Brent	**Cabinet** 17 January 2022
	Report of the Director of Finance

Quarter 3 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 1: Savings Delivery Tracker Appendix 2: Recovery Initiatives Q3
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Director of Finance Tel: 020 8937 4043 Email:Minesh.Patel@Brent.gov.uk Ben Ainsworth, Head of Finance Tel:020 8937 1731 Email: Benjamin.Ainsworth@Brent.gov.uk

1. Summary

1.1. This report sets out the current forecast of income and expenditure versus the revenue budget for 2021/22 and other key financial information. Total pressures for the year are forecast to amount to £6.9m.

1.2. £5.4m of the pressure relates to the Dedicated Schools Grant (DSG), and needs to be recovered from DSG received in future years. £1.5m of the pressure relates to Children and Young People (CYP) General Fund (GF) due to an increase in the number of Unaccompanied Asylum Seeking Children as detailed in section 3.2 of this report.

1.3. The 2021/22 budget was set to accommodate an estimate of the level of additional costs and losses of income arising as a result of the COVID-19 pandemic. The current estimate is £25.1m, of which £9.2m will be funded from growth given to service areas and the remainder is intended to be funded by specific government grants received in-year.

Table 1	Budget	Forecast	Overspend / (Underspend)
	£m	**£m**	**£m**
Chief Executive Department	29.2	29.2	0.0
Children and Young People	60.6	62.1	1.5
Community and Well-Being	134.1	134.1	0.0
Customer & Digital Services	29.0	29.0	0.0
Regeneration & Environment	51.8	51.8	0.0
Subtotal Service Area Budgets	**304.7**	**306.2**	**1.5**
Central items	(304.7)	(304.7)	0.0
Grand Total General Fund Budgets	**0.0**	**1.5**	**1.5**
DSG Funded Activity	0.0	5.4	5.4
Housing Revenue Account (HRA)	0.0	0.0	0.0
Position before COVID-19 funding	**0.0**	**6.9**	**6.9**

DSG gross income and expenditure

	Budget	**Forecast**	**(Under)/ Overspend**
	£m	£m	£m
DSG			
Income	(203.7)	(203.1)	0.6
Expenditure	203.7	208.5	4.8
	0.0	**5.4**	**5.4**

HRA gross income and expenditure

HRA	**Budget**	**Forecast**	**(Under)/ Overspend**
Income	(56.7)	(56.7)	0.0
Expenditure	56.7	56.7	0.0
	0.0	**0.0**	**0.0**

1.4. The General Fund is forecasting an overall overspend of £1.5m. It is currently expected that this will be contained within the corporate contingency built into the 2021/22 budget. However, this is a one off solution and if these pressures are expected to continue, further work will need to be done to understand how this could be contained in 2022/23.

1.5. At the time of writing, there are significant uncertainties connected with COVID-19, such as how individuals and businesses will change their behaviour following the pandemic, how quickly the economy will recover from COVID-19, and how severe the COVID-19 infections resulting from the omicron variant will be.

1.6. The Quarter 2 report reported the risk to the Council's budget from 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 and nationally. For Under 18 Semi Independent placements this risk has crystallised and the Council currently forecasts an overspend of £1.5m due to the increase in the number of Unaccompanied Asylum Seeking Children which has led to increases in the number of placements that Brent is supporting. For the other Services that this may affect, across Community Safety, Housing services, Adult Social Care, Public Health and Children's Services, there is still a concern that the funding from Government will not cover the totality of pressures expected.

1.7. The Council's budget has savings of £8.5m this year, and £2.7m next year. The latest savings delivery tracker in Appendix A shows that the Council is on track to deliver £10.4m 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.

1.8. In July 2021, Full Council agreed £17.6m of funding from reserves to promote the recovery from COVID-19. This year's budget is £10.4m and is currently forecast to be spent in full, details of which are in Appendix B.

