Brent	**Resources & Public Realm Scrutiny Committee** 7 November 2023
	Report from the Corporate Director of Finance and Resources
	Lead Cabinet Member Deputy Leader, Cabinet Member for Finance, Resources & Reform (Councillor Shama Tatler)

Quarter 2 Financial Report 2023/24

Wards Affected:	All
Key or Non-Key Decision:	Not Applicable
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Two: Appendix A: Savings Delivery Tracker 2023/24 Appendix B: Prudential Indicators
Background Papers:	N/A
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1.0 Executive Summary

1.1 This report sets out the financial forecast for the General Fund revenue budget, the Housing Revenue Account, the Dedicated Schools Grant and the Capital Programme, as at Quarter 2 2023/24.

1.2 The Council's revised General Fund revenue budget for 2023/24 is £291.2m. The revised budget includes planned revenue savings in-year of £13.5m and the status of these are set out in Appendix A. There is a forecast overspend of £13.4m against the revised revenue budget at Quarter 2. If sustained until the year end, this would require a transfer from unallocated reserves. Equally, any overspending not dealt with in 2023/24 would, potentially, carry over into 2024/25 thereby increasing the requirement for further savings in that year whilst at the same time providing reduced scope to draw on the Council's reserves.

1.3 The seriousness of the Council's financial position cannot be understated. The scale of the financial challenge for 2023/24 and 2024/25 is such that, in addition to work currently underway to implement savings in 2023/24 and to identify new savings proposals for 2024/25 and 2025/26, the Council will need to implement further measures to control expenditure in order to address the underlying issue that the Council's net expenditure is significantly greater than available sources of in year funding. Further details on these measures are set out below.

1.4 The tables below show the forecast position against budget for the General Fund, Dedicated Schools Grant and Housing Revenue Account. Further detail on each area is contained within section three of this report.

	Budget	**Forecast**	**Overspend / (Underspend)**
	£m	**£m**	**£m**
Care, Health and Wellbeing	124.2	124.2	0.0
Children and Young People	63.0	63.5	0.5
Communities and Regeneration	7.2	7.2	0.0
Governance	13.8	13.6	(0.2)
Finance and Resources	11.7	11.7	0.0
Resident Services	71.3	84.4	13.1
Subtotal Service Area Budgets	**291.2**	**304.6**	**13.4**
Central Budgets	67.3	67.3	0.0
Total Budget Requirement	**358.5**	**371.9**	**13.4**
Funding	(358.5)	(358.5)	0.0
Grand Total General Fund Budgets	**0.0**	**13.4**	**13.4**
DSG Funded Activity	0.0	1.4	1.4
Housing Revenue Account (HRA)	0.0	0.0	0.0
Net Total	**0.0**	**14.8**	**14.8**

**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**	**Overspend / (Underspend)**
	£m	**£m**	**£m**
DSG			
Income	(220.8)	(220.8)	0.0
Expenditure	220.8	222.2	1.4
Total	**0.0**	**1.4**	**1.4**

HRA gross income and expenditure			
	Budget	**Forecast**	**Overspend / (Underspend)**
	£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**

1.5 The table below shows the current forecast against the revised budget for the Capital Programme 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	14.5	15.0	0.5	0.0
Housing GF	82.3	159.9	155.3	(4.1)	(0.5)
Housing HRA	157.0	135.4	138.3	2.5	0.4
PRS I4B	0.0	0.0	0.0	0.0	0.0
Public Realm	25.5	35.8	35.5	0.1	(0.4)
Regeneration	74.1	9.9	8.2	0.1	(1.8)
Schools	35.1	19.6	14.5	(0.9)	(4.2)
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	**443.0**	**404.0**	**395.7**	**(1.8)**	**(6.5)**

Current economic environment

1.6 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. CPI Inflation was 6.7% in August 2023, which is the lowest it has been since February 2022, although still significantly above the Bank of England's target of 2%. Inflation is expected to continue to fall, estimated to reach 5% by the end of 2023 before falling further towards the 2% target in 2024. As at September 2023, the Bank of England has frozen interest rates at 5.25% after 14 consecutive increases. Despite this freeze, there may be further increases in 2023, particularly as much of the UK economy has remained resilient despite higher inflation and interest rates. These factors create a challenging environment for the Council to plan its future resourcing requirements.

