consultants have already started working on this project.

- Fund consultancy costs for the development of a post-16 skills resource for young people with SEND and feasibility studies; project management work for this has commenced (KSP-CYP-004).

Summary of Key Assumptions

Key Assumption	Downside if worse	Upside if Better	Mitigations
LAC and Care Leaver placements forecast assumes numbers of about 762 and unit costs reflect current trends.	An increase in the number of high cost residential or secure placements would place pressure on the budget e.g., an increase by 3 would cause an in-year pressure of c£0.4m	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£0.1m in-year.	Targeted stepdown arrangements to support more children to transition from residential to foster and/or semi-independent placements. Supporting the transition of care leavers to their own tenancies. Maximising Joint commissioning with health to ensure contributions to placement costs where applicable.

UASC Numbers will stay below the high-rate threshold of 0.07% (~56 for Brent) of the child population by the end of September 21, causing Brent's UASC daily funding rate to fall from £143 to £114.	Numbers fall lower than current (47) and grant funding reduces further than has been forecast.	If Brent's numbers exceed the higher rate threshold the daily rate funding will remain at £143 for the remainder of the year, which would increase the UASC Grant income forecast by £0.25m	Monthly monitoring of UASC numbers, with an increase expected over summer months.
Owing to the challenges experienced in Localities of recruiting permanently, it is assumed that the proportion of agency staff in this service area will remain steady through the year.	If the proportion of agency staff in this area were to increase, expenditure would increase by £20k per additional agency staff compared to their permanent equivalent. As of July 2021, Localities had 68 Agency staff.	If the number of staff were reduced this would reduce expenditure at an equal rate of £20k per staff member.	Continued management action to recruit permanent staff and review all agency posts regularly.

3.3 **Community Well-Being (CWB) (General Fund)**

CWB Department	**Budget (£m)**	**Forecast (£m)**	**Overspend / (Underspend) (£m)**
Housing	4.0	4.0	0.0
Public Health	22.3	22.3	0.0
Culture	5.1	5.1	0.0
Adult Social Care	102.2	102.2	0.0
Total	**133.6**	**133.6**	**0.0**

Forecast

3.3.1 Based on current trends and assumptions around COVID-19 implications, the Community Wellbeing department is forecasting a break-even position for 2021/22.

3.3.2 The department's finances have been significantly impacted by the COVID-19 outbreak in 2020/21. The 2021/22 budget has been set accordingly and takes into account that some pressures are expected to remain in this financial year.

3.3.3 The increased demand for mental health services is leading to forecasting a £0.5m overspend. This is attributed to continuing effects of the prolonged pandemic on mental health that are resulting in a greater than anticipated budgetary pressure.

3.3.4 In order to mitigate against the projected overspend, the service is working with commissioning to identify care providers to support people with mental health needs returning to Brent supported living from out of area placements. In addition, Brent is working closely with the London Association of Directors of Adult Social Services to lobby government for more funding to address the increased complexity of care needs.

Risks and uncertainties

3.3.5 There are a number of other risks and uncertainties within the service that could affect the assumptions made and the overall forecast outturn. The key risks and uncertainties predominately relate to Housing and Adult Social Care services.

3.3.6 Within Housing, there are uncertainties in relation to the time required for the fall in rental income collected to be reversed, and for any improvement to rent collection rates to be sustained in order to provide assurance that the upward trend will continue. A potential future recession and the end of the furlough scheme is likely to slow this recovery in collection rates, leading to a greater income shortfall within the Housing service. Whilst the budget set for 2021/22 takes a likely temporary decrease in collection rates into account, if this decrease is greater than anticipated, this could create a budgetary pressure. A 10% drop in collection rates could cost over £2m. Collection rates are being closely monitored and there are ongoing investigations to better understand the drivers for the movements.