1.9. 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 £17.8m overall, as shown in the table below, and detailed in section 4:

Directorate	Original Budget Approved Feb 21 (£m)	Revised Budget	Current Forecast	Over / (Under) Spend to Budget
		(£m)	(£m)	(£m)
Corporate Landlord	12.2	11.9	12.0	0.1
Housing GF	60.6	56.3	52.8	(3.5)
Housing HRA	64.1	63.8	60.9	(2.8)
PRS I4B	24.4	24.4	17.6	(6.8)
Public Realm	11.9	15.5	18.1	2.5
Regeneration	35.2	12.2	9.8	(2.5)
Schools	26.2	9.7	8.1	(1.6)
South Kilburn	23.4	17.8	14.9	(2.9)
St Raphael's	1.3	2.6	2.3	(0.3)
Total	**259.4**	**214.2**	**196.5**	**(17.8)**

1.10. 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. The draft 2022/23 budget was published at the Cabinet meeting of 6 December 2021.

1.11. The provisional Local Government Finance Settlement announced on 16 December was much in line with expectations set by the Autumn Budget and Spending Review in October. As a result, there is no need to change the draft budget agreed by Cabinet on 6 December. Subject to the outcome of the statutory processes of consultation, scrutiny and equality analyses, the budget to be presented to Cabinet on 7 February 2022 is expected to be unchanged from the draft budget.

1.12. The settlement increases RSG by the September CPI figures of 3%. This inflation factor is also applied to the Improved Better Care Fund and Social Care Grant. The Social Care Grant includes an additional allocation of £3.34m for new burdens and cost pressures expected across Adults and Children's social care. In previous years, the ASC precept was at least 2%, but this year is only 1% - this grant helps to fund the resulting gap and the additional growth in demand.

1.13. There is a new grant entitled Market Sustainability and Fair Cost of Care Fund. Brent's allocation is £0.9m and is intended to fund new burdens arising from reform of the care system. A new one-off Services Grant was announced with Brent allocated £6.1m of funding. This grant is not ring fenced but is intended to cover new burdens, such as National Insurance Contribution increases for Brent and suppliers and other expected inflationary pressures, and it is therefore assumed to be revenue neutral. The settlement confirms that the 'referendum limit' for council tax will remain at up to 2% and that the social care precept will reduce from at 2% to 1%. The budget assumption that Brent will increase its share of the council tax by 2.99% therefore remains sound.

1.14. The government has also announced a new COVID-19 Additional Relief Fund (CARF) of £1.5 billion, with Brent's allocation being £7.6m. CARF is targeted at businesses that have so far not benefited from previous business grant schemes or relief on their business rates. Analysis of businesses that may be eligible is currently underway, with the aim to distribute this funding as soon as possible.

2. Recommendation

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

2.2. 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 developments around COVID-19 and the potential for further restrictions. The outturn, which has been heavily affected by restrictions in the past year continues to be reviewed as the pandemic evolves.

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 4.14) to fund the recovery initiatives. These focus on supporting communities and the environmental recovery. The projects for each of the initiatives are on track to be delivered.

Borough Plan

3.1.7 The table below provides details of the Borough Plan schemes, committed and forecast spend as at quarter 3.

Borough Plan Themes	Budget £000	Committed Expenditure £000	Underspend £000
Black Community Action Plan (BCAP)	460	410	50
Climate Emergency Strategy	300	250	50
Poverty Commission	240	240	-
Grand Total	**1,000**	**900**	**100**

BCAP
Progress has been made with the delivery of the consultant briefs that will allow several key initiatives identified in the Year One Delivery Plan to be delivered.

Climate Emergency Strategy
Activity is split between three operational projects and recruitment of two new posts. The recruitment into posts is underway. There has been spend towards the Brent Climate Festival which took place recently at same period as the Cop26 and The Together Towards Zero Small Grants Scheme is about to launch.

Poverty Commission
Economy and Jobs - Activity is focused on interventions to improve employment opportunities for people with disabilities.

Financial Inclusion and Welfare - Activity is focused on financial upskilling (3 cohorts), debt advisory support and financial inclusion training delivered through Brent Hubs.