Medium Term Financial Strategy update

1.7 The Council budget for 2023/24 approved by Council on 23 February 2023, including new savings proposals of £18m to be delivered between 2023/24 (£14.5m) and 2024/25 (£3.5m). An update to the MTFS was considered by Cabinet in July 2023, where it was estimated that the budget gap between 2024/25 and 2025/26 was £8m.

1.8 The MTFS is currently being updated based on the latest information available to the Council on expenditure pressures. The outcome of this work will be reported to the Cabinet in November 2023 as part of the draft 2024/25 budget.

Maintaining Financial Control

1.9 Local government is facing the most challenging financial environment for many decades. Many councils are overspending and depleting their reserves; most are experiencing the adverse effects of high inflation, high interest rates and significant increases in demand due to demographic changes. Some are even declaring bankruptcy by issuing s114 notices. Concerns about future levels of government funding are widespread. Against this backdrop, Brent has maintained a strong position in terms of financial resilience and sustainability with a good track record of delivering savings and balancing the overall budget. However, the position for 2023/24 has worsened significantly and the current forecast will require the Council to take urgent actions in the short and medium term to maintain financial control.

1.10 A number of immediate and medium term actions are being taken to mitigate these pressures in order to maintain financial control over the current budget position, this includes taking a Council wide approach. Officers have implemented a Budget Assurance Panel to provide additional oversight and scrutiny of its financial position, including in-year budget pressures and issues, mitigating actions and the delivery of agreed savings.

1.11 The main cause of the forecast overspend is within the Housing Service, where high levels of demand due to a rise in homelessness and reduction in supply of suitable accommodation are expected to result in an overspend of over £13m. Section 3.8 of this reports sets out the Council's strategy in dealing with the significant increase in costs of providing temporary accommodation for those homeless people to whom the Council owe a legal duty. While Brent is not in the financial situation of those Council's that have recently issued, or threatened to issue, a Section 114 notice (legally required when the council cannot balance its budget, unlike the NHS and other parts of the public sector councils are not allowed to carry a deficit) all efforts must be focussed on positively changing the financial position.

1.12 In addition to these actions and the additional oversight provided by the Budget Assurance Panel, further measures are considered necessary to prevent the situation worsening. These will include, but are not limited to, controls on new spending decisions, limits on new recruitment, reduction in the use of agency workers, bringing forward in year savings and other mitigations to reduce expenditure. These sensible, proactive and prudent measures will provide more assurance over the Council's spending decisions and reduce the risk that the budget position deteriorates further. These measures will remain in place until the end of the financial year, and updates provided to the Cabinet in future forecast reports and budget reports.

2.0 Recommendation(s)

2.1 That the Resources & Public Realm Scrutiny Committee note the overall financial position and the actions being taken to manage the issues arising.

2.2 That the Resources & Public Realm Scrutiny Committee note the savings delivery tracker in Appendix A.

2.3 That the Resources & Public Realm Scrutiny Committee note the Prudential Indicators set out in Appendix B.

2.4 That the Resources & Public Realm Scrutiny Committee note the virements set out in section 3.9.10 of this report.

2.5 That the Resources & Public Realm Scrutiny Committee note the new loan facilities of up to £2.31m to be made available to First Wave Housing for the Refugee Housing Programme as set out in section 4.5.2.

3.0 Detail

3.1 Care, Health and Wellbeing

Care, Health and Wellbeing	**Budget (£m)**	**Forecast (£m)**	**Overspend / (Underspend) (£m)**
Adult Social Care	100.6	100.6	0.0
Public Health	23.6	23.6	0.0
Integrated Health Partnerships	0.0	0.0	0.0
Total	**124.2**	**124.2**	**0.0**

Summary

3.3.1 Care, Health and Wellbeing are forecast to break even this financial year. The budget for 2023/24 includes a savings target of £4.3m and assumes an additional growth budget of £15.3m. This budget has been set accordingly, based on assumptions around future demographic and inflationary trends.

3.3.2 There are increasing pressures around staffing recruitment and retention particularly in Adult Social Care. There is on-going work within the service to reduce the use of agency staff and retain more experienced and qualified members of staff.

3.3.3 There is increased pressure on the ASC budget as a result of rising costs and client numbers for supported leaving, nursing and residential care.

3.3.4 The weekly average cost of Nursing Care has increased by 5% to £1,072pw with client numbers currently 10% higher than this time last year.

3.3.5 On average Residential care weekly costs appear stable, at present, with a 2% increase. However, residential dementia care costs have increased by 8% to £790pw. With client numbers also on the rise, as we have seen an increase of 6% since this time last year.

