Brent	**Cabinet** 17 October 2022
	Report of the Corporate Director Finance and Resources

Quarter 2 Financial Report 2022/23

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: Budget Reconciliation
Background Papers:	N/A
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1. Summary

1.1. This report sets out the current forecast of income and expenditure versus the revenue budget for 2022/23 and other key financial data. Total pressures for the year are forecast to amount to £3.9m.

1.2. The £3.9m forecast overspend is contained within the Children and Young People Directorate, £2.2m of which is within the DSG and the remaining £1.7m is in the General Fund.

1.3. The 2022/23 budget was set to accommodate for the immediate short-term pressures arising as a result of the COVID-19 pandemic, for example income losses and increased demand in social care. The effects of COVID-19 also pose long-term financial risks to the Council, with the level of income generated potentially at risk, which could materialise through lower Council Tax and Business Rates collections. The 2022/23 budget is shown in the table below and represents the budgets in the new corporate structure. Appendix B shows how the budget has moved from the old directorates to the new directorates. The 2022/23 budget includes a £2.7m savings target, which was agreed in February 2022, and Appendix A sets out the progress in delivery and any mitigating actions where relevant.

	Budget	Forecast	Overspend / (Underspend)
	£m	£m	£m
Adult Social Care and Health	128.2	128.2	0.0
Children and Young People	62.1	63.8	1.7
Communities and Regeneration	9.0	9.0	0.0
Governance	15.3	15.3	0.0
Finance and Resources	17.3	17.3	0.0
Resident Services	74.1	74.1	0.0
Subtotal Service Area Budgets	**306.0**	**307.7**	**1.7**
Central Items	(306.0)	(306.0)	0.0
Grand Total General Fund Budgets	**0.0**	**1.7**	**1.7**
DSG Funded Activity	0.0	2.2	2.2
Housing Revenue Account (HRA)	0.0	0.0	0.0
Position before COVID-19 funding	**0.0**	**3.9**	**3.9**

DSG gross income and expenditure			
	Budget	**Forecast**	**(Under)/ Overspend**
	£m	**£m**	**£m**
DSG			
Income	(208.1)	(208.1)	0.0
Expenditure	208.1	210.3	2.2
Total	**0.0**	**2.2**	**2.2**

HRA gross income and expenditure			
	Budget	**Forecast**	**Under/ (Over)spend**
	£m	**£m**	**£m**
HRA			
Income	(52.7)	(52.7)	0.0
Expenditure	52.7	52.7	0.0
Total	**0.0**	**0.0**	**0.0**

1.4 At the time of writing, there are significant risks and uncertainty associated with inflation and pressures the Council may face as a result of the cost of living crisis. Inflation, as measured by the Consumer Prices Index, reached 9.9% in August and is forecast to reach just below 11%* at the end of Q4. Given that many contracts increase in price based on inflation as measured at a specific month, (e.g. every September) this creates a significant risk for this financial year that costs could grow faster than forecast if inflation is higher than currently forecast. Should this occur, the Council will need to find in-year efficiencies in order to keep the budget in balance. As a last resort, the Council may need to utilise reserves to fund any further in year pressures.

** this is based on the Bank of England forecast produced in August*

1.5 There are also significant risks in the Council's Capital programme, with a forecast slippage of £15.9m and an overspend of £2.8m. This slippage is largely attributable to South Kilburn, Public Realm and Schools, with the overspend attributable to both the General Fund and HRA Housing programmes. The table below shows the forecast position for each Capital Directorate:

Directorate	Original Budget	Revised Budget	Current Forecast	FY Variance	
	£m	**£m**	**£m**	**£m (Underspend) /Overspend**	**£m (Slippage) /Brought Forward**
Corporate Landlord	5.3	16.1	16.7	0.6	0.0
Housing GF	103.5	80.4	83.2	3.3	(0.5)
Housing HRA	47.1	57.7	59.6	1.9	0.0
PRS I4B	0.8	19.9	19.9	0.0	0.0
St Raphael's	2.2	1.9	1.9	0.0	0.0
Public Realm	11.9	17.9	14.9	0.0	(3.0)
Regeneration	48.4	9.3	9.4	0.0	0.1
Schools	10.5	11.5	8.2	(3.0)	(0.3)
South Kilburn	22.5	26.4	14.2	0.0	(12.2)
Total	**252.1**	**241.1**	**228.0**	**2.8**	**(15.9)**

1.6 On Friday 23 September 2022 Kwasi Kwarteng, Chancellor of the Exchequer, announced a mini budget that reversed the cautious fiscal approach of the previous administration with significant tax cuts (est. £45bn 2023 unfunded reduced by £2-3bn with the reversal of the 45% tax rate 3 October 2022) and financial support for homes and businesses for their energy bills (est. £150bn cost over 2 years, again unfunded). With economic growth slowing, inflation remaining elevated and a global recession a very strong possibility the government will very likely need to increase Government Borrowing to finance these tax cuts and extra spending.

At the date of dispatch of this report, a medium term fiscal plan is expected at the end of October alongside growth and borrowing forecasts from the Office for Budget Responsibility. Any impact on the Council's budget will be set out for Cabinet in November as part of the draft 2023/24 budget.

2. Recommendation

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

3. Revenue Detail

3.1. Adult Social Care and Health

Adult Social Care and Health	**Budget (£m)**	**Forecast (£m)**	**Overspend / (Underspend) (£m)**
Adult Social Care	105.3	105.3	0.0
Public Health	22.9	22.9	0.0
Integrated Health Partnerships	0.0	0.0	0.0
Total	**128.2**	**128.2**	**0.0**

Summary

3.1.1 Adult Social Care and Health is forecasting a breakeven position in Quarter 2.

3.1.2 Adult Social Care and Health was also forecasting a breakeven position in Quarter 1. Whilst the Quarter 2 position is still forecast to breakeven, there are some material variances explained in more detail below.