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	21.5	1.5
Safeguarding and Quality Assurance	2.7	2.7	0.0
Setting and School Effectiveness	0.2	0.2	0.0
Total	**60.6**	**62.1**	**1.5**

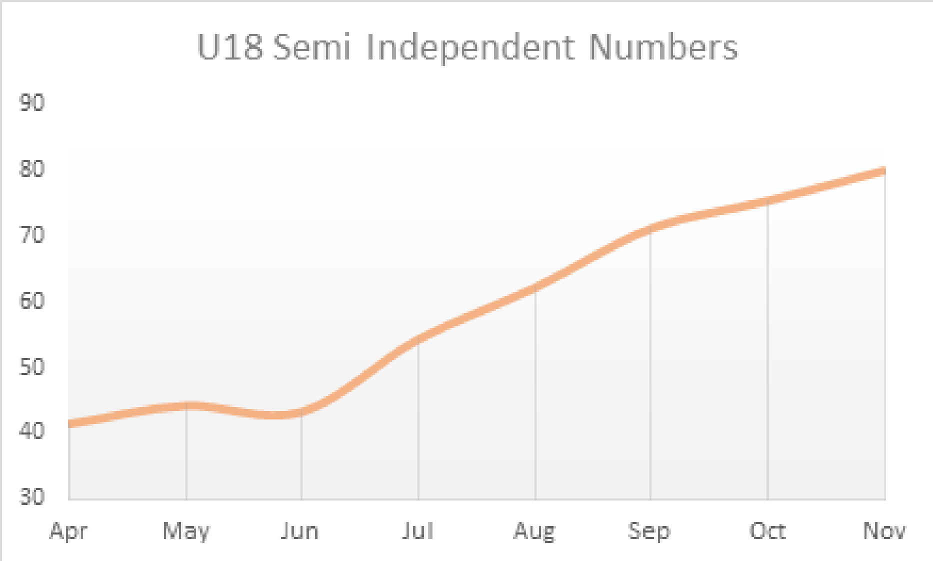
Summary

3.2.1 The Children and Young People department is currently forecasting a £1.5m overspend. This is following an increase in the number of Unaccompanied Asylum Seeking Children presenting to the borough since Quarter 2. There are a number of further risks and uncertainties discussed below which may have an impact on this position going forward.

Under 18 Semi Independent

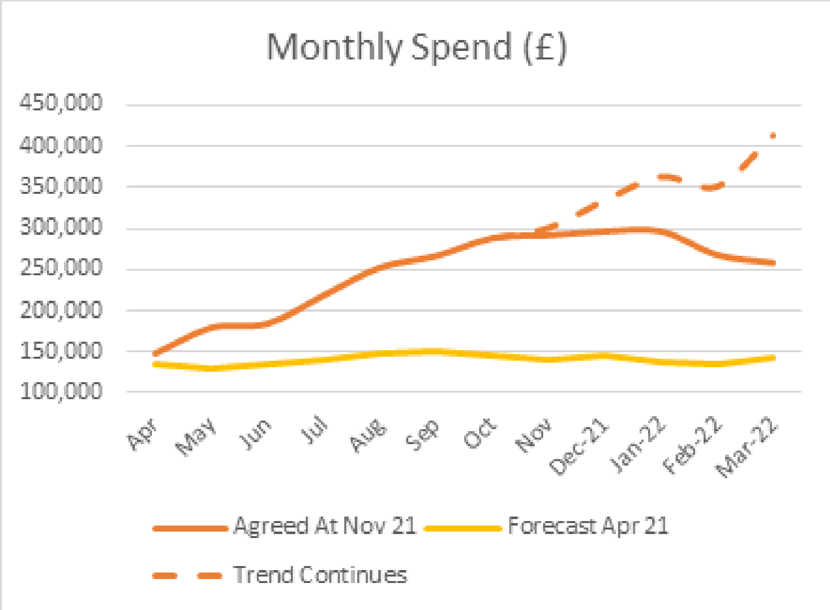
3.2.2 Following an increase in the number of Unaccompanied Asylum Seeking Children (UASCs) presenting themselves from July, the number of U18 Semi Independent placements that Brent is supporting rose from 42 in April to 87 in November.

Graph 1 - Brent U18 Semi Independent Placement Numbers



3.2.3 Numbers remained around 40 for the first quarter before rising from July to November. This is part of a wider trend being experienced by Local Authorities nationally and there is uncertainty around whether numbers will continue to rise at the same rate until the end of the financial year.