3.3.7 The impact of the eviction ban on enforcing eviction orders having been lifted to date has been managed by proactive early intervention work. However, in the longer run, this could lead to an increased demand for temporary accommodation for homeless people. Based on scenario planning, the 2021/22 budget allows for an associated increase in costs, however there is a risk that the demand could be higher than anticipated. A 10% increase in tenancies could cost the Council an additional £0.6m in 2021/22.

3.3.8 Within Adult Social Care, a rise in homecare hours is expected to be offset by a reduction in costs as a result of a decreased demand for Residential and Nursing placements. However, if reliance on Council support and the increased complexity of care needs are greater than anticipated, this could create additional budgetary pressures.

3.3.9 When the initial Clinical Commissioning Group (CCG) funding of Residential and Nursing placements ceases, the Council could inherit some additional and more expensive placements. However, a formal pooled budget arrangement with Brent CCG for COVID-19 hospital discharges has been agreed and timely re-assessments are taking place.

3.3.10 In addition, within Culture, a restricted capacity and a slow uptake of leisure centres' offers could lead to higher than anticipated losses of income.

Savings and Slippages

3.3.11 A total of £3.7m savings were planned from the department budgets, in addition to £2m that relate to the ongoing New Accommodation for Independent Living (NAIL) programme and were re-profiled from the 2020/21 financial year.

3.3.12 There is an anticipated £0.3m slippage against one of the savings that relates to the creation of the in-house re-ablement service as the launch of the in-house service has been pushed back to April 2022. This slippage is forecast to be maintained within the existing Community Wellbeing budget and offset by a reduction in costs due to early care package terminations.

Recovery Initiatives

3.3.13 The department has been allocated £0.5m to fund the recovery initiative projects that focus on reducing health inequalities. Recruitment is currently ongoing for the positions required to develop these projects and the full allocation is anticipated to be spent in this financial year. The funding is forecast to be fully spent in the current financial year on the following initiatives:

- Universal healthy start and physical activity programmes (£0.3m)
- Tackling childhood obesity and addressing tooth decay in children (£0.1m)
- Providing mental health support for families who are living in emergency accommodation (£0.05m)
- Provision of Community Perinatal Nurse 0-19 years commissioned services (£0.05m)

Reform of Adult Social Care by Central Government

3.3.14 The Government has announced a new plan for health and social care that would increase spending in this sector across the UK by an estimated £12 billion per year from April 2022 and bring into effect social care reforms by October 2023. The Government is to invest £5.4 billion in adult social care over the next three years. This will be shared across the NHS and local authorities so it is difficult to estimate the exact impact on the Council

3.3.15 From October 2023, the Government will introduce a new £86,000 cap on the amount one will spend on their personal care over their lifetime. In addition, changes will be made to financial assistance provided to people without substantial assets and self-funders' support. This will consume the bulk of the £5.4billion available across the country, although some limited funding to address some other issues such as improving qualifications within the sector will be available. Given the focus on capping costs of adult social care, it is unlikely that this level of funding will be sufficient to significantly increase pay in the sector or significantly increase access to adult social care, unless the reforms proposed to the sector in the plan deliver major efficiency gains. This is in addition to the current levels of uncertainty in relation to IBCF, social care grant and continuation of the adult social care precept.

3.3.16 The new reform will create the need for significant changes to policy and processes in order to adapt to the changes. Due to variations in the demography, the impact will vary across different Local Authorities. The market is also going to be significantly impacted and the overall cost of care is likely to increase, making any efficiency gains from this plan unlikely. Over the medium and long term capping adult social care costs will increase the challenge of growing costs due to an aging population; it is unclear from the paper whether additional funding will be forthcoming from central government for this or if this will need to be funded by Local Authorities with council tax rises and savings from service delivery.

3.3.17 The Government has pledged to cover the costs that Local Authorities will face in implementing the charging reforms, as well as to invest in supported living and the Disabled Facilities Grant. However, there is limited clarity on how this funding will be made available. Further details are anticipated to be provided in a White Paper later this year. In the meantime, the Council will continue to work collaboratively with other Local Authorities to consider the implications.