3.1.3 There is a forecast overspend against Complex Care which is largely due to a projected overspend on the elderly nursing placements budget of £0.7m. Whilst packages have remained stable during the financial year, the main cause of the variance is projected client contributions income towards their packages being less than budgeted for. A review of the income budgets is being undertaken to realign them against client numbers.

3.1.4 Learning Disabilities (LD) are forecast to underspend by £1.5m at Quarter 2, largely due to an underspend on Day Care of £0.7m and an underspend in residential care placements of £0.7m. Day Care services are still being impacted by COVID-19 and it is yet to be seen if they will return to pre-COVID numbers (224 service users in January 2020 compared to 201 in July 2022). It should be noted that the average weekly cost per service user has reduced from £298 in April 2019 to £270 in July 2022, suggesting fewer hours being delivered per service user. Residential placements within LD have remained stable at 107 placements all financial year, compared to 115 in May 2021.

3.1.5 Occupational Therapy has a projected overspend of £0.4m. We have seen an increase in the Millbrook equipment costs, rising from an average of £0.2m a month in 2021/22 to £0.2m a month in 2022/23 to date. 62% of costs are recharged to Health, so bear most of the increases, but a review is required to determine the cause of the increase.

3.1.6 Reablement is forecasting an overspend of £0.5m due to Discharge to Assess funding coming to an end at the end of 2021/22. Funding was made available to support the D2A process for part of this financial year but will not cover the full financial year. Considering this, the discharge process between the Council and the Integrated Care Board is now being reviewed to ensure the financial impact is managed.

Risks and uncertainties

3.1.7 Within Adult Social Care, longer term effects of the pandemic, demographic and inflationary pressures, as well as uncertain implications of the fair cost of care and social care reforms, all pose financial risks to the budget.

3.1.8 As additional Clinical Commissioning Group (CCG) funding and COVID-19 grants come to an end, some of the pressures on social care and community services that have been contained with these funds will pose a financial risk to the budget if mitigating actions are not taken. As this support ceases, this will have an impact on both the local authority and our providers who benefitted from these funds in order to reduce the impact of COVID-19 and the workforce challenges being faced in the sector. In 2021/22, the Council received an additional £6.5m in COVID-19 grants to support the care providers and the CCG has covered £2.7m worth of costs as a result of the CCG commissioning all Residential and Nursing placements that are typically more expensive than the usual cost to the Council. The CCG funding has been extended locally for one quarter in 2022/23 and thereafter the Council will be left to absorb the inherited higher costs, as it is difficult to renegotiate the agreed placements. To manage this risk, the service are looking at creating a task and finish group with health colleagues to manage discharges in a different way in order to manage the costs, whilst also ensuring safe discharges.

3.1.9 Another key area of uncertainty is the fair cost of care and social care reforms. Work is ongoing to better understand the impact of the fair cost of care, the care cap and the number of self-funders coming forward which will create additional burdens. Whilst government funding is being made available to Brent in 2022/23 and future years, at present it is unknown whether this funding is enough to afford the market sustainability and implementation costs.

Savings and Slippages

3.1.10 A £0.1m saving is planned to be delivered from the ASC budget in 2022/23. This is expected from the continued increase in the number of people going through reablement, creating better quality reablement and clearer pathways, and minimised costs. There are currently no slippages anticipated against the delivery of this saving.

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

Children and Young People	Budget (£m)	Forecast (£m)	Overspend /(Underspend) (£m)
Central Management	0.9	0.9	0.0
Early Help	4.9	4.8	(0.1)
Inclusion	2.9	2.9	0.0
Localities	21.0	21.8	0.8
Looked After Children and Permanency	7.3	7.8	0.5
Forward Planning, Performance & Partnerships	23.4	23.9	0.5
Safeguarding and Quality Assurance	2.0	2.0	0.0
Setting and School Effectiveness	(0.3)	(0.3)	0.0
Total	**62.1**	**63.8**	**1.7**

Summary

3.2.1 The Children and Young People department is currently forecasting a pressure of £1.7m in Quarter 2 compared to a reported forecast breakeven position in Quarter 1. Pressures have arisen against the Localities, Looked after Children & Permanency (LAC&P) and the Placements budget within the Forward Planning Performance and Partnerships (FPPP) service.

3.2.2 The pressure identified against the Localities service is mainly due to increased staffing costs of £0.4m as a high number of agency staff have occupied vacant positions, and are covering some long-term staff absences e.g. sickness and maternity cover to manage caseloads. It remains a challenge to recruit permanent social work staff. Against the Children with Disabilities (CWD) budgets, there is also a forecast reduction in income from Health of approximately £0.4m. A new Integrated Care System (ICS) Continuing Health Team is reviewing individual children's eligibility for funding, which for some is resulting in decisions that they no longer meet thresholds. In the short term, the Localities Service is projecting to cover some additional costs whilst the LA's ongoing support for these families is reviewed on a case by case basis. Directors of Children Services (DCSs) from LAs across the ICS footprint have collectively escalated their concerns to the ICS about the impact on local authorities of the Continuing Health Care Team's new operating model. Consideration will be given to appropriate legal redress if a satisfactory outcome cannot be achieved through other means. Through the Joint Funding Panel the CYP department is also challenging decisions and their timing on a case by case basis.

3.2.3 There is a £0.4m pressure against the LAC&P service is due to the use of agency staff covering vacant positions across the Looked after Children teams. In addition, within the Contact team, there is a pressure of £0.1m due to the forecast increased used of sessional workers to manage increased demand of a younger cohort of children entering the care system in the last 12 months. The service is reviewing the use of sessional workers on a monthly basis and is in the process of additional recruitment to fill vacant roles with permanent rather than sessional staff.