3.3.6 Client numbers for supported living has increased by 10% against this time last year, with an average weekly cost increase of 6% to £967.

3.3.7 Whilst there are ongoing pressures within ASC relating to expenditure on agency staff, homecare, Nursing, Residential care, and LD supported leaving ASC is forecasting a breakeven position for Q2 as the additional growth allocation will mitigate any additional costs as a result of underlying pressures.

Risks and uncertainties

3.3.8 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.

3.3.9 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.

3.3.10 Within Adult Social Care, demographic and inflationary pressures, spends on agency staff, 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.

3.3.11 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.

3.3.12 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, there are still ongoing pressures as the demand for homecare and supported living continue to rise.

3.3.13 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 all of the additional costs they are incurring. For 2023/24, the Adult Social Care budget was increased and was allocated a growth budget of £15.3m to meet 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.

3.3.14 It has now been confirmed that Brent will continue to receive Hospital Discharge Funding from the government this financial year of £3.54m. The fund is designed to increase capacity in post-discharge care and support improved discharge performance, patient safety, experience and outcomes. This grant funds 9 schemes related to the LA Direct DHSC Funding of £1.9m. Whilst the NWL ICB DHSC Funding of £1.7m funds 6 additional schemes, a fortnightly return is submitted to the DHSC to monitor spends on this grant.

Savings and Slippages

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

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

CYP Department	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Central Management	0.8	0.8	0.0
Early Help	4.9	4.9	0.0
Inclusion	2.8	2.8	0.0
Localities	21.1	21.6	0.5
Looked After Children and Permanency	7.2	7.2	0.0
Forward Planning, Performance & Partnerships	24.3	24.3	0.0
Safeguarding and Quality Assurance	1.9	1.9	0.0
Setting and School Effectiveness	0.0	0.0	0.0
Total	**63.0**	**63.5**	**0.5**

Summary

3.4.1 The Children and Young People department at this stage is forecasting a £0.5m overspend at the end of Quarter 2.

3.4.2 The forecast overspend is largely due to demand and price increases for placements and care packages in the Localities Service. Also, due to the volatility of demand led budgets and the use of agency social work staff, ongoing mitigating actions are being undertaken to control spend and these include:

- A monthly panel to review the stepdown arrangements from residential placements to foster placements and/or semi-independent placements for young people aged 16+, and measures to move 21+ semi-independent placements into independent living arrangements. To date, £0.657m has been saved as a result of five step downs from residential care to semi-independent placements and two residential placements have also been moved to less expensive placements.

- A number of actions are in place to address the workforce pressures across the service, including working in collaboration with our neighbouring local authorities on effective and targeted recruitment and retention activity. Compliance with the London Pledge to ensure that agency worker rates are kept to the agreed cap which is closely monitored at Director level. A weekly Establishment Board has been created to scrutinise all agency recruitment, and corresponding activity to achieve permanency through conversations with agency staff to convert to permanent roles. A workforce development plan is in place with metrics linked to savings and reductions in agency spend. This has resulted in a net 2.6% reduction across agency spend in the Localities and Looked after Children and Permanency services compared to last year.

3.4.3 The Localities service which includes the Children with Disabilities (CWD) demand led care packages budgets i.e. Direct Payments, Care at Home, Residential and Day Services has seen the number of supported clients rising by 8% since 2022/23 and is reflecting a forecast pressure of £0.5m. Care packages are also seeing significant price increases, including 5% increases in Care at Home and 9.25% in Direct Payments and the pressure is also partly due to a £0.115m slippage against the savings target CYP03 to reduce the care packages for families receiving support from the 0-25 children and young people with disabilities teams. The Localities and the Looked After Children and Permanency services are also reliant on the need to use agency social workers to cover vacant positions.

3.4.4 The Forward Planning, Performance and Partnership service demand led budgets have seen the following increases in this financial year:

- On average, a 12% increase in residential placement prices, although numbers have remained fairly stable this year. There has also been a 4% increase in the number of CYP placed in independent fostering agencies (IFAs).

- The semi-independent provision supporting care leavers budget, has seen an overall 10% increase in numbers compared to 2022/23 and prices have increased typically by around 7%. Approximately 50% of this increase is due to the number of Unaccompanied Asylum-Seeking Children (UASC) who as care leavers need to be accommodated until the Home Office make an asylum determination. Currently around 35% of the care leavers in semi-independent provision are UASC. There have been well publicised national issues with the slowness of the asylum decision making process. The FPPP forecast is also dependent on income from the Home Office for UASC and leaving care grants c£3.5m, and c£0.5m of contributions from health and housing benefits income.