Graph 2 - Brent Monthly Expenditure on U18 Semi Independent Placements



3.2.4 The increase in numbers has been reflected in expenditure. The orange line shows the monthly spend for all semi-independent U18 packages agreed as at 24th November 2021, compared with the spend forecast in April shown in yellow. The dotted line shows what could happen to expenditure if the numbers continue to grow at current rates. If no new packages were agreed from now until 31/3/22 in-year spend on placements will increase by £1.25m from our April forecast, and if the trend experienced since July were to continue to March it will increase by £1.6m. For this forecast a £1.5m pressure has been assumed.

3.2.5 Spend in 2022-23 is likely to be higher as the full year cost is reflected. A further medium-term pressure is likely to be felt in the 18+ Care Leavers as the number of Semi-Independent placements have increased which is exacerbated by the shortage of suitable housing supply.

3.2.6 The increase in UASC numbers has also had an impact in Looked After Children and Permanency owing to; specialist age assessment social workers (£175k), legal costs (£240k), additional personal advisors to manage cases (£60k) and subsistence costs (£50k). The combined burden of these costs is £0.525m. This is currently expected to be met within current budgets but risks overspend if numbers continue to rise. The UASC Grant income will also increase as the numbers increase as funding is dependent upon claims submitted to the Home Office. The grant income is £143 per day and covers the placement cost. However, following age assessments, some young people are shown to be 18+ for whom Brent do not receive any funding and the current cohort of UASCs are believed to have a high proportion of adults. Reducing the time taken for Merton Compliant Age Assessments will reduce the period Brent supports ineligible individuals. Brent have employed four specialist social workers to carry out age assessments at a cost of £0.175m to mitigate this pressure.

Risks and uncertainties

3.2.7 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 Looked After Children (LAC) and Permanency service which are above the budgeted levels of circa 2,500 mainly due to an increase in referrals linked to asylum seeker dispersals and 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 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 are 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 £770 or independent foster placements, with an average cost of £890 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 CYP budget and numbers have grown from the start of the pandemic which will be exacerbated by the increase in care leavers, i.e., 88 in January 2020 to 142 by November 2021, a 61% 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 the number of UASCs are below the higher rate threshold of 0.07% (around 56) of the child population, Brent will receive a lower daily UASC funding rate. On the most recent funding statement from the Home Office, to September 21, of a total of 70 claims, 31 had been agreed, 2 had been invalidated following age assessments and 37 were under review pending age assessments. If the majority of the cases under review are invalidated Brent would receive the lower daily rate of £114 rather than £143. If all of the pending cases were shown to be Over 18, Brent would lose £1million of potential income. The forecast has assumed half of outstanding cases are shown to be children.

Savings and Slippages

3.2.8 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 and asylum seeker dispersals.
- £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 budgeted for 2021/22.

Recovery Initiatives

3.2.9 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 £1.2m 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).
- Fund Mental Health Support Teams in schools through specialist pre diagnostic support which began in October and expansion of the current offer through the Anna Freud Centre from January (KSP-CYP-005).
- Development of community based young person peer-to-peer support through a commissioned community sector provider and digital support packages (KSP-CYP-006).
- A year long programme of evidence based education recovery actions in Brent Schools. (KSP-CYP-007).

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.	Results of age assessments cause end of September UASC numbers to fall below threshold 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	22.8	22.8	0.0
Culture	5.1	5.1	0.0
Adult Social Care	102.2	102.2	0.0
Total	**134.1**	**134.1**	**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 resulted in an increased number of placements made over the COVID-19 period. The continuing effects of the prolonged pandemic on mental health are resulting in ongoing greater than anticipated budgetary pressure on this service estimated at £1.5m.

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. A reduced demand for residential and nursing placements also offsets the identified budgetary pressures.

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, the collection rate of rental income is still below the levels achieved prior to the pandemic. 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. Prolonged effects of the pandemic and a potential future recession are likely 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. This pressure is anticipated to remain in the medium-term and the Council's Medium Term Financial Strategy is being adjusted for future years to accommodate this. 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 lifting of the eviction ban has been managed by proactive early intervention work. As such, the numbers of households within Temporary

Accommodation did not increase following the lifting of the ban. However, in the longer run, the lifting of the ban 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. A number of home care and direct payments care packages has increased by 8% when compared to the same time last year, whilst the average homecare weekly cost has risen by 27%. At the current costs, a 1% increase in homecare clients would cost the Council an additional £0.8m per annum.