3.2.4 The pressure against the FPPP service is as a result of a forecast £0.5m overspend against the Placements budgets mainly due to pressure against the residential placements where costs for children new to care are higher than anticipated. This reflects the national system challenge in residential care where demand is outstripping supply. For example, a recent placement cost £13,000 per week for a child new to care and accounts for £0.4m of the forecast and another child with significant needs has been placed in a residential care placement at a short-term cost of almost £20,000 per week. In addition, the average weekly residential placement cost has increased from £4,500 per week to £4,600 per week.

3.2.5 Placement budgets are demand led. The number of looked after children and care leavers that are being accommodated has increased over the past 18 months, including an increase in teenage Unaccompanied Asylum Seeking Children (UASC) who as care leavers need to be accommodated until the home office has decided on their case. There has also been an increase in children with complex mental health needs who require residential settings.

3.2.6 There are a number of management actions in place to control spend. The CYP department is reviewing the contributions that health is making to individual residential placements and taking cases to Joint Funding Panel to ensure that relevant agencies are contributing to costs. Other measures include additional sign off processes at Children's Placement Panel; more challenge and support around stepdown arrangements from residential placements to foster placements and/or semi-independent placements for young people aged 16+, embedding a new approach to life skills development to actively support the transition of care leavers to their own tenancies. There have been successful measures to move 21+ semi-independent placements onto independent living; however, this is counteracted by 18+ placements moving into semi-independent placements. Other measures to control spend include:

- holding posts vacant where possible across the department and detailed reviews of agency use to reduce the numbers across the department where it is safe to do so
- ensuring that all agency staff take a minimum of 20 days holiday during the financial year
- ensuring full adherence to the London-wide pledge that has been in place since June 2022 will manage the agency market more effectively and contain inflationary pressures on hourly rates for social workers.
- A freeze on any non-statutory spending with approval for all spend over £1k being escalated to director level.

Risks and uncertainties

3.2.7 There are a number of risks and uncertainties discussed below which might have a significant impact on this position going forward, pending ongoing management actions to manage within the available budget. Overarching issues include inflationary pressures resulting in providers increasing costs significantly and the impact of the cost of living crisis on care leavers and vulnerable families, increasing demand and risk of not finding a satisfactory resolution to the issue of fair health funding. Continuing and long-term pressure implications will require additional intervention and solutions to be identified to achieve the outturn illustrated.

3.2.8 Within the Localities, Looked After Children, and Permanency (LAC&P) services, there are challenges regarding the recruitment and retention of skilled and experienced social work staff with the services relying on agency staff whose costs are more expensive than permanent staff. Across the Localities team, agency staff occupy 44% of the establishment. Caseloads have remained consistently high since last year although the restructure has supported the department in maintaining safe caseloads per social worker. Across the teams, as at July 2022, there were 2963 open cases, which is 6% higher than July 2021. If demand continues to grow, this could create added pressure in these areas. Management will continue to monitor the caseload levels and the use of agency staff while continuing the drive to recruit permanent staff.

3.2.9 The volatility surrounding the Placements budget for looked after children (LAC) managed within the Forward Planning, Performance and Partnerships service is a key challenge. An individual high cost residential or secure placement can cost over £0.5m per annum. Ofsted are strengthening their reviews of children’s

Residential Homes and as a result, it is anticipated that the number of homes may reduce causing higher demand and the costs of residential placements to increase. There are no indications of the financial impact currently, but it is assumed that costs of residential placements could see increases. The average cost of a placement is currently £4,600 a week. For semi-independent provision, there is the risk of additional cost pressures being passed on to local authorities, due to the DfE introducing mandatory national standards from April 2023, which will be overseen by an Ofsted-led registration and inspection regime. The average weekly cost for semi-independent accommodation is c£817 per week for a looked after child and £707 per week for Care Leavers, and there is a risk that the cost of both would increase.

3.2.10 A number of financial reviews are due to be undertaken this year. The rates paid to foster carers and Special Guardianship Orders (SGO) are to be reviewed in line with inflationary pressures and the cost of living crisis. The SGO review assesses the rates paid following means tested assessments. There is a risk that there will be an increase in rates and that some will be backdated.

3.2.11 The Children with Disabilities budget within the Localities service funds the care costs for children with Education, Care and Health Plans (EHCPs). There remains a risk that further increases in EHCPs would put additional pressure on the care packages budgets in this area and impact on staffing costs. As at Quarter 2, the number of EHCPs has increased by 6%.

3.2.12 The forecast position is also dependent on estimated income from the Home Office for UASC and Care leavers of c£2.8m and Health contributions from Health of £1m. The Home Office has recently increased the threshold of UASC who qualify for the higher funding rate of £143 per night per UASC from 0.07% to 0.1% of the Brent children and young people population with immediate effect. This is highly likely to result in reduced income as the Council will need to increase the number of UASCs by 24 to 79 to maintain the income at £143 per night and if numbers remain lower, funding may be reduced to £114 per night. The estimated impact is a £0.4m reduction in income. There is a risk that against the Health contributions, reductions in the number of children eligible for Continuing Health Care funding, could increase the pressure against the CWD and Placement budgets. In summary, any major fluctuations in these income streams would have an impact on the final outturn position.

Savings and Slippages

3.2.13 The department has a £0.3m savings target against the Gordon Brown Centre to support looked after children and care leavers to develop their life skills for independent living. There is a risk that elements of this target will slip, as the project to deliver the savings through the recovery initiatives funding is still ongoing. The slippage is being managed within the placement budget for care leavers.

