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| Brent | **Cabinet**<br>17 July 2023 |
| | **Report of the Corporate Director Finance and Resources** |

# Quarter 1 Financial Report 2023/24

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|---|---|
| **Wards Affected:** | All |
| **Key or Non-Key Decision:** | Key |
| **Open or Part/Fully Exempt:**<br>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act) | Open |
| **No. of Appendices:** | Two:<br>Appendix A: Savings Delivery Tracker<br>Appendix B: Treasury Management Prudential Indicators |
| **Background Papers:** | None |
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## 1. Summary

1.1. This report sets out the current forecast of income and expenditure versus the revenue and capital budgets for 2023/24 and other key financial data.

1.2. The 2023/24 budget was set to accommodate for the pressures arising as a result of the current economic climate and cost-of-living crisis. At this stage of the financial year the overall forecast for the Council is a break-even position. The budget also reflects £13.5m of savings that were agreed for 2023/24. The latest forecast for the delivery of these savings are set out in Appendix A.

1.3. The table below shows the forecast position against budget for the General Fund, DSG and HRA. Further detail on each area is contained within section three of this report.

| | Budget | Forecast | Overspend / (Underspend) |
|---|---|---|---|
| | £m | £m | £m |
| Care, Health and Wellbeing | 122.7 | 122.7 | 0.0 |
| Children and Young People | 62.1 | 62.1 | 0.0 |
| Communities and Regeneration | 6.3 | 6.3 | 0.0 |
| Governance | 13.6 | 13.6 | 0.0 |
| Finance and Resources | 11.8 | 11.8 | 0.0 |
| Resident Services | 69.2 | 69.2 | 0.0 |
| **Subtotal Service Area Budgets** | **285.7** | **285.7** | **0.0** |
| Central Items | (285.7) | (285.7) | 0.0 |
| **Grand Total General Fund Budgets** | **0.0** | **0.0** | **0.0** |
| DSG Funded Activity | 0.0 | 0.0 | 0.0 |
| Housing Revenue Account (HRA) | 0.0 | 0.0 | 0.0 |
| **Net Total** | **0.0** | **0.0** | **0.0** |

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

| **DSG gross income and expenditure** | | | |
|---|---|---|---|
| | **Budget** | **Forecast** | **(Under)/ Overspend** |
| | **£m** | **£m** | **£m** |
| **DSG** | | | |
| Income | (220.8) | (220.8) | 0.0 |
| Expenditure | 220.8 | 220.8 | 0.0 |
| **Total** | **0.0** | **0.0** | **0.0** |

| HRA gross income and expenditure | | | |
|---|---|---|---|
| | **Budget** | **Forecast** | **Under/ (Over)spend** |
| | **£m** | **£m** | **£m** |
| **HRA** | | | |
| Income | (61.2) | (61.2) | 0.0 |
| Expenditure | 61.2 | 61.2 | 0.0 |
| **Total** | **0.0** | **0.0** | **0.0** |

1.4. The table below shows the current forecast against the revised budget for the Capital Programme, as at Quarter 1 for 2023/24. Further detail is contained within section four of this report.

| **Directorate** | **Original Budget** | **Revised Budget** | **Current Forecast** | **FY Variance** | |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m (Underspend)/ Overspend/** | **£m (Slippage)/ Brought Forward** |
| Corporate Landlord | 10.3 | 14.3 | 14.4 | 0.1 | 0.0 |
| Housing GF | 82.3 | 96.9 | 92.8 | 1.6 | (5.7) |
| Housing HRA | 157.0 | 135.5 | 137.8 | 2.4 | 0.1 |
| PRS I4B | 18.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public Realm | 25.5 | 35.6 | 33.2 | (0.5) | (2.0) |
| Regeneration | 74.1 | 44.8 | 39.9 | (1.0) | (3.9) |
| Schools | 35.1 | 19.6 | 17.2 | (0.6) | (1.7) |
| South Kilburn | 27.0 | 28.1 | 28.1 | 0.0 | 0.0 |
| St Raphael's | 31.7 | 0.8 | 0.8 | 0.0 | 0.0 |
| **Total** | **461.5** | **375.6** | **364.2** | **2.0** | **(13.2)** |

1.5. The current economic environment is volatile and uncertain with high inflation, particularly affecting energy costs, rising interest rates and war in Ukraine, precipitating the cost-of-living crisis. The Bank of England’s view is that inflation peaked towards the end of 2022 and will now reduce in 2023 before reverting to its 2% target in 2024. CPI fell to 10.1% in January 2023, down from the peak of 11.1% in November 2022 – the highest rate of increase in 41 years. However, in February 2023 CPI rose again to 10.4% and then in March fell back to 10.1%, illustrating the volatility that persists in the economy. CPI for April 2023 was 8.7%. This has resulted in a rise in interest rates to 5% in June 2023 and is likely to result in further rises in interest rates, with commentators forecasting a peak of 5.5% for base rate by December 2023. These factors create a challenging environment for the Council to plan its future resourcing requirements. 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 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.