Summary of Key Assumptions

Key Assumption	Downside if worse	Upside if better	Mitigations
The additional numbers of homeless people can be managed within the existing budgets.	Each person costs on average £340 per week to accommodate, so a delay for 13 weeks (1 quarter) of 20 people will cost an additional £0.1m.	Faster progress on homeless pathways will reduce expenditure by £340 per person per week.	Additional support (at additional cost) is being brought in to assist moving homeless clients along the various pathways. Use of FHSG reserves could help to offset the overspend.
The YTD collection rates for Housing Needs recover to pre-pandemic levels by the end of the financial year.	A 5% worsening in the collection rate will cost £0.8m	A 5% improvement in the collection rate will recover £0.8m.	Collection rates are being closely monitored and investigations into the drivers for the movements in the collection rates are ongoing.
That the additional cost of CCG placements reverts to the Council from September onwards.		Projected at £0.2m a month and if the NHS continues to fund this will bring the forecast cost down.	Work with the CCG to prevent excessively priced care packages and review all care placements, to ensure that social care is responsible for funding those costs only.

3.4 **Customer & Digital Services (CDS)**

Operational Directorate	**Budget (£m)**	**Forecast (£m)**	**Overspend / (Underspend) (£m)**
Customer and Digital Services Directorate	0.8	0.9	0.1
Customer Services	16.6	16.6	0.0
Shared ICT Service	0.0	0.0	0.0
ICT Client and Applications Support	6.6	6.7	0.1
Procurement	1.3	1.2	(0.1)
Transformation	3.7	3.6	(0.1)
Total	**29.0**	**29.0**	**0.0**

Summary

3.4.1 The CDS department is currently forecasting to budget for 2021/22.

Risks and uncertainties

3.4.2 The department's net position includes COVID-19 related pressures from work undertaken to support residents and businesses. The risks include:

- The risk that further lockdowns will require additional shielding costs.
- The Customer Access department continues to deliver COVID-19 related projects. This includes the Local Test and Trace Service, the processing of Grants for Businesses affected by COVID-19, Self-Isolation Payments and the local COVID-19 test booking line and COVID-19 Support line. At this stage the growth allocated to the department, as well as specific central government grant funding, is sufficient to cover these costs. These projects will be reviewed at Q3 as they are dependent on Government advice regarding provision of grants and services.

Savings and Slippages

3.4.3 A total of £0.6m savings were planned to be delivered from the department's budgets. The department is on track to deliver the savings.

Recovery Initiatives

3.4.4 The department has been allocated funding of £3.7m comprised of £3.1m for revenue and £0.6m for capital projects (reported in paragraph 4.11). The projects for each of the initiatives are on track to be delivered.

- Bubltown (£23k - Capital project)
- FAME Database (£44k - Capital project)
- Pilot Business Support Fund (£0.2m - Capital project)
- Wembley Park co-working space (£0.5m)
- Additional Restrictions Grant Scheme to support businesses (£2.6m)
- Digital Packages for Children and Young People (£0.3m - Capital project)

3.5 **Regeneration & Environment (R&E)**

R&E	**Budget (£m)**	**Forecast (£m)**	**Overspend / (Underspend) (£m)**
Environmental Services and R&E Directorate	43.5	43.3	(0.2)
Regeneration Services	1.1	1.1	0.0
Property Services	6.4	6.6	0.2
Total	**51.0**	**51.0**	**0.0**

Forecast

3.5.1 The Regeneration & Environment department is currently forecasting a break even position for 2021/22.

3.5.2 The forecast break even position consists of a £0.2m overspend in Property which is mitigated by a £0.2m underspend in Environmental Services and R&E Directorate. The reported £0.2m overspend in Property relates mainly to a) the use of agency staff which is planned to be reduced by March 2022 or sooner if possible and b) water bills which at this stage cannot be estimated reliably. The service is looking at mitigating actions such as converting posts to permanent positions sooner than March 2022 in order to reduce the overspend.