3.3.9 As a result of the Clinical Commissioning Group (CCG) funding of residential and nursing placements ceasing, the Council has inherited some additional and more expensive placements. However, a formal pooled budget arrangement with Brent CCG for COVID-19 hospital discharges has been agreed to cover the cost of some of these placements and timely re-assessments are taking place.

3.3.10 In addition, within Culture, a restricted capacity and a slow uptake of leisure centres' and libraries' offers could lead to higher than anticipated losses of income. Current income losses are contained within budgeted assumptions of a 30% reduction.

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. Of the total allocated funding, £0.2m is forecast to be spent by the end of the financial year. The list below presents the initiatives that the allocated funding is being utilised for.

- 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)

3.3.14 The Universal Healthy Start programme will roll out universal service across Brent. The programme will be commence in January and continue into the next financial year.

3.3.15 Work has been done in partnership with colleagues in the Brent Health Matters Team for the Physical Activity Programme to gauge what residents would like to see in terms of health and wellbeing support. A series of roadshows and events are being planned where a number of services will be offered to help residents access information and health testing (Diabetes, Blood Pressure, Cholesterol). Physical Activity sessions will also be included in the activities at these events.

3.3.16 As part of the Oral Health project focusing on addressing tooth decay in children, the oral health mobile bus is targeted at schools across Brent with the highest obesity rates from the 2019/2020 NCMP data. Involved in the project were the oral health promotion team, weight management team, libraries and EY staff along with public health and the dentists.

3.3.17 Two posts are being commissioned on a fixed term contract basis to deliver Perinatal Health visitor support and Mental Health Support for families who are living in emergency accommodation.

3.3.18 The Tackling Childhood Obesity project includes the delivery of the HENRY (Health, Exercise and Nutrition for the Really Young) programme within the 0-19 service and Family Wellbeing Centres.

Reform of Adult Social Care by Central Government

3.3.19 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, of which £3.6 billion will go directly to local government.

3.3.20 The funding is aimed to help pay for new supported housing that is to be increased through £300 million investment, for new technology and digitisation backed by at least £150 million and for £500 million investment providing the adult social care workforce with the opportunity to progress in their careers. The reform programme also includes £70 million to improve the delivery and standard of care, an increase to the upper limit of the Disabled Facilities Grant for home adaptations, up to £25 million to kickstart a change in the services provided to support unpaid carers and a new national website to provide easily accessible information and at least £5 million to pilot new ways to help people understand and access the care and support available.

3.3.21 The plan for the first time provides a limit to the cost of care for everyone in the adult social care system, and significantly increases state support. 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.

3.3.22 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 through their existing and limited resources and savings from service delivery.

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 would 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 if required.
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
Digital Services	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 restrictions may 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 are regularly reviewed to ensure they are contained within the grants made available from government.

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 £1.7m comprised of £1.1m for revenue projects and £0.6m for capital projects (reported in paragraph 4.14) to fund the recovery initiative projects that focus on supporting communities and businesses recovery. The projects for each of the initiatives are on track to be delivered.

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

R&E	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Environmental Services	37.2	36.8	(0.4)
Regeneration Services	1.1	1.3	0.2
Property Services	6.4	6.8	0.4
R&E Directorate	7.1	6.9	(0.2)
Total	**51.8**	**51.8**	**0.0**

Forecast

3.5.1 The Regeneration & Environment department is currently forecasting a break even position for 2021/22. The forecast break even position consists of a £0.4m overspend in Property and a £0.2m overspend in Regeneration, which is mitigated by underspends in Environmental Services and R&E Directorate.

3.5.2 The reported £0.4m overspend in Property relates to the use of agency staff which is planned to be reduced by March 2022 or sooner if possible, and water bills. The service is looking at mitigating actions such as converting posts to permanent positions sooner than March 2022 in order to reduce the overspend.

3.5.3 Regeneration is forecasting an overspend relating to reduced income in Building Control beyond the budgeted income reduction.

3.5.4 Within Environmental Services there are underspends forecast within Public Realm due to a one-off historic invoicing adjustment (£0.2m), and the insourcing of cemeteries ground maintenance (£0.2m). The forecast underspend in the R&E Directorate relates to savings delivered early.