## 2. Recommendation

2.1 That Cabinet note the new grant funding received in year, the overall financial position and the actions being taken to manage the issues arising.

2.2. That Cabinet note the savings delivery tracker in Appendix A.

2.3 That Cabinet approve the virements set out in section 3.7.7 of this report.

2.4 That Cabinet note for the 2023/24 Q1 the Council has complied with its Prudential Indicators which were approved by Full Council as part of the Council's Treasury Management Strategy Statement and Capital Strategy Statement, as set out in Appendix B.

## 3. Revenue Detail

### 3.1 Care, Health and Wellbeing

| **Care, Health and Wellbeing** | **Budget (£m)** | **Forecast (£m)** | **Overspend / (Underspend) (£m)** |
|---|---|---|---|
| Adult Social Care | 99.0 | 99.0 | 0.0 |
| Public Health | 23.7 | 23.7 | 0.0 |
| Integrated Health Partnerships | 0.0 | 0.0 | 0.0 |
| **Total** | **122.7** | **122.7** | **0.0** |

**Summary**

3.1.1 The Care, Health and Wellbeing budget 2023/24 includes a savings target of £4.3m and an additional growth allocation of £15.3m. This budget has been set accordingly, based on assumptions around future demographic and inflationary trends.

**Risks and uncertainties**

3.1.2 There are a number of risks and uncertainties within the service that could affect the assumptions made and the overall forecast outturn for Care, Health and Wellbeing 2023/24.

3.1.3 As is the case in other service areas, Public Health contracts are likely to be affected by the rising levels of inflation. The majority of public health services are commissioned from the NHS where national Agenda for Change pay awards have significantly outstripped uplifts in the public health grant, even before the resolution of current industrial disputes. However, for 2023/24 the costs are anticipated to be contained within the main Public Health grant.

3.1.4 Within Adult Social Care, demographic and inflationary pressures, as well as uncertain implications of the introduced fair cost of care and social care reforms, all pose financial risks to the service's budgets.

3.1.5 Whilst the planned social care charging reforms have been delayed from October 2023 to October 2025, the sector must still work to ensure sustainable rates for care are paid with fair cost of care funding from the Government continuing for the next two years.

3.1.6 The demand for social care services and complexity of care needs are also ever-increasing resulting in higher costs. Whilst there are some reductions in costs due to less Residential and Nursing placement following the COVID-19 outbreaks, the demand for homecare and supported living is on the rise.

3.1.7 The cost-of-living crisis and the steep rise in inflation, heating and fuel costs are likely to have an impact on spot placement requests from providers who are looking to recover some of the additional costs they are incurring. For 2023/24, the Adult Social Care budget was allocated a growth budget to manage projected demographic growth demand and inflationary increases. Due to continued rises in inflation this creates additional risk and uncertainty, and care package budgets are therefore being monitored closely whilst any placement fee increase requests from providers are also being reviewed in detail.

3.1.8 It has now been confirmed that Brent will continue to receive Hospital Discharge Funding from Government this financial year (£1.8m funding directly to the Local Authorities and an unconfirmed amount of funding from the Integrated Care Board).

3.1.9 As part of the £4.3m savings target, £600k is attributed to Learning Disabilities. It has been identified that there are potential challenges in delivering this saving within the timeframe agreed. This will be monitored closely and mitigating items will need to be identified if this were to materalise.

**Savings and Slippages**

3.1.10 A savings target for 2023/24 of £4.3m is planned to be delivered across a number of services within the department including, homecare, reablement, staffing, learning disability and mental health placements. The department will need to manage any risk of slippage as stated earlier.

**Summary of Key Assumptions**

| Key Assumption | Downside if worse | Upside if better | Mitigations |
|---|---|---|---|
| The Adult Social Care providers' costs will increase to the anticipated level in line with | A 1% increase on the cost of care packages could result in a £0.7m pressure. | A 1% decrease on the cost of care packages could result in | The Council is working closely with the service providers and provides robust challenge of |

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| inflationary assumptions. | | a £0.7m reduction in anticipated costs. | individual package costs based on evidence as part of placement reviews. |
| Client numbers and unit costs stay within the forecast range | Additional budget pressures should there be clients beyond those predicted in the forecast | Client numbers falling below those forecasted would reduce costs | The Council are monitoring both client numbers and package costs for each service. This should allow for early identification of pressures so mitigating actions can be taken. |

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

| CYP Department | Budget (£m) | Forecast (£m) | Overspend / (Underspend) (£m) |
|---|---|---|---|
| Central Management | 0.6 | 0.6 | 0.0 |
| Early Help | 5.0 | 5.0 | 0.0 |
| Inclusion | 2.0 | 2.0 | 0.0 |
| Localities | 21.1 | 21.1 | 0.0 |
| Looked After Children and Permanency | 7.3 | 7.3 | 0.0 |
| Forward Planning, Performance & Partnerships | 23.3 | 23.3 | 0.0 |
| Safeguarding and Quality Assurance | 2.8 | 2.8 | 0.0 |
| Setting and School Effectiveness | 0.0 | 0.0 | 0.0 |
| **Total** | **62.1** | **62.1** | **0.0** |

**Summary**

3.2.1 At this early stage of the financial year the Children & Young People's department is currently forecasting a breakeven position. The budget includes savings of £0.84m and a growth allocation of £8m. However, there are a number of risks and uncertainties discussed below which may impact on this position going forward.