Summary of Key Assumptions

Key Assumption	Downside if worse	Upside if Better	Mitigations
LAC and Care Leaver placements forecast assumes numbers of 791 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 4 placements in year, could cause an in-year pressure of c£0.6m (and £1.2m per annum)	Increased step-down arrangements result in falling number of residential placements. A single stepdown from a residential placement to a semi-independent placement could reduce expenditure by c£0.1m in-year.	Ongoing review of packages for best outcomes and focus on stepdown arrangements to support children to transition from residential to foster and/or semi-independent placements. Supporting the transition of care leavers to their own tenancies, to improve outcomes and independence. Innovative support and partnering with Health for CYP Mental Health and Wellbeing, among other preventative measures.
Health contributions for CYP placements and Children with Disabilities (CWD) packages will be lower than the 2021/22 levels.	Spending will not be mitigated by these contributions in proportion to the overall demand.	It will assist in mitigating overall net spend.	Maximising joint funding approaches with health to ensure contributions to placement costs where applicable. Targeted activity across ICS to ensure consistency in Continuing Health Care funding.
Pressures arising because of the Covid-19 pandemic will be managed within the	It may create overspends which the department may not be able to mitigate.	More likely to stay within budget as growth provided more likely to cover expected increases.	Ongoing monitoring and reporting to ensure management action is taken as early as possible to enable mitigation.

growth funds allocated in 2022/23 as part of Business-as-Usual costs (BAU).			
Mix of social work staff and caseloads in the Localities and LAC & Permanency service to remain within budgeted level.	If increases follow the trend of 2021/22 and exceed budgeted levels by 15% during the year, there could be up to £1m additional spend on agency social work staff to manage the pressure	There would be a reduction in the use of agency staff and the reduced caseloads could be attractive to social workers seeking permanent roles.	Continued management action to monitor caseloads across the service and review and manage social work resources.

3.3 Communities and Regeneration

Communities and Regeneration	**Budget (£m)**	**Forecast (£m)**	**Overspend / (Underspend) (£m)**
Communities and Strategy	4.0	4.0	0.0
Regeneration	5.0	5.0	0.0
Total	**9.0**	**9.0**	**0.0**

Summary

3.3.1 Communities and Strategy is currently forecasting a break-even position for 2022/23.

3.3.2 The Homes for Ukraine scheme has resulted in 264 hosts having signed up to host 499 guests. 184 guests have already arrived in Brent, and these include 55 children. The government is providing funding of £10,500 per person to cover all the checks required, initial cash payments to refugees, support in areas such as finding work, accessing benefits and learning English, rematching refugees with new hosts should the relationship break down and helping them move on to other suitable accommodation when the hosting comes to an end. The Council is also responsible for administering Thank-you payments to hosts each month for up to a year while they host their Ukrainian guests Implementing this scheme has placed a significant administrative and financial burden on the Council that requires a cross council approach, specifically from Adult Social Care, Children's Social Care, Housing and Legal services.

3.3.3 The Council have accepted and support five Afghan refugee families. There is also one family who has moved to Brent, under the Find Your Own Home part of the Afghan resettlement schemes, which Brent has accepted and will also support. The government is providing time limited funding, based on the number of Afghan refugees in the borough. The successful settlement of Afghan refugees permanently in the borough will require the Council to provide ongoing services to many of the refugees including support to move into permanent secure housing and education. Although there aren't any bridging hotels in Brent, there are some in neighbouring boroughs. If suitable accommodation is not found for refugees there is a real risk that some will become homeless causing additional pressures, Brent has already accepted the homeless duty for five families. We are able to apply for the same funding under the ARAP or ACRS scheme for these families, but this diminishes year on year. The homelessness costs will fall on the Council along with cost of providing long term support needed by many refugee families.

3.3.4 The Regeneration department is currently forecasting a break-even position for 2022/23.

Risks and uncertainties

3.3.5 The main financial risks of the Homes for Ukraine scheme are that the government has so far only committed to funding the programme for one year and there remains potential for significant costs helping refugees find alternative accommodation and housing them in temporary accommodation if the host relationship breaks down and/or when the scheme comes to an end.

Savings and Slippages

3.3.6 A £0.1m efficiency saving is planned to be delivered from the department budgets in 2022/23. This saving is on track and there is currently no slippage anticipated.

3.4 Governance

Governance	**Budget (£m)**	**Forecast (£m)**	**Overspend / (Underspend) (£m)**
Legal Services	6.1	6.1	0.0
HR Services	3.9	3.9	0.0
Executive & Membership	4.0	4.0	0.0
Procurement	1.3	1.3	0.0
Total	**15.3**	**15.3**	**0.0**

Summary

3.4.1 The Governance Services are forecasting a break-even position for 2022/23.

Risks and uncertainties

3.4.2 There are no materials risk for this department at present.

Savings and Slippages

3.4.3 A £0.1m efficiency saving is planned to be delivered from the department's budget in 2022/23. This saving is on track and there is currently no slippage anticipated.

3.5 Finance and Resources

Finance and Resources	**Budget (£m)**	**Forecast (£m)**	**Overspend / (Underspend) (£m)**
Finance	9.6	9.6	0.0
Audit & Investigations	1.1	1.1	0.0
Shared Technology Services	0.1	0.1	0.0
Property & Assets	6.5	6.5	0.0
Total	**17.3**	**17.3**	**0.0**

Summary

3.5.1 Property and Assets are forecasting a breakeven position.

3.5.2 Finance, Audit & Investigations and Shared Technology Services are forecasting a breakeven position.

Risks and Uncertainties

3.5.3 There are no materials risk for this department at present.

Savings & Slippages

3.5.4 A £0.1m efficiency saving is planned to be delivered from the department's budget in 2022/23. This saving is on track and there is currently no slippage anticipated.