Risks and Uncertainties

3.5.3 R&E has an income budget of £47m. A small percentage change can have a large monetary impact. For example, an additional 1% reduction in income would be equivalent to around £0.5m. Commercial rental income is likely to suffer as tenants may be unable to pay rent. There is a current moratorium on landlord action for rent arrears until 25 March 2022. The longer-term impact on income anticipated from planning applications and building control applications is also uncertain due to slow progress on current major projects and a potential reduction in the number of new major projects received.

3.5.4 The Highways revenue budget is reliant on TfL LIP (Local Implementation Plan) funding which has been significantly reduced due to severe financial pressures. TfL has recently reached an agreement with the Government and confirmed the funding will be available up to 11th December 2021. Further discussions are ongoing between the Government and TfL for funding for the last quarter of the financial year, and therefore funding beyond this date remains uncertain. The current situation has improved and there is currently a risk that up to £0.6m of fees generated from the delivery of TfL funded programmes, compared with £1m reported previously. The deficit would be further reduced should additional TfL funding be made available for Q4. The service has estimated that if this risk was to materialise, the release of agency staff could mitigate the financial impact on the Council. However, the loss of fees cannot be fully mitigated because a minimum core staff complement is required to continue day to day operations and deliver key Council funded projects.

Savings & Slippages

3.5.5 The department has a target of £0.9m savings to be achieved in 2021/22. Of these, all are on track to be fully delivered or will have alternative savings found.

Recovery Initiatives

3.5.6 R&E has been allocated £4.2m revenue funding for recovery initiatives, of which £2.0m are budgeted to be spent in 2021/22 and £2.2m in 2022/23. The projects are not reporting any slippage and funding is expected to be utilised within this timeframe.

3.5.7 In addition, R&E and CDS are working jointly on projects with total revenue budget of £2.7m, of which £0.9m relates to 2021/22 and £1.8m relates to 2022/23.

Summary of Key Assumptions

Key Assumption	Downside if worse	Upside if better	Mitigations
Parking income will continue to recover to pre-pandemic levels and will not be further affected by COVID-19 restrictions.	Increased pressure on the budget if income falls below the current forecast level.	If activity recovers faster than expected, then this would increase the income collected	COVID-19 growth of £0.7m has been provided to cover the estimated impact of COVID-19 restrictions to parking income.
SEN Transport taxi spend is budgeted to increase by 5% compared to the previous academic year.	Every additional child requiring transport via taxis costs the Council an average of £11,300 per annum.	Reduction in the growth requirement for future years.	The service is monitored as part of the shared service with Harrow. Client numbers can therefore be planned for. Strategic funding has been made available for a review of the service.
Facilities Management will not be disrupted by the changes to the contract from the 1st July 2021. Soft FM services have bought in house, and a new contract awarded for Hard FM services (with new buildings bought under the arrangements).	Potential for additional costs to arise if the service does not operate as planned. In particular, if existing budgets supplied are not sufficient to include the additional buildings covered by the new Hard FM contract.	The service will operate as expected and within budget. Can then look for efficiencies within the service.	Increased monitoring of the contract in initial months. Some contingency had been built into the project within the first year.

3.6 **Central items - Collection Fund**

3.6.1 The budgeted net collectible amount for Council Tax (after exemptions, discounts and Council Tax support) is £175.9m. The actual net collectible amount as at July 2021 has reduced by £1.1m since April 2021. It is expected that this figure may decrease during the year if new properties are not completed as expected and reliefs granted to residents increase further due to COVID-19. This is being closely monitored to assess the overall impact over the timeframe of the medium-term financial plan. As at the end of July 2021, the amount collected was 35.6%, a shortfall of 0.6% when compared to the in-year target. The amount collected in the same period last year was 38.6%. The amount collected in the same period last year was 38.6%, however, pre-pandemic collection rates at the same period were around 1% higher amounting to just under £2m. If the under-collection of tax continues throughout the year it will have an adverse effect on the Council’s cashflow and possible implications for the medium-term financial plan.