**Risks and uncertainties**

3.2.2 The main risks and uncertainties impacting on the CYP department include issues such as inflationary pressures resulting in private providers of fostering, semi-independent and residential accommodation for looked after children, increasing costs significantly and the impacts of the cost-of-living crisis on care leavers and vulnerable families, increasing demand.

3.2.3 Recruitment and retention of skilled and experienced social work staff remains a risk in Localities and Looked After Children, and Permanency (LAC&P) services with agency staff occupying up to 50% of the workforce in some teams.

3.2.4 The volatility surrounding the placements budget for looked after children (LAC) is a key challenge. If demand for residential placements increases, this will increase the pressure as an individual high cost residential or secure placement can cost over £0.3m per annum. Ofsted are strengthening their reviews of children's residential homes and there is a risk that this could lead to a reduction in the number of homes, causing higher demand and higher costs for local authorities competing for the same places. In response Brent has been successful in a DfE bid to build and run a children's home which will help to manage costs and improve placement sufficiency. The home is expected to be operational towards the end of 2024/25. Brent is also joining the West London Commissioning Alliance, a pan-London vehicle to ensure greater sufficiency of secure welfare residential placements which will be operational in 2025.

3.2.5 There is the risk of additional cost pressures being passed on to local authorities from semi-independent provisions 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£913 per week for a looked after child and £769 per week for Care Leavers, and there is a risk that the weekly cost of both could increase. Grant funds will be provided however the risk remains that the funding may not be sufficient to cover the increased costs.

3.2.6 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 will put additional pressure on the care packages budgets in this area and impact on staffing costs.

3.2.7 The forecast position is also dependent on estimated income from the Home Office for (UASC) and Care leavers of c£2.6m and health contributions from the ICB of £1.7m. Any major fluctuations against these income streams could have an impact on the outturn position.

**Savings and Slippages**

3.2.8 The department has a £0.84m savings target to deliver across the department. The savings are mainly from reductions in care packages of £0.36m, staffing efficiencies of £0.36m, and £0.12m arising from contract savings and a reduction in the training budget. The department is on track to deliver the savings and any risk of slippage will be managed by the department.

**Summary of Key Assumptions**

| Key Assumption | Downside if worse | Upside if better | Mitigations |
|---|---|---|---|
| LAC and Care Leaver placements forecast assumes numbers of 809 and unit costs reflect current trends. | An increase in the number of high cost residential or secure placements would place additional pressure on the budget. e.g., an increase by 4 placements in year could cause an additional in-year pressure of c£0.9m (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. | A CYP Placements Commissioning Board has been put in place to oversee the development of four workstreams which include; Growing Brent's in-house foster care provision; preventing escalating need by targeting mental health and wellbeing services; Developing new approaches to market management and engagement and promoting greater independence for care experienced young people |
| Health & DSG contributions for CYP placements and Children with Disabilities (CWD) packages will be lower than the 2022/23 levels. | The spend will not be mitigated by these contributions in proportion to the overall demand. | It will assist in mitigating overall net spend. | Maximising joint funding approaches with health to ensure contributions to placement costs where applicable. Targeted activity across ICS to ensure consistency in Continuing Health Care funding.<br><br>Ensuring that any contributions due from the DSG High Needs Block for Education costs for children with EHCPs paid out of the general fund are received. |
| Mix of social work staff and caseloads in the Localities and LAC & Permanency | If increases of 15% during the year, there could be up to £1m additional spend on agency social work staff to | There would be a reduction in the use of agency staff and the reduced caseloads could be attractive to social | Continued management action to monitor caseloads across the service and review and manage social work resources. |

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| service to include the use of agency staff. | manage the pressure. | workers seeking permanent roles. | |

### 3.3 Communities and Regeneration

| Communities and Regeneration | Budget (£m) | Forecast (£m) | Overspend / (Underspend) (£m) |
|---|---|---|---|
| Communities and Strategy | 4.4 | 4.4 | 0.0 |
| Regeneration | 1.9 | 1.9 | 0.0 |
| **Total** | **6.3** | **6.3** | **0.0** |

**Summary**

3.3.1 The Communities and Regeneration department is currently forecasting to break even for 2023/24.

**Risks and uncertainties**

Regeneration

3.3.2 The main risk in Regeneration is the uncertainty surrounding the potential for sustained under-achievement of income as a result of the current economic climate. Income in this area is being closely monitored and mitigating actions are being explored.