3.6 Resident Services

Resident Services	Budget (£m)	Forecast (£m)	Overspend /(Underspend) (£m)
Resident Services Directorate	0.4	0.4	0.0
Customer Access	15.2	15.2	0.0
Housing	3.7	3.7	0.0
Environment and Leisure	44.1	44.1	0.0
Transformation	10.7	10.7	0.0
Total	**74.1**	**74.1**	**0.0**

Summary

3.6.1 Based on current trends and assumptions around the inflation and the rising cost of living implications, the Resident Services department is forecasting a break-even position for 2022/23. The Government's proposed Business Energy Relief Scheme, announced as part of the mini budget, also applies to public sector bodies, including the Council. As officers are awaiting further details of the scheme, any impact on the Council's energy budget has not be reflected in the current forecast.

3.6.2 The department's finances have been significantly impacted by the global pandemic and are anticipated to continue to be affected by the cost of living crisis. The 2022/23 budget has been set accordingly, based on assumptions around future demographic and inflationary trends. However, there are some risks and uncertainties that could impact the final financial outturn position for the year. Cabinet approved the allocation of £6m from the Council's reserves to the Resident Support Fund to support residents experiencing financial difficulty, and this is forecast to be fully spent.

3.6.3 The department is taking a number of actions to support Brent residents and businesses and mitigate the impact of the cost of living crisis. Payments under the government's Energy Rebate scheme have completed with 90,000 eligible households in Band A to D properties receiving payments totaling £13.5m. Payments to applicants in higher bands under the council's discretionary scheme will continue to receive help through until November.

3.6.4 The Government is continuing to fund the Household Support Fund for a further year. The Council has been granted £2.8m which will be used to fund vouchers for school holidays for children in receipt of benefits or free school meals until at least the October half-term.

3.6.5 The Council is currently making payments to eligible businesses from the much-delayed COVID-19 Additional Relief Fund (CARF). This Fund is intended to support those businesses affected by the pandemic but that have been ineligible for existing support linked to business rates. As of 31 August 2022, £7.0m has been granted to 1,274 businesses.

3.6.6 While these measures are much needed by Brent households and businesses, the Council has taken additional steps to provide more support to residents and businesses. The Council's Resident Support Fund has been in place since August 2020. Since then the RSF has supported 4,045 households with a total of £8.5m. The support provided is for help with the cost of living. This can include, but is not limited to, household bills, arrears in rent, mortgage, council tax, food, fuel, digital equipment and emergency funds. In addition to this, the Council is investing £30m in the Council Tax Reduction Scheme, supporting around 28 thousand households in the borough. Further information on the cost of living crisis including the ways the Council will work with residents and partner organisations in response was presented to the Resources & Public Realm scrutiny Committee on 6 September 2022.

Risks and uncertainties

Housing

3.6.7 As the cost of living crisis deepens, with energy costs and day-to-day expenditure increasing steeply, there has been a rise in homelessness applications, resulting in an increased use of temporary accommodation (TA).

3.6.8 In addition, the affordable Private Rented Sector (PRS) has contracted, which means there is a lack of supply to move households on from TA, which will put further pressures on the budget. Although, the recent opening of Anansi and Knowles house has alleviated this pressure to some extent, both schemes are now full and silted up due to the lack of move on accommodation available.

3.6.9 The current economic climate could also have an impact on the rent collection rates and result in increases in rent arrears. Collection rates are being closely monitored and there are ongoing investigations to better understand the drivers for the movements.

Environment and Leisure

3.6.10 There is ongoing uncertainty around the TfL LIP funding, as further updates are awaited from TfL on the full year funding. The impact of this on the capitalisation of staff continues to be reviewed but this could create a £0.8m budget gap.

3.6.11 Within Brent Transport services, increased prices on Taxi routes are putting additional pressures on the budget, which could cost an additional £0.4m. Brent continues to monitor the mitigations in place to reduce the impact of these costs.

3.6.12 There is uncertainty around the amount of parking income to be received, as the service continues to recover to pre-pandemic levels. A shortfall in income is currently projected to be £0.4m against budget.

3.6.13 Within Leisure, reductions in income are experienced due to slower than anticipated recovery of facilities resulting in a £0.3m shortfall. The income levels are being closely monitored and income maximisation strategies are being put in place.

3.6.14 Looking further ahead, as energy costs double for leisure centres, the risk of provider failure is increasing, forcing the Council to make difficult choices. An option is to support operators by subsidising their operating costs. Closing sites due to rising utility costs would also have a significant impact on both communities and income levels. The Council is working closely with the leisure providers to ensure continuity of the affordable service.

3.6.15 The identified pressures are partially mitigated by a £0.3m underspend due to an early delivery of savings.

Savings and Slippages

3.6.16 A £0.9m saving is planned to be delivered from the department budgets in 2022/23. The main savings are expected from a continued reduction in demand for Temporary Accommodation through increasing the supply and from achieving operational efficiency within the Brent Transport Services. There are currently no slippages anticipated against the delivery of these.

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.	The service is focusing on moving homeless clients along the various pathways. Use of Homelessness Prevention reserves could help to offset the pressures if required.

Rent collection rates for the Housing Needs service will not fall below the anticipated level.	A 5% worsening in the collection rate will cost £0.4m.	A 5% improvement in the collection rate will recover £0.4m.	Collection rates are being closely monitored and investigations into the drivers for the movements in the collection rates are ongoing.
Parking income will continue to recover to pre-pandemic levels	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	Income will continue to be monitored. CCTV enforcement has been increased with additional cameras for 22/23, and a review of the existing cameras.
SEN Transport taxi spend is within budget and expected client numbers.	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. A strategic review of this service is planned to take place to look for efficiencies.