3.6.2 The budgeted net collectible amounts for Business Rates (after exemptions, reliefs and discounts) is £136.0m. The actual net collectible amount as at July 2021 is £104.8m, a decrease of £31.2m since April 2021. This decrease is mainly due to additional reliefs that were announced during the government’s budget. Further reductions may occur due to reductions in properties and successful appeals against rateable values. Additional grants will be made available to the Council to offset the loss of income from the additional reliefs. As at the end of July 2021, the amount collected was 25.6%. The amount collected in the same period last year was 25.8%. Prior to the pandemic the levels collected during the same period were around 2% higher, amounting to just over £2m.

3.6.3 Movements between the budget and actual collectable amounts affect the overall level of balances held in the Collection Fund at year-end after deducting charges, with deficits requiring repayment by all of the precepting authorities in future years. At the end of 2020/21, additional amounts due to the General Fund totaling £20.3m were transferred into reserves to repay the Council’s share of the deficit. This will be repaid over three years, in-line with national accounting rules governing the Collection Fund. The income due to the General Fund from the Collection Fund is forecast on budget with no variation expected in the current year. However, it is expected that the additional grants received from central government will generate a surplus in the general fund that will be required in future years to repay the collection fund to bring it back into balance. The overall impact will be closely monitored to assess the impact on the Council’s MTFS (medium term financial strategy).

3.7 Dedicated Schools Grant

Funding Blocks	**Overall DSG Funding 2021/22**	**DfE Adjustment- Academies Recoupment**	**Revised Allocation excl. Academies 2021/22**	**Forecast**	**Overspend / (Underspend)**
	£m	**£m**	**£m**	**£m**	**£m**
Schools Block	246.5	(129.0)	117.5	117.5	0.0
High Needs Block	67.6	(7.6)	60.0	64.2	4.2
Early Years Block	23.4	0.0	23.4	23.4	0.0
Central Block	2.3	0.0	2.3	2.3	0.0
Total DSG	**339.8**	**(136.6)**	**203.2**	**207.4**	**4.2**

Summary

3.7.1 The DSG forecast is a deficit of £4.2m, against grant funds of £203.2m for 2021/22, resulting mainly from the High Needs (HN) Block. The DSG budget has been revised in year to exclude the proportion of the grant that relates to academies. This is made up of £129m from the Schools Block and £7.6m from the HN Block. Future reports will exclude the column which includes the adjustment for Academies.

3.7.2 As reported in Q1, apart from the HN Block, the forecast is for the other funding blocks to achieve a balanced budget by year end. This position is likely to change over the next two quarters as more information comes to light. For example, the forecast for the Early Years Block is likely to change following an update on the autumn head count of pupils. This will determine the actual cost to Providers for the first two quarters and inform a better projection for Q3 & Q4.

3.7.3 Although the HN Block allocation increased by £6m in 2021/22, 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, excluding the proportion allocated to academies, is £60m. This allocation will be reduced further by c£0.7m due to recoupment for school place funding for Brent pupils in other local authority areas, following an import/export review by the DfE in July 2021.

3.7.4 At the end of 2020/21, the DSG budget was in deficit of £10.5m. The in-year forecast deficit of £4.2m will increase the DSG deficit to £14.7m by the end of this financial year.

Forecast

3.7.5 The £4.2m deficit is £0.7m more than the reported pressure of £3.5m in Qtr. 1. This additional pressure is due a reduction in the HN Block funding for payments to be allocated to other local authorities for out of borough placements following an adjustment by the DfE in July 2021.

3.7.6 The pressures in the HN Block are due to continual increases in EHCP numbers which has resulted in forecast overspends against top-up funding, predominantly in out-of-borough special schools, mainstream schools, independent residential schools and post-16 placements. 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, but HN funding has not increased in line with the continued growth in overall pupil numbers, which has created financial pressures. The forecast assumes an 11% projected increase in the number of EHCPs comparing 2805 at the end of 2020/21 to a 2021/22 projection of 3114. As at the end of July 2021/22, there were 2845 EHCPs which represents a growth of 1.4% from 2020/21.