3.3.3 Application and Pre-Application fee income has seen a decline in recent years. This reduction in income is not exclusive to Brent and has been the case across the country. Fee increases have been proposed by the Department for Levelling Up, Housing and Communities, however the impact this increase will have in this financial year is still to be determined.

3.3.4 Rising interest rates and material costs are likely to cause cancellation or the scaling back of some developments, which will cause a decline in income in Building Control. This decline in income is being exacerbated by increased competition from private inspectors, which has resulted in a drop in the council's market share. Health and Safety Executive (HSE) high-rise building regulations will be introduced in October 2023, which will mean a switch to a cost recovery basis. New methods of income generation are being explored with a view of reducing the budgetary pressure.

**Savings and Slippages**

3.3.5 A £0.33m saving is planned to be delivered from the Communities and Regeneration departmental budget in 2023/24, predominantly through changes to staffing structures. Delays with a supplier have resulted in a slippage of £50k on a saving which was to be achieved through efficiencies generated by the use of technology and automation. Mitigations are currently being explored to ensure a break-even position. The rest of the savings are on track to be delivered.

**Summary of Key Assumptions**

| Key Assumption | Downside if worse | Upside if better | Mitigations |
|---|---|---|---|
| Fee income will continue to be lower than the income target for the rest of the financial year for both Planning & Development Services and Building Control | Lower than forecast fee income will create budgetary pressures within the Regeneration department | Higher income volumes will generate additional revenue for the Council | Continuous monitoring of the fee income to identify budgetary pressures as early as possible. |

## 3.4 Governance

| Governance | Budget (£m) | Forecast (£m) | Overspend / (Underspend) (£m) |
|---|---|---|---|
| Legal Services | 4.6 | 4.6 | 0.0 |
| HR Services | 3.8 | 3.8 | 0.0 |
| Executive & Membership | 4.1 | 4.1 | 0.0 |
| Procurement | 1.1 | 1.1 | 0.0 |
| **Total** | **13.6** | **13.6** | **0.0** |

**Summary**

3.4.1 The Governance department is forecasting a break-even position for 2023/24.

**Risks and uncertainties**

3.4.2 There are no materials risks identified for this department at present.

**Savings and Slippages**

3.4.3 A £0.35m saving is planned to be delivered from the department's budget in 2023/24, predominately through internal restructures and service transformations. 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 | 7.4 | 7.4 | 0.0 |
| Audit & Investigations | 1.1 | 1.1 | 0.0 |
| Shared Technology Services | 0.2 | 0.2 | 0.0 |
| Property & Assets | 3.1 | 3.1 | 0.0 |
| **Total** | **11.8** | **11.8** | **0.0** |

**Summary**

3.5.1 Finance and Resources are currently forecasting to spend to budget for 2023/24.

**Risks and Uncertainties**

3.5.2 Property & Assets are required to find new tenants to replace expired leases and vacant property to meet their income forecast. The service is working to mitigate this risk by actively marketing these properties and working with agents where appropriate.

**Savings and Slippages**

3.5.3 A total of £1.1m of savings are planned through reductions in staffing, digital transformation, security service transformation, rationalising soft FM services and other departmental efficiencies. The department is on track to deliver these savings.

## 3.6 Resident Services

| **Resident Services** | **Budget (£m)** | **Forecast (£m)** | **Overspend /(Underspend) (£m)** |
|---|---|---|---|
| Resident Services Directorate | 0.4 | 0.4 | 0.0 |
| Customer Services | 15.3 | 15.3 | 0.0 |
| Housing | 3.3 | 3.3 | 0.0 |
| Environment and Leisure | 39.7 | 39.7 | 0.0 |
| Transformation | 10.5 | 10.5 | 0.0 |
| **Total** | **69.2** | **69.2** | **0.0** |

**Summary**

3.6.1 The department is taking a number of actions to support Brent residents and businesses and mitigate the impact of the cost-of-living crisis.

3.6.2 Following the government's Council Tax Energy Rebate scheme in 2022/23, under which the Council delivered £15m of support with energy bills for 90,000 households, a further £1.2m of support is being provided through the Energy Bills Support Scheme Alternative Funding and Alternative Fuel Payments Alternative Funding schemes. This is being delivered to households who were ineligible for support with their energy bill costs through their domestic electricity supply.

3.6.3 A Household Support Fund (HSF) grant has been awarded by the government to support residents through the cost of living and winter costs. The total grant allocated for 2023/24 is £5.6m. This is anticipated to be utilised in full to support households receiving free school meals for holiday period, 0-4 year old children whose parents or guardians are on Housing Benefits, food banks, careers in Brent, Housing Benefits residents who did not qualify for any government help, as well as reactive food support through supermarket vouchers. Of the total allocation, £2m of the HSF has been made available for the Resident Support Fund (RSF) for reactive support through RSF applications.