3.7 Central items - Collection Fund

3.7.1 The budgeted net collectible amount for Council Tax (after exemptions, discounts and Council Tax support) is £183.8m. The actual net collectible amount as at 31st August 2022 is £186.7m. This increase is attributable to the development of new flats in the borough, with more properties being completed as the borough recovers from the pandemic. However, it is expected that this figure may decrease during the year if relief granted to residents, via Council Tax Support, increases due to the cost-of-living crisis. This is being closely monitored to assess the overall impact over the timeframe of the medium-term financial plan. As at the end of August 2022, the amount collected was 46.2%, an increase of 2.0% when compared to the in-year target. The amount collected in the same period last year was 43.7%, however, pre-pandemic collection rates in the same period were around 1.6% higher (47.8%).

3.7.2 The budgeted gross Business Rates payable is £153.4m. The actual gross figure at 31st August 2022 is £152.7m with a net collectible amount (after exemptions, reliefs and discounts) totalling £126.2m. The decrease of £0.5m on the gross position, since reported in July 2022, is due to an increase in reliefs granted which will be funded by additional grants from central government and have no effect on the budget. Further reductions may occur due to reductions in properties and successful appeals against rateable values. As at the end of August 2022, the amount collected was 44.0%. The amount collected in the same period last year was 34.7%. Prior to the pandemic the levels collected during the same period were around 2.9% higher (46.9%). Similar to Council Tax, if the under-collection of Business Rates continues throughout the year it will have an adverse effect on the Council's cashflow and possible implications for the medium-term financial plan.

3.7.3 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. The income due to the General Fund from the Collection Fund is forecast on budget with no variation expected in the current year.

3.8 Dedicated Schools Grant (DSG)

Funding Blocks	Overall DSG Funding 2022/23	Forecast Expenditure	Overspend / (Underspend)
	£m	£m	£m
Schools Block	114.8	114.8	0.0
High Needs Block	68.0	70.2	2.2
Early Years Block	23.2	23.2	0.0
Central Block	2.1	2.1	0.0
Total DSG	**208.1**	**210.3**	**2.2**

Summary

3.8.1 The DSG forecast is reflecting a deficit of £2.2m, against grant funds of £208.1m for 2022/23, due to pressures from the High Needs (HN) Block. The overall DSG allocation has increased by £1.4m from the position reported in Quarter1 of £206.7m due to an in-year adjustment by the Department for Education (DfE) in July 2022, to include a £0.2m increase against the HN Block based on an adjustment for Brent children in other local authorities. The EY Block allocation also increased by £1.2m following the completion of the January 2022 census.

3.8.2 As reported in Quarter 1, apart from the HN Block which reflected a pressure, the forecast assumes that the other funding blocks will achieve a balanced budget by the end of the financial year. This position is likely to change over the next two quarters, as more information becomes known. For example, the forecast for the EY Block is likely to change following payments to providers for the autumn term, as this would determine if there has been an increase in the number of hours for early years' provision from September 2022. The actual cost of payments to Providers for the first two quarters would inform a better projection for Quarter3 & Quarter4.

3.8.3 Although the HN Block allocation increased by £8m in 2022/23, 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 £68.0m. This allocation includes a £1.2m transfer from the Schools Block and the HN Block funding will be reduced further by c£0.3m due to a recoupment for school place funding for Brent pupils in other local authority areas, following an import/export review by the DfE in July 2022.

3.8.4 At the end of 2021/22, the DSG budget was in deficit of £15.1m. The forecast deficit on the HN block will increase the DSG deficit to £17.3m by the end of this financial year.

Forecast

3.8.5 The £2.2m deficit against the HN Block is an increase from the reported deficit of £0.5m in Quarter. 1. This is due to an increase in the forecast of costs at in-borough mainstream schools, academies and special schools and independent day special schools, as well as out-borough special schools. The forecast also includes an increase in expenditure relating to £0.3m to be recouped from the HN Block and allocated to other local authorities for out of borough placements, following an adjustment by the DfE in July 2022.

3.8.6 The pressures in this Block are due to continual increases in EHCP numbers. The growth in EHCPs is a London and national trend whereby the number of children assessed as meeting the threshold for support continues to increase. However, the HN funding has not increased in line with the growth in overall pupil numbers creating financial pressures. At the end of July 2022, there were 3122 EHCPs, which represents a growth of 10% compared to July 2021 and a 6% increase compared to the 2021/22 outturn.

3.8.7 The forecast position is due to the following pressures:

i. £3m forecast pressures against academies and special schools and £0.2m forecast pressures against in-borough mainstream schools top up funding due to increased number of pupils with special educational needs placed within the borough. This includes £0.57m for the allocation of the Teacher's Pay and Pensions grant (TPPG) 2021/22 to be passed onto the Special Schools and PRU's. This is offset by a forecast decrease in spend of £0.4m against the cost of children placed in independent residential special schools and £0.3m additional income to be recouped from other local authorise that have children placed in Brent schools.

ii. £0.3m pressure against the independent day special schools budget due to the increased number of pupils placed in these settings.

iii. £0.8m pressure against the out-of-borough mainstream and academies budget due to increased number of pupils placed in these settings and a HN Block recoupment of funding to be allocated to other local authorities for out of borough placements; following an adjustment by the DfE in July 2022.

iv. £0.5m pressure against the cost of children placed in alternative settings and awaiting placements.

v. These pressures are further offset by £1.9m underspends identified as part of the DSG Management Plan to review costs and realign costs funded from the DSG which can be funded from the General Fund to alleviate the pressure on the DSG. These are; £1m contribution towards the costs for children placed in independent Residential Care Children's Homes and other education related costs for Looked After Children to be funded from the Placements budgets via the General Fund; and £0.9m contribution towards the overall transport costs for SEND children.

3.8.8 Longer-term actions to recover the deficit are included in the DSG Management Plan reported to Schools Forum. A task group chaired by the Corporate Director of CYP coordinates and monitors actions in the Plan, which include reducing costs through developing Alternative Provision education in the borough, improved financial management and increasing the amount of special provision within the borough, particularly for secondary phase pupils and 16-25 year old SEND students.