3.7.7 The forecast position is a result of the following pressures:

- £2m forecast pressures against mainstream, independent and out of borough special schools' top up funding due to increased number of pupils;

- £1.5m forecast pressure due to growth in the number of young people remaining in education in post-16 who have EHCPs and who may have to be supported from the High Needs block until the age of twenty-five;

- £0.7m additional pressure against the HN block for the recoupment of funding to be allocated to other local authorities for out of borough placements; following an adjustment by the DfE in July 2021.

3.7.8 The DfE requires Local Authorities to have a management plan agreed by the Schools Forum in place to recover the deficit over a number of years. Progress against the plan will be tracked. Options reviewed by the task group set up by the Strategic Director of CYP to recover the deficit include:

- The introduction of the SEN Support service with the expectation to manage demand, as part of the Graduated Response Programme; improved quality

EHCP assessment; and person centred planning and SMART annual reviews. Therefore, young people will be provided with earlier support, thereby reducing the need for an EHCP to trigger additional support.

- Looking to establish more SEND provision in the borough as part of the School Place Planning Strategy Refresh including developing new Additionally Resourced Provisions (ARPs) (7 in Primary and 2 in Secondary) in the academic year 2022/2023. This will reduce the need for young people to be placed in schools in other boroughs.

- Ensuring there is full cost recovery from other local authorities that place pupils in Brent special schools including administration and other specific costs;

- Continued central government lobbying.

3.8 HRA

HRA	**Budget (£m)**	**Forecast (£m)**	**Overspend / (Underspend) (£m)**
HRA	0.0*	0.0	0.0

***** The HRA budget is comprised of £56.7m expenditure and £56.7m income

Forecast

3.8.1 The budgets for the Housing Management function are contained within the ring-fenced Housing Revenue Account (HRA), which has a balanced budget set for 2021/22.

3.8.2 The overall forecast for the HRA is a break-even position for 2021/22. This is a net result of a £0.2m overspend being mitigated by a £0.2m underspend. The individual variances consist of:

- £0.2m additional costs over budget related to disrepair claims and placing tenants in emergency accommodation
- £0.2m in-year underspend on staffing costs due to vacancies

Risks and uncertainties

3.8.3 The main risk and uncertainty within the HRA (that could affect the projected outturn and assumptions made) is associated with rent collection. The impact on rental income collection rates and the subsequent increase in arrears due to the prolonged effects of the pandemic and the end of the furlough scheme is uncertain. A 5% drop in collection rates could result in an increase in rent arrears of over £2m. Scenario analysis has been undertaken in order to evaluate a range of potential options and explore the extent of possible mitigating actions required.

4 Capital Programme

4.1 The table below sets out the current capital programme forecast to the revised budget position of £225.8m as of July 2021. This also includes the new projects approved as part of the recovery initiatives. The original approved capital programme for 2021/22 totaled £260.9m.

Directorate	Original Budget Approved Feb 21 (£m)	Revised Budget (£m)	Current Forecast (£m)	Over / (Under) Spend to Budget (£m)
Corporate Landlord	5.9	16.3	16.8	0.5
Housing GF	64.4	60.2	60.7	0.5
Housing HRA	64.7	66.1	66.3	0.2
PRS I4B	24.4	24.4	24.4	0.0
Public Realm	13.7	16.5	17.3	0.8
Regeneration	36.6	12.9	12.9	0.0
Schools	26.3	10.0	9.3	(0.7)
South Kilburn	23.6	17.9	16.5	(1.4)
St Raphael's	1.3	1.5	1.4	(0.1)
Total	**260.9**	**225.8**	**225.6**	**(0.2)**

4.2 An underspend of £0.2m is being forecast against the current revised budget. An explanation of the variance of current forecast to the revised budget for each board area is provided in the paragraphs below.