3.6.4 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 RSF, which is a discretionary support fund, has been in place since August 2020 to provide 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. The RSF for 2023/24 is estimated to support 5,000 households with a total of £5m, £3m Council's investment and £2m HSF reactive support fund. In addition, £1m has been made available in the form of the Family Food Fund.

3.6.5 The Council has foregone £33m of Council Tax revenue in 2023/24 to fund the Council Tax Reduction Scheme (CTRS), supporting around 27,000 households in the borough. In addition to this, the Council is reducing Council Tax bills for CTRS households by up to £25, funded by Central Government's Council Tax Support Fund. Any remaining allocation from this fund will be used to support vulnerable households through the RSF.

3.6.6 The 2023/24 budget has been set taking into account assumptions around future demographic changes, the impacts of the cost-of-living crisis and inflationary trends. Based on these assumptions and current trends, the Resident Services department is forecasting a break-even position for 2023/24. However, there are a number of risks and uncertainties that could impact the final financial outturn position for the year.

**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 is 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) is contracting meaning there is a lack of supply to move households on from TA, which puts further pressures on the budget.

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 Within Brent Transport services, rising demand linked to the increase in the EHCPs (Educational, Health and Care Plans), as well as prices on taxi routes could put pressure on the budget. Brent continues to monitor the demand projections for the year and mitigations in place to reduce the impact.

3.6.11 Within Leisure, reductions in income could cause financial pressures if recovery of facilities is slower than anticipated. The income levels are being closely monitored and income maximisation strategies are being put in place. Higher utility costs for leisure centres also mean that a risk of provider failure is increasing. Supporting operators by subsidising their operating costs would create budgetary pressures for the Council and closing sites 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.

3.6.12 Volatilities in the energy market are being closely monitored against the budgetary assumptions but this is one of the risk areas for the service.

3.6.13 In addition, new contractual arrangements for a number of key services within this department commence in 2023/24, which creates further uncertainties that could materialise in financial pressures until the contracts are fully embedded.

**Savings and Slippages**

3.6.14 A £4m saving is planned to be delivered from the department's budgets in 2023/24. The main savings are expected from the services transformation, restructures and digital projects. There are some risks identified that could result in slippages against the original timeline for the delivery of some savings, however it is anticipated that any slippages will be managed by the department through one off measures.

**Summary of Key Assumptions**

| Key Assumption | Downside if worse | Upside if better | Mitigations |
|---|---|---|---|
| The additional numbers of | Each person costs on average | Faster progress on | The service is focusing on moving homeless |

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| homeless people can be managed within the existing budgets. | £340 per week to accommodate, so a delay for 13 weeks (1 quarter) of 20 people will cost an additional £0.1m. | homeless pathways will reduce expenditure by £340 per person per week. | clients along the various pathways.<br><br>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. |
| SEN Transport 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.<br><br>A strategic review of this service is taking place to look for efficiencies. |
| Energy costs stay within the expected forecast. | Additional pressures on the reserves. | Reduced pressure on the Council's reserves. | The service is working closely with the contractors to build projections and mitigate impacts. |

## 3.7 Central items

### Collection Fund – Council Tax

3.7.1 The net collectible amount for Council Tax for 2023/24 (after exemptions, discounts and Council Tax Support) at 30th April 2023 is £200.3m. As at the end of April 2023, the amount collected was 13.3%, an increase of 2.1% when compared to the in-year target and 2.3% higher than the amount collected in the same period last year (11.0%). The long-term collection rate has been reduced to 97% since 2022 due to the effects on collection rates of COVID-19 and the cost-of-living crisis. The trend suggests that collection rates are slowly recovering and therefore it may be possible to return the long-term target to 97.5% for 2024/25, providing a further increase in resources to the General Fund. The data will be closely monitored throughout 2023/24 to determine if the trend is sustainable before a decision is taken for the Council Tax Base report in December 2023.

### Collection Fund – NNDR

3.7.2 The budgeted net collectable amount for Business Rates (NNDR) for 2023/24 is £125.5m (after exemptions, reliefs and discounts). This was based on the forecast used for the NNDR1 form in January 2023 and has increased by 11% from £112.8m in 2022/23. This increase has been caused by the revaluation of all non-domestic properties at 1st April 2023 (the first revaluation since 2017), which has resulted in an increase to the overall rateable value of Brent's non-domestic properties from £312m to £370m (19% increase). The increase to the net collectable amount has been partially offset in 2023/24 by transitional reliefs applied to some properties to defer the increase in rates because of the revaluation.

3.7.3 The actual net collectable amount for NNDR at 30th April 2023 is £126.0m, a small increase from the budget in January. However, adjustments to this may occur during the year due to increases or reductions in the number of non-domestic properties and successful appeals against rateable values.

3.7.4 The increase to the net collectable amount for NNDR does not directly affect the General Fund as the overall resources that the Council receives from the Business Rates retention system are determined in the Local Government Finance Settlement. However, where the actual income to the Collection Fund is different to the budget, Brent's share of the resulting surplus or deficit estimated in January is distributed to/from the General Fund in the following financial year.