Risks and Uncertainties

3.5.5 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.

3.5.6 The Highways revenue budget is reliant on TfL LIP funding which has been significantly reduced due to severe financial pressures. TfL confirmed funding available up to 11th December 2021 and further funding remains uncertain. TfL are in negotiation with the Government on funding for the last quarter of the financial year and beyond. The forecast assumes a £0.5m impact on the revenue budget. Until this funding is confirmed there is a risk that the actual impact is higher (or lower) than the current estimate. Should additional TfL funding be made available for Q4 the deficit would be further reduced. The service has estimated that if this risk was to materialise, the impact could be mitigated by release of agency staff, alongside Covid-19 growth funding provided to the department.

3.5.7 Brent Transport Service is run as a shared service with Harrow Council. The service is currently forecasting a break-even position; however, Harrow has indicated there could be a potential underspend BTS due to a reduction in the number of Adults routes in operation. This continues to be reviewed to understand the likelihood and financial impact of the driver and escort requirements on the routes.

Savings & Slippages

3.5.8 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 have had alternative savings found.

Recovery Initiatives

3.5.9 R&E has been allocated £4.2m revenue funding for recovery initiatives, of which £1.8m are budgeted to be spent in 2021/22 and £2.4m in 2022/23. The projects are not reporting any slippage and funding is expected to be utilised within this timeframe.

3.5.10 In addition, R&E and CDS are working jointly on projects with total revenue budget of £2.7m, of which £0.7m relates to 2021/22 and £2.0m 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 affected by further 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. Initial discussions have been held with a consultant to undertake a strategic review of this service.

Key Assumption	Downside if worse	Upside if better	Mitigations
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. Additional buildings have been included in the service. Budget realignments are required to cover these services.	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 October 2021 is £174.2m, a reduction of £0.6m since July 2021. It is expected that this figure may decrease during the year if new properties are not completed as expected and Council Tax Support 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 October 2021, the amount collected was 60.2%, a shortfall of 1.3% when compared to the in-year target. The amount collected in the same period last year was 61.3%, however, pre-pandemic collection rates at the same period were around 7% higher amounting to £12m. 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 October 2021 is £102.7m, a decrease of £2.1m since July 2021. This decrease is mainly due to additional reliefs for the retail, hospitality and leisure sector that were announced at last years Spending Review. 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 October 2021, the amount collected was 54.5%. The amount collected in the same period last year was 49.5%. Prior to the pandemic the levels collected during the same period were around 11% higher, amounting to just over £11m.

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).

COVID-19

3.6.4 The financial impact of COVID-19 has continued through 2021/22. The latest estimated cost, as at November 2021, is £25.1m across the General Fund. This figure is likely to grow for the remainder of the financial year as additional restrictions are introduced as a result of the new variant. Central government has allocated additional funding totaling £19.8m for the Council in 2021/22, by way of specific and general grants, to contain the financial impact. Any net impact will be considered corporately, including the use of COVID-19 grants that were not fully utilised and held in reserves in 2020/21.

3.7 Dedicated Schools Grant (DSG)

Funding Blocks	Overall DSG Funding 2021/22	Forecast Expenditure	Overspend / (Underspend)
	£m	**£m**	**£m**
Schools Block	117.5	117.5	0.0
High Needs Block	60.5	65.7	5.1
Early Years Block	23.4	23.9	0.5
Central Block	2.3	2.1	(0.2)
Total DSG	**203.7**	**209.2**	**5.4**

Summary

3.7.1 The DSG forecast is a deficit of £5.4m, against grant funds of £203.7m for 2021/22, resulting mainly from the High Needs (HN) Block.

3.7.2 In 2021/22, the DSG HN Block allocation increased by £6m compared to 2020/21. Despite this increase in funding, the increased demand for HN provision is forecast to contribute mainly to the overall DSG expenditure exceeding income, resulting in a cumulative deficit of £15.9m by the end of the financial year.