3.8.9 The Council is also part of one of the DfE’s programmes to provide dedicated support to help local authorities set a sustainable high needs system called Delivering Better Value (DBV) in SEND programme. The DfE has made provision of £85m over 3 years from 2022/23 and will support 52 local authorities in deficit to reform the high needs systems with the aim of improving delivery of SEND services for children and young people while ensuring services are sustainable. The programme will provide SEND advisers and financial advisers to support the authority in producing a quality assured DSG Management Plan. The funding will not mitigate the deficit, but efficiencies identified during the programme along with the longer-term recovery actions and anticipated funding increases will go towards reducing the deficit.

Risk and Uncertainties

3.8.10 There remains a risk that the number of children and young people with Education Health and Care Plans (EHCPs) will continue to grow but the HN Block funding will not increase in line with continued growth. Over the years, this has created financial pressures with the majority of authorities holding deficit balances. In addition, the impact of the cost of living crisis could see providers requesting high inflationary price increases.

3.8.11 The regulation that is in place to carry forward a deficit balance against the DSG is due to end in 2022/23 and this is a risk for the council if the expectation is that local authority's balances should cover the deficit. The final decision is yet to be made and further guidance is awaited from negotiations between the Department for Levelling Up, Housing and Communities (DLUHC) and the DfE.

3.9 HRA

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

* The HRA budget is comprised of £57.2m expenditure and £57.2m income

Forecast

3.9.1 The budgets for the Housing Management function are contained within the ring-fenced Housing Revenue Account (HRA), which has a balanced budget set for 2022/23.

3.9.2 The HRA is forecasting a break-even position for 2022/23. This is the net result of overspends on voids and a backlog of repairs being offset by underspends due to staffing vacancies and a reduction of the capital programme. There are also a number of other risks and uncertainties in this fund that could pose financial pressures.

Risks and uncertainties

3.9.3 High levels of uncertainty around the inflation and rising interest rates pose a financial risk to the HRA. This has an impact on the cost of materials and repairs, as well as the cost of new build contracts. Rising energy costs are to be passed on to tenants and leaseholders resulting in an increased risk of non-collection. In addition, rising cost of living is likely to impact rent collection rates and consequently result in increased rent arrears. Other pressures involve the capital programme as there is no new government funding having been made available to meet environmental priorities and requirements such as carbon reduction works to homes.

3.9.4 The increased costs experienced by the HRA would have to be met by rent inflation and modifying service delivery. The rents policy is currently under consultation and it is unclear at this stage what restrictions the Council will face.

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

4. Capital Programme

The table below sets out the Capital Programme current forecast to the revised budget position as at Quarter 2 for 2022/23.

Directorate	Original Budget	Revised Budget	Current Forecast	FY Variance	
	£m	£m	£m	£m (Underspend)/ Overspend/	£m (Slippage)/ Brought Forward
Corporate Landlord	5.3	16.1	16.7	0.6	0.0
Housing GF	103.5	80.4	83.2	3.3	(0.5)
Housing HRA	47.1	57.7	59.6	1.9	0.0
PRS I4B	0.8	19.9	19.9	0.0	0.0
St Raphael's	2.2	1.9	1.9	0.0	0.0
Public Realm	11.9	17.9	14.9	0.0	(3.0)
Regeneration	48.4	9.3	9.4	0.0	0.1
Schools	10.5	11.5	8.2	(3.0)	(0.3)
South Kilburn	22.5	26.4	14.2	0.0	(12.2)
Total	**252.1**	**241.1**	**228.0**	**2.8**	**(15.9)**

4.1 Rising inflation, a continued shortage of labour and materials and events such as the COVID-19 pandemic and the war in Ukraine have had an adverse effect on costs and therefore the financial viability of schemes. The Government reported an increase of 23% in the costs of materials such as steel, timber and concrete last year alone.

4.2 For those projects in contract and being delivered, the Council is already receiving requests from contractors to re-negotiate pricing due to the cost of raw materials of which the Council are exploring all options to sustain viability including value engineering and tenure mix to allow schemes to continue. This is also impacting viability for schemes that are not yet in contract but within the Capital Programme and those in the forward plan pipeline. Even with the mitigating measures, it is likely there will be schemes that are cancelled, paused or reduced in scope to ensure funding can be prioritised appropriately.

4.3 The Council is in the process of reassessing the viability of our Housing Capital Programme in light of recent inflation figures. The exercise will model the potential impact of expected cost increases for schemes not yet in contract or received a recent tender price. In anticipation of the adverse affect on the scheme's viability, the Council will assess the scope of the scheme whilst also reviewing the impact of cross subsidy.

4.4 The impacts of inflation are not reflected to the full extent in the budget variances reported as above due to:

- The variances analysed in this report are for the financial year 2022/23 only;
- Some impacted projects have had additional budgets secured by Cabinet for example Watling Gardens which now includes 23 shared ownership homes which protected the Council's ability to deliver 45 Extra Care homes and 56 homes at London affordable rent;
- Many projects have the initial phases of the budget approved which is forecast above, however the further build phases of the scheme are yet to have been approved.

4.5 **Corporate Landlord**

Corporate Landlord is projecting an overspend of £0.7m. The Civic Centre Project is forecast to overspend due to their updated asset management plan and programme of works required during the year. Work is ongoing to ensure savings can be identified to fund the additional works required. The Digital Strategy programme, which includes projects such as Dynamics architecture remediation, the Acolaid Upgrade program and the Digital Inclusion program has reprioritised its work plan and is projecting a slight underspend of £0.1m. The Council's Equipment for Flexible Working scheme has seen a reduction in demand and are now forecast to underspend in this financial year. However, the Civic Centre has submitted an additional budget request of £1.5m, of which the funding details are currently being finalised. If agreed, this will result in an underspend for the service area.