3.7.5 As at the end of April 2023, the amount collected was 8.4%. The amount collected in the same period last year was 8.6%. This decrease could be due to factors negatively affecting the ability of businesses to pay their Business Rates, such as energy costs, high inflation and the reduction in consumer spending power as a result of the cost of living crisis. Monitoring of the NNDR collection rates will take place throughout 2023/24 to determine any underlying trends and the impact of this on the Medium Term Financial Strategy.

### Savings

3.7.6 The 2023/24 budget, agreed at Full Council on 23 February 2023, included an £18m savings target, of which £4.5m was deferred to 2024/25. Appendix A sets out the progress in delivery against this savings target and any mitigating actions.

### Virements

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

| | 2023/24 Opening Budget | In-year growth | Transfer of functions between services | Technical Adjustments | 2023/24 In-Year Budget at 30.04.2023 |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| Adult Social Care and Health | **122.0** | 0.7 | 0.0 | 0.0 | **122.7** |
| Children and Young People | **62.1** | 0.0 | 0.0 | 0.0 | **62.1** |
| Communities and Regeneration | **5.2** | 1.1 | 0.0 | 0.0 | **6.3** |
| Resident Services | **69.2** | 0.0 | 0.0 | 0.0 | **69.2** |
| Governance | **13.6** | 0.0 | 0.0 | 0.0 | **13.6** |
| Finance and Resources | **11.7** | 0.1 | 0.0 | 0.0 | **11.8** |
| Central Items | **(283.8)** | (1.9) | 0.0 | 0.0 | **(285.7)** |
| **Total Budget** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |

3.7.8 In-year growth items are budget movements from the Central Items budget to Departmental budgets which were not actioned at the start of the financial year.

3.7.9 The table above includes the following in-year growth items:

- Increase to Public Health expenditure budget (£678k) as per the increase to the Public Health grant (held centrally)
- Increase in the PFI budget (£110k) to match to PFI credits income
- Funding for the agreed Regeneration Recovery Initiatives projects (£1,106k)

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

3.7.11 Technical adjustments are budget movements resulting from either events which are provided for in the MTFS, but only confirmed during the year (e.g. pay award), or budget movements resulting from changes to processes (e.g. centralisation of budgets).

## 3.8 Dedicated Schools Grant (DSG)

| Funding Blocks | Overall DSG Funding 2022/23 | Forecast Expenditure | Overspend/ (Underspend) |
|---|---|---|---|
| | £m | £m | £m |
| Schools Block | 119.5 | 119.5 | 0.0 |
| High Needs Block | 74.7 | 74.7 | 0.0 |
| Early Years Block | 24.5 | 24.5 | 0.0 |
| Central Block | 2.1 | 2.1 | 0.0 |
| **Total DSG** | 220.8 | 220.8 | 0.0 |

**Summary**

3.8.1 There have been increases to the DSG funding blocks for 2023/24 and the overall DSG allocation for Brent is £371m however, the Department for Education (DfE) has recouped £139m from the Schools Block and £8.8m from the High Needs Block to be transferred directly to Academies. In addition, £1.9m was recouped from the Schools Block for National Non-Domestic Rates (NNDR) to be paid directly to billing authorities on behalf of schools. This leaves a total allocation of £220.8m as reflected in the table above. The Schools Block also made a 0.5% contribution to the High Needs Block of £1.3m to support the pressures in this Block. At this stage, the DSG is currently reflecting a balanced in-year budget.

3.8.2 The cumulative DSG deficit brought forward from 2022/23 is £13.8m. This is made up of an in-year surplus of £1.3m achieved in 2022/23 and the £15.1m High Needs deficit carried forward from prior years. The £1.3m surplus is held in a separate usable reserve to support the DSG budgets to fund the risk of claw back from the Early Years block and could go towards mitigating the overall DSG deficit. The £15.1m deficit carried forward has been disclosed as an earmarked unusable reserve in line with DfE regulations (the School and Early Years Finance (England) Regulations 2021). The regulations state that the deficit must be carried forward and held separately from in-year surpluses, to be funded from future years' funding and/or recovery plans agreed with the DfE.

3.8.3 The Council has a High Needs Block Deficit Recovery Management Plan in place with longer-term actions to recover the deficit. A task group led by the Corporate Director of Children and Young People (CYP) coordinates and monitors these actions. Some of these actions to reduce costs include managing demand for EHCPs through adopting a graduated approach framework, improving sufficiency of places through increasing the amount of special provision within the borough, particularly for secondary phase pupils and 16–25-year-old SEND students and financial management to identify efficiencies and charging an administrative cost to ensure that there is full cost recovery from other local authorities that place pupils in Brent Special Schools. A combination of these longer-term recovery actions and anticipated funding increases is expected to achieve a reduction in the deficit.