3.7.3 A balanced budget was set for the HN Block with an identified risk of overspend if the number of children and young people with Education Health and Care Plans (EHCPs) continued to grow at the same rate as in recent years, rather than the growth levelling off. As envisaged, the number of EHCPs has continued to rise, albeit at a slower rate than anticipated; with a 0.6% increase from January 2021 to September 2021. As a result, the DSG HN Block expenditure is expected to exceed income by a forecast £5.1m in 2021/22.

3.7.4 The Early Years Block of the DSG is forecasting a deficit of £0.5m due to an adjustment in funding by the DfE which relates to the 2020/21 financial year. This is due to a drop in pupil numbers requiring Nursery education as a result of the Covid Pandemic. This reduction in funding applies to all local authorities in receipt of Early Years funding apart from three. The DfE recognises the impact of this and further information will be made available later in the year to confirm if local authorities will receive any additional funding following the exceptional census carried out in May 2021.

3.7.5 The Central Block of the DSG (£2.3m) funds central services for schools. This includes a set contribution towards pension strain costs for former school employees of £0.6m, and it is a long-term annual commitment. There is a forecast underspend of £0.2m on the Central Block, mainly arising from in year vacancies in the Admissions and the School Effectiveness Services.

Forecast

3.7.6 The £5.4m deficit is £1.2m more than the reported pressure of £4.2m in Quarter 2. This additional pressure is mainly due an adjustment of the 2020/21 funding for the Early Years Block which was announced by the DfE in November 2021. The adjustment will see a reduction of £0.5m against the DSG funding allocation for this financial year. There has also been a revision of the forecast for alternative provision for excluded pupils which reflects an additional pressure of £0.6m; mainly due to the variability of pupil numbers and charges for this service. The forecast also includes a projection of £0.1m base funding for the newly developed Additionally Resourced Provisions (ARPs), commencing in November 2021.

3.7.7 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 mainstream schools, out-of-borough special 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 HN 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 August 2021, there were 2,779 EHCPs compared to 2,556 in August 2020, representing an 8.7% increase in EHCPs over the 12-month period. This indicates that the rate of growth is slower than predicted in the deficit management plan, as a result of action plans put in place to manage demand; for example, to date, 88 EHCPs have ceased resulting in a cost avoidance of £0.56m. This has stemmed from improvements in the annual EHCP review process to enhance the scrutiny and review of plans and consider the length of time plans should remain in place. Plans cease when appropriate to do so and packages of support reduced where levels of needs have changed.

3.7.8 The £5.1m HN forecast position is a result of the following pressures:

- £2.9m forecast pressures against Brent mainstream and special schools due to an increase in the number of High Needs places being funded;
- £1.5m forecast pressures against mainstream, independent and out of borough special schools' top up funding due to increased number of pupils;
- £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.

3.7.9 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. In June 2021, the Schools Forum was presented with the DSG Management plan which set out actions being taking to manage demand, improve sufficiency of places and financial management. A follow up on the actions set out by the task group which is led by the Strategic Director of CYP will be presented at the Schools Forum in February 2022. The group continues to work on a number of options to recover the deficit, including:

- The introduction of the SEN Support fund with the expectation to manage demand, as part of the Graduated Response Programme which involves: improved quality EHCP assessment, person centered planning and SMART annual reviews. Young people will be provided with earlier support, thereby reducing the need for an EHCP to trigger additional support. £0.5m has been approved by the Schools Forum for SEN Support and the pilot commenced in September 2021.
- Looking to establish more SEND provision in the borough as part of the School Place Planning Strategy 2019-23 Refresh. This includes a plan to develop new ARPs (7 in Primary and 2 in Secondary) in the academic year 2022/23. This will reduce the need for young people to be placed in schools in other boroughs. Two new ARPs have now been developed at Kilburn Park and Carlton Vale Infant School and commenced service in November 2021.
- Ensuring there is full cost recovery from other local authorities that place pupils in Brent special schools including administration and other specific costs. A 5% charge applied on the top-up element for all placing authorities is now effective from September 2021, in recognition of the additional services put into place by Brent. This would generate c£0.04m income in this financial year pro rata.
- Continued central government lobbying with an active involvement from the Deputy Leader of the Council.

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

3.7.10 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.

3.7.11 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

3.7.12 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 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 £214.2m as of October 2021. This also includes the new projects approved as part of the recovery initiatives. The original approved capital programme for 2021/22 totaled £259.4m.