4.6 **Housing General Fund**

The General Fund Housing Programme is projecting a variance of £2.8m (overspend of £3.3m and slippage of £0.5m). An overspend of £2.5m is forecast on the Learie Constantine Centre as a result of amendments to the cost plan and contract arising from changes in building safety regulations. A £0.4m overspend is forecast for Empty Property Works Programme based on the project team's assessment of the need. There is an £0.2m overspend forecast on Church End development due to the need to redesign RIBA Stage 3 to comply with the new Building Safety Act. There is a £0.2m overspend forecast on Peel Road to account for the contractor's claims which they have assigned to variations instructed by the Council. There is a slippage of £0.1m on Clock Cottage and £0.4m on Nail Acquisition & Refurbishment resulting from the ongoing assessment of scheme progress and spend timing estimates.

4.7 **Housing HRA**

The HRA Housing Programme is projecting an overspend of £1.9m. Based on ongoing work to finalise accounts with the contractor, £0.2m is forecast for Gloucester Close which has no remaining budget available. On the Domestic Electrics project, an overspend of £0.7m is forecast to cover for a backlog in Electrical Installation Condition Report (EICR) works. There is a £0.4m overspend forecast on Aneurin Bevan Ct and £0.3m on Seymour Ct and Lidding Rd combined on account of the ongoing inflationary pressures. There is a forecast overspend of £0.4m on six other schemes due to the impact of inflation and final account negotiations.

4.8 **PRS I4B**

The purchasing progamme is on track to spend to budget of £19.9m to acquire 48 private residential units.

Risk and Uncertainties

At the time the i4B business plan was approved in January 2022, the financing rate for new acquisitions was modelled at 3.1%. During this time, rates have increased from lows of 2% to over 4%. The impact of rising interest rates is that the purchase price I4B can afford to pay for properties drops, enabling it to access less properties on the market. In order to maintain its ability to purchase, the price of properties on the market would have to drop. Whilst there are early indications that property prices may start to fall, there has not yet been sufficient decreases to offset the rise in financing costs.

4.9 **St Raphael's**

The two St Raphael's schemes, Estate Regeneration and Phase 1 of the Infill Development, are forecast to spend to budget for the professional fees and works to support the planning applications associated with the scheme of £1.4m and £0.5m respectively.

Risk and Uncertainties

For the Infill housing development, the project team are working on the planning application for Phase 1 as per the Masterplan. The viability of the development is under regular review and work is ongoing to understand the implications of the current market environment for delivery on the site.

4.10 **Public Realm**

The parks programme is projecting a slippage of £0.4m, primarily due to the pitch improvements project caused by a delay in the second part of the pitch drainage work. There is a £0.6m slippage on landscaping due to all project expenditure being reviewed to now align with Forestry Commission bid, for which we have offered match funding. There is a slippage on the highways area, due to a budget of £0.8m being set aside for a joint levelling up bid with Camden Council. There is a £0.4m underspend on Highways S106 as some of the budgets will be decommissioned and repurposed within the highways area. COVID recovery projects in the highways area are projecting a slippage of £0.6m.

Risk and Uncertainties

The Council is yet to receive confirmation of the funding expected from TFL for the current financial year to fund projects, which makes planning extremely difficult. TFL has reached a funding agreement up to March 2024 with Government. The settlement has indicated this will allow significant capital investment to take place during the period so the Council expects to have more certainty on Local Implementation Plan (LIP) allocations for 2022/23.

4.11 **Regeneration**

Regeneration is projecting a brought forward of £0.1m, to meet the revised spend estimate in 2022/23.

Risk and Uncertainties

As described in the overarching risk comment at the beginning of this section, financial viability of schemes within the regeneration programme are also adversely impacted by the current inflationary pressure in the construction and related services sector. More specifically, financial viability is a big risk for the affordable housing delivery within Wembley Housing Zones (WHZ). WHZ has now switched to the GLA programme BCHFL (Building Council Homes for Londoners) and compliance with fire safety standards BS9991 has added to the already high viability pressure.

4.12 **Schools**

The £2.8m underspend relates to the SEND Programme, due to savings achieved at the procurement stage. Also, there is a £0.3m programme contingency included in the budget and is currently reporting not to be required in this financial year. There is also a £0.2m underspend relating to the phase 3 primary expansion, primarily Uxendon Manor.

Risk and Uncertainties

The primary programme going forward will be the SEND programme, many of the projects are yet to go for procurement, so could be vulnerable to inflation issues or other cost rises, it is important this is monitored to ensure swift delivery and minimum disruption to schools

4.13 **South Kilburn**

The forecasts for the full programme have been reviewed and revised based on acquisition and design schedules. There is a £4.1m underspend due to acquisitions being forecast in future years primarily on Austen House and Blake Court. A 4m SCIL contribution from the NWCC projects will not be used within the financial year. There is a £3.1m underspend on Carlton and Granville , the project has moved into the construction phase after procurement and the forecast now reflects a more realistic schedule. There is a £1m of the DEN budget which will be used in future years due to the concept design being reworked to meet London Plan low carbon district heat network changed requirements

Risk and Uncertainties

The increased demand for 3, 4 and 5-bedroom properties for families means the Council has to ensure that it is designing schemes to meet demand as part of the mixed use development while also making sure the schemes are viable for developers.

The scheme could be vulnerable to changes in the market caused by rising interest rates or a slowdown in the housing market, as the schemes become less viable for developers.

5. Financial Implications

5.1 This report is about the Council's financial position in 2022/23, but there are no direct financial implications in agreeing the report.

6. Legal Implications

6.1 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.

8. Consultation with Ward Members and Stakeholders

8.1 Not applicable.

9. Human Resources

9.1 Not applicable.

Report sign off:

Minesh Patel
Corporate Director of Finance