3.8.4 In 2022/23 Brent participated in the DfE programme called Delivering Better Value (DBV) in SEND, to provide dedicated support and funding to help local authorities reform their high needs systems. The first phase of the programme included a comprehensive diagnostic to identify root cause cost drivers and mitigating solutions or reforms and support in developing a quality assured Management Plan and the opportunity to bid for a £1m grant to deliver the actions in the Management Plan. Brent was successful and will receive the £1m funding over two financial years i.e., 2023/24 and 2024/25. The DBV programme will not address the historic deficit, however the current Management Plan and efficiencies identified from the programme may allow funds to be released to address historic deficits.

**Risk and Uncertainties**

3.8.5 A balanced budget has been set for the HN Block but there remains a risk that the number of children and young people with Education Health and Care Plans (EHCPs) will continue to grow. The growth in EHCPs is a national and London wide trend whereby the number of children assessed as meeting the threshold for support continues to increase, however the HN Block funding has not increased in line with continued growth. Over the years, this has created financial pressures with a majority of authorities holding deficit balances. The HN Block received a 10% increase in funding for 2023/24, however the risk remains that this increase may not be sufficient to cover the costs of further increases in EHCP numbers and increases from providers for high inflationary costs.

3.8.6 The statutory override set out in the School and Early Years Finance (England) Regulations 2021 which requires local authorities to either carry forward any cumulative DSG deficit to set against the DSG in the next funding period of carry forward some or all the deficit to the funding period after that was expected to end in 2022/23. The government has now extended the arrangement for another three financial years from 2023/24 to 2025/26. There remains the risk that the local authority would then be required to absorb any accumulated deficit from the DSG by using General Fund reserves.

## 3.9 HRA

| **HRA gross income and expenditure** | | | |
|---|---|---|---|
| | **Budget** | **Forecast** | **Under/ (Over)spend** |
| | **£m** | **£m** | **£m** |
| **HRA** | | | |
| Income | (61.2) | (61.2) | 0.0 |
| Expenditure | 61.2 | 61.2 | 0.0 |
| **Total** | **0.0** | **0.0** | **0.0** |

**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 2023/24.

3.9.2 The HRA is forecasting a break-even position for 2023/24, however there are a number of 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, an increase in service requests relating to damp and mould is likely to put additional pressures on budgets.

3.9.4 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.

3.9.5 The government has limited social housing rent increases to 7%, which means that the increased costs experienced by the HRA cannot be fully met by rent inflation. The HRA needs to modify service delivery and achieve considerable additional savings in order to close the gap between rental income and the cost of service delivery. In addition, the cost-of-living crisis is likely to further impact rent collection rates and consequently result in increased rent arrears.

3.9.6 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 1 for 2023/24.

| Directorate | Original Budget | Revised Budget | Current Forecast | FY Variance | |
|---|---|---|---|---|---|
| | £m | £m | £m | £m (Underspend)/ Overspend/ | £m (Slippage)/ Brought Forward |
| Corporate Landlord | 10.3 | 14.3 | 14.4 | 0.1 | 0.0 |
| Housing GF | 82.3 | 96.9 | 92.8 | 1.6 | (5.7) |
| Housing HRA | 157.0 | 135.5 | 137.8 | 2.4 | 0.1 |
| PRS I4B | 18.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public Realm | 25.5 | 35.6 | 33.2 | (0.5) | (2.0) |
| Regeneration | 74.1 | 44.8 | 39.9 | (1.0) | (3.9) |
| Schools | 35.1 | 19.6 | 17.2 | (0.6) | (1.7) |
| South Kilburn | 27.0 | 28.1 | 28.1 | 0.0 | 0.0 |
| St Raphael's | 31.7 | 0.8 | 0.8 | 0.0 | 0.0 |
| **Total** | **461.5** | **375.6** | **364.2** | **2.0** | **(13.2)** |

**4.1 Corporate Landlord**

4.1.1 Corporate Landlord has a forecast of £14.4m versus a revised budget of £14.3m for 23/24.

**4.2 Housing General Fund**

4.2.1. Housing General Fund is forecasting to spend £4.1m below the current year budget; this due to £1.6m in net project overspends offset by £5.7m slippage. Five schemes (Preston Park, Knowles House, Stonebridge, Honey Pot Lane and Peel Road) are collectively forecasting to overspend by £1.8m; due to works not packaged as part of the original main works contract. Three schemes (Clock Cottages, Northwick Park and Edgware Road) are collectively slipping £5.7m in forecast expenditure to future years due to delays in finalising planning, delays onsite and delay to scheme redesign.

**4.3 Housing HRA**

4.3.1 Housing HRA is forecasting to spend £ 2.4m ahead of the current year budget; this due to net project overspends across four schemes (J Weston House, Mason Court, Hindhurst Close and Aneurin Bevan Court). A legal dispute with a contractor and upheld contractor loss and expense claims (due to poor weather, COVID-19 and inflation) are the main causes for the overspend.