Corporate Landlord

4.3 The Oracle Cloud System roll out has experienced a delay to the go-live implementation date by 2 months resulting in an £0.3m overspend for the project. The property management team have identified further works that will need to take place across the Council's corporate sites resulting in a forecasted overspend of £0.2m.

Regeneration

4.4 The Regeneration Board is currently forecast to spend to budget across all programmes following a re-profiling of the Morland Gardens and Designworks budget. The delay in procuring a delivery partner has caused the slippage for Morland Gardens and further feasibility works are being completed for Designworks. Following the Secretary of State approval for the de-designation of land in the Wembley Housing Zones scheme, procurement is underway for a delivery partner for the sites.

St Raphael's

4.5 The scheme is expected to underspend by £0.1m due to lower than expected costs as part of the master planning stage. The budget for the design of the remaining infill sites and scoping of the infill plus improvement activities will be requested to Cabinet.

Housing, Care and Investment

4.6 The Housing General Fund programme is forecasting an overspend of £0.5m for the NAIL scheme following negotiations to settle the final accounts with the contractor at the Peel Road site.

4.7 The £0.2m overspend expected within the HRA programme is for additional works identified at the Gloucester and Durham site to refurbish the lift lobbies, additional fire safety improvements, CCTV works and flood prevention measures worth £0.3m. This is offset by underspends on the final accounts for three schemes within the new council homes programme. The private rented sector programme is forecast to purchase 60 properties during the year in line with the budget.

Schools

4.8 The School's Board is currently reporting an underspend of £0.7m. The Ark Elvin project is forecasting an underspend is £0.4m, we are awaiting the school to invoice the Council's final contribution to the scheme, allowing the underspend to be released. Phase 3 of the permanent primary expansion programme is due to complete this year and is currently forecast to underspend by £0.2m. There is also an underspend expected of £0.1m in the secondary school expansion design and feasibility budget. The next stage of the project is to be confirmed over the coming months.

South Kilburn

4.9 The underspend of £1.4m across the programme primarily owing to a reduction in anticipated acquisitions for the financial year after discussions with remaining leaseholders of the properties required to progress the scheme. In particular on the Austen House and Blake Court project, the majority of leaseholders indicated an unwillingness to sell currently reducing the financial year projection by £2m, offset by accelerated acquisitions spend on the John Ratcliffe of £0.9m. A reduction in acquisition speed could increase costs, as we often end up paying a premium for the properties through negotiations or eventually through CPOs. There was a £0.3m underspend on the NWCC scheme as projected spend on design costs are lower than the budget provision, providing a saving for this scheme.

Public Realm

4.10 There is a £1.1m overspend expected due to the increase in costs for the North End Road connector project. Commercial meetings are underway to review these costs and finalise the position. This is offset by smaller underspends of £0.3m in other areas including parks, landscaping, sports and other highways schemes, which are due to be spent in the next financial year. TfL have approved £2.2m in total funding over the various schemes until December 2021, the funding for the final quarter of the financial year is yet to be confirmed.

Recovery Initiatives

4.11 The Capital Programme has been allocated £7.6m to fund a number of recovery initiative projects across the Council of which £2.9m has been budgeted for 2021/22. The funding is expected to spend to budget in the current financial year on the following initiatives:

Corporate Landlord

- Decarbonisation via LED lighting upgrades (£500k)
- Zero carbon schools project (£200k)
- Bubltown (£23k)
- FAME Database (£44k)
- Pilot Business Support Fund (£83k)
- Digital Packages for Children and Young People (£200k)

Public Realm

- Wembley High Street Recovery (£663k)
- Public Realm Priorities (£400k)
- Church End (£800k)

5 Financial Implications

5.1 This report is about the Council's financial position in 2021/22, but there are no direct financial implications in agreeing the report.

6 Legal Implications

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

7 Equality Implications

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

Report sign off:

Minesh Patel
Director of Finance