Directorate	**Original Budget Approved Feb 21 (£m)**	**Revised Budget**	**Current Forecast**	**Over / (Under) Spend to Budget**
		(£m)	**(£m)**	**(£m)**
Corporate Landlord	12.2	11.9	12	0.1
Housing GF	60.6	56.3	52.8	(3.5)
Housing HRA	64.1	63.8	60.9	(2.8)
PRS I4B	24.4	24.4	17.6	(6.8)
Public Realm	11.9	15.5	18.1	2.5
Regeneration	35.2	12.2	9.8	(2.5)
Schools	26.2	9.7	8.1	(1.6)
South Kilburn	23.4	17.8	14.9	(2.9)
St Raphael's	1.3	2.6	2.3	(0.3)
Total	**259.4**	**214.2**	**196.5**	**(17.8)**

4.2 An underspend of £17.8m 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 There is currently a projected overspend of £0.1m, due largely to an additional critical works required for the libraries, which were not known at the time of budgeting.

Regeneration

4.4 The Regeneration Board is currently forecast to underspend by £2.5m across the Morland Gardens and Harlesden Masterplanning schemes. This budget will be re-profiled into future years. On Morland Gardens, the spend so far has been on Stonebridge Annexe on works and consultant fees. The remaining forecast spend this year will be initial set up fees but for the pre-construction phase but not the main building works as envisaged, hence the spend being lower than forecast. This is because when the initial tendering was done at the beginning of 2021/22, no bids were received and the programme had to be retendered. The bids from the retendering exercise are currently being evaluated. The Harlesden Regeneration programme has experienced delays appointing a local operator, which has delayed the capital spend as the main capital works will not commence until a local operator is selected.

St Raphael's

4.5 The scheme is expected to underspend by £0.3m in the first phase 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 has been approved at Cabinet.

Housing, Care and Investment

4.6 The Housing General Fund programme is forecasting an underspend of £3.5m, mainly due to the Housing Infrastructure Fund (Northwick Park) underspend of £3.2m in this financial year. The programme experienced delays with the contractor appointment resulting in delays in the programmed works.

4.7 The Housing HRA programme is forecasting an underspend of £2.8m due to many combined budget variances, most significantly £1.7m on Pharmond due to start on site being delayed until September 2021, £2.4m underspend on Lidding Road due to a later start on site of Q1 2022, £1.3m underspend on Seymour Road, start on site delayed to Q1 2022. There is currently a £1.1m overspend on Weston House, as the final settlement of the account has been negotiated.

4.8 The Private Rented Sector Project has an underspend of £6.8m due to a reduced rate of purchasing in the first half of the year. A further 40 to 45 properties will be purchased in 2021/22.

Schools

4.9 The underspend is partly due to the School AMP and Roe Green projects which are forecasting £0.7m for the next financial year owing to delays in the procurement. The budget will be reprofiled into future years. There are also £0.9m of projects forecasting an overall underspend, this is £0.1m for phase 3 projects at Byron Court & Stonebridge, £0.4m for London Road and Queens Park feasibility and £0.4m from the Ark Elvin council contributions. All these projects are due to or have completed this financial year, allowing the funding to be released.

South Kilburn

4.10 The underspend primarily relates to changes in acquisition forecasts for the year after consultations with leaseholders. The forecast for Austin House & Blake Court along with Craik Court,Crone Court & Zangwell House have been reduced by £2.3m. These changes are all due to reduced interest from leaseholders. Any underspend will be used in future financial years. There is also an underspend of £0.6m on the NWCC scheme as design costs were lower than original budget, allowing the budget to be reduced.

Public Realm

4.11 There is a £1.7m overspend due to the NER connector project costs escalating although final figures are yet to be agreed with commercial meetings ongoing. There is an additional £1m allocation remaining in the SCIL approval by cabinet, which can be applied once the figures are finalised leaving a pressure of £0.7m. The remaining overspend of £0.8m is from the Hostile Vehicle Mitigation S106 Project, there is additional S106 budget to be applied, although there will still be a gap of around £0.3m, that needs to be met from other sources.

Recovery Initiatives

4.12 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.

<u>Report sign off:</u>

Minesh Patel
Director of Finance