**Risk and Uncertainties – Housing**

4.3.2 Viability challenges are set to continue with contractors reporting pressure on supply chains dues to macroeconomic factors (Brexit, war in Ukraine and rising inflation). To mitigate these challenges, the Council has paused schemes to reconsider the available options. These including looking at alternative delivery options, working with a single contractor and renegotiating the grant settlement with the GLA. In addition, controls are in place to build on knowledge and corporate experience to bring about process improvement. It is likely there will be further schemes in the New Council Homes Programme that will need to be paused throughout the year.

## 4.4 PRS I4B

4.4.1 I4B Private Sector Acquisitions have no planned loan drawdowns in year however this position is subject to the suitability of potential opportunities that may occur throughout the year.

**Risk and Uncertainties**

4.4.2 With inflation not slowing as forecast, the prospect that the Bank of England will further increase interest rates remains a further possibility and make the financing of acquisitions more challenging. On the supply side, rising rates could see housing prices fall. Overall then the picture is uncertain and, while opportunities will be explored on an ongoing basis, the number of acquisitions the company will be able to source that meet financial viability criteria is unclear.

## 4.5 St Raphael's

4.5.1 The St Raphael's project is forecasting to spend to budget. The budget of £0.8m is for planning and design spend for all phases and for the minor improvement works that will not require planning consent (formal application). Plans for further works will be firmed up in future subject to viability. The Council is now working towards the delivery of the first tranche of Estate improvement works, set to commence this financial year.

**Risk and Uncertainties**

4.5.2 The development works on the infill masterplan are currently on pause following recent cost estimates for the scheme. The Council are revising a strategy to deliver the development, with viability being assessed at a later date.

## 4.6 Public Realm

4.6.1 The Public Realm revised budget for is the year is £35.6m with a latest forecast of £33.2m. The variance of £2.4m consists of an underspend of £0.5m within the pitch improvement project, lamp column electric charging points programme and a number of smaller projects. The Waste Bins project has an updated project plan with the trial scheduled to start in September resulting in slippage of £1.5m. There is also slippage of £0.4m across several different projects including Parks, Healthy Streets and Parking.

**Risk and Uncertainties**

4.6.2 The reduction in grant funding for TFL has resulted in a smaller scope of works to deliver the Local Implementation Plan. The long-term programme is being developed in recognition of this reduced level of funding to ensure we maximise the impact of the funding received.

## 4.7 Regeneration

4.7.1 Regeneration is currently forecasting an underspend on the Designworks scheme which has concluded feasibility. The new medical centre programme is forecasting slippage of £2.3m whilst further discussions continue with the NHS ICS on their delivery. The Picture Palace scheme is forecasting slippage of £0.8m with the works contract expected in the next year and £0.8m of the spend relating to the UK Shared Prosperity Fund is forecast as slippage.

**Risk and Uncertainties**

4.7.2 The Wembley Housing Zones project is expected to experience a viability pressure when updating the project plans to meet potential fire safety regulations that are yet to be confirmed. Work is already underway with the contractor to reduce the impact of any changes required. The Morland Gardens project could see a significant delay in the project delivery timescales dependent on the outcome of the public inquiry in relation to the stopping up order.

## 4.8 Schools

4.8.1 The Schools Board is forecasting an underspend of £0.63m and slippage of £1.73m for the year. The underspend is driven by an updated Devolved Formula Capital Projects submitted by Schools reducing the expenditure and minor underspends on the Schools Asset Management Programme and Roe Green kitchen project. The SEND programme is forecasting slippage of £1.73m due to a 3 month delay in completion of the PCSA works on the London Road site.

**Risk and Uncertainties**

4.8.2 There are many schools involved in the Additional Resource Provision of the SEND programme which may not be able to progress once full feasibility studies and structural surveys are completed so the programme could see volatility in the location of the provision.

## 4.9 South Kilburn

4.9.1 The South Kilburn programme has a budget of £28.1m of which the current forecast is spend to budget.

**Risk and Uncertainties**

4.9.2 Viability is a key challenge for the remaining developments within the South Kilburn programme. The Single Delivery Partner approach is being explored to help provide certainty for the programme and provide economies of scale for the delivery partner.

## 5. Treasury Management Prudential Indicators

5.1 In line with the 2021 Prudential Code, a review of the prudential indicators for the authority will now take place quarterly rather than solely through the Treasury Management updates throughout the year. Performance of the treasury and capital activities against these indicators can be found in Appendix B.

## 6. Financial Implications

6.1 This report is about the Council's financial position in 2023/24, but there are no direct financial implications in agreeing the report.

## 7. Legal Implications

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

## 8. Equality Implications

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

## 9. Consultation with Ward Members and Stakeholders

**9.1** Not applicable.

## 10. Human Resources

10.1 Not applicable.

***<u>Report sign off:</u>***

***Minesh Patel***
Corporate Director of Finance & Resources