Risks and Uncertainties

3.4.5 The main risks and uncertainties impacting on the CYP department are national trends and, research collated by the Association of Directors of Childrens Services (ADCS) in August 2023 has shown that pressures in children’s services spending have seen significant increases i.e., a 41% rise comparing the 2021/22 overall children’s services spend to 2009. With pressures mainly arising from rising needs and complexities, lack of sufficiency of placements and rising costs. These are similar issues faced by Brent where there are pressures arising from the impact of inflation resulting in providers increasing costs significantly and the impacts of the cost-of-living crisis on care leavers and vulnerable families and increasing demand for services.

3.4.6 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 over 50% of the workforce in some teams.

3.4.7 The volatility surrounding the placements budget for looked after children (LAC) is a key challenge. If demand for residential placements continue to increase, 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 for the rest of the homes 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 in 2024/25. Brent is also joining a pan-London vehicle to ensure greater sufficiency of secure welfare residential placements which will be operational in 2025.

3.4.8 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£906 per week for a looked after child and £787 per week for Care Leavers, and there is a risk that the weekly cost of both could increase. It is expected that additional funding will be made available, however the risk remains that the funding may not be sufficient to cover the increase in costs expected.

3.4.9 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. The annual growth of EHCPs comparing July 2023 to July 2022 shows an increase of 8%. Brent is part of the DfE's Delivering Better Value (DBV) in SEND programme to support the Brent's Management Plan action to manage the rising demand for EHCPs.

3.4.10 The CYP forecast position is also dependent on estimated income from the Home Office for (UASC) and Care leavers of c£3.5m and overall health contributions from the Integrated care Board (ICB) of £1.7m. There is a risk that, without effective joint operating agreements, health contributions could reduce, increasing the pressure against the CWD and placement budgets.

Savings and Slippages

3.4.11 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 most of the savings, however, there is a risk of slippage against CYP03 of £0.115m against a savings target of £0.365m as reviews required to deliver the savings are gradually being undertaken of the Resource Allocation System (RAS).

Summary of Key Assumptions

Key Assumption	Downside if worse	Upside if better	Mitigations
LAC and Care Leaver placements forecast assumes numbers of 819 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£0.6m (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 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.

Mix of social work staff and caseloads in the Localities and LAC & Permanency service to include the use of agency staff.	If increases of 15% during the year, there could be up to £0.7m 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.

3.5 Communities and Regeneration

Communities and Regeneration	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Communities	4.5	4.2	(0.3)
Communities and Regeneration Directorate	0.3	0.3	0.0
Regeneration	2.4	2.7	0.3
Total	**7.2**	**7.2**	**0.0**

Summary

3.5.1 The Communities and Regeneration department is currently forecasting to break even in 2023/24.

Risks and uncertainties

<u>Regeneration</u>

3.5.2 Regeneration is currently forecasting an overspend of £0.3m for the financial year. The current economic climate has caused a decline in the income generated within the department, with Building Control and Planning and Development Services being the areas most affected by this.

3.5.3 Within Planning and Development Services, Application and Pre-Application fee income has seen a decline in recent years. This reduction in income is not exclusive to Brent and has been the case across the country. Fee increases have been proposed by the Department for Levelling Up, Housing and Communities, and these increases are expected to be implemented in January. This has been included within the forecast, with a decline in demand also factored into the forecast in the latter months of the financial year. The service are expecting to overspend by £0.1m this financial year.

3.5.4 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. The service are currently forecasting an overspend position of £0.7m, however £0.1m of departmental smoothing reserves will be utilised to partially offset this.

3.5.5 A line by line review of the Regeneration budget has identified that the service has not budgeted for the total cost of administering the total cost of the Community Infrastructure Levy (CIL). In addition, Community Infrastructure Levy activity this year is unusually high, which increases costs for administration. Together this is forecast to generate an additional £0.25m, which partially offsets the overspend elsewhere in Regeneration.

Communities

3.5.6 Communities Service is currently forecasting a break even position. However, there is a risk within Strategy and Partnerships of £0.1m due to a contract dispute with a third sector partner. This relates to a historic contract and will not affect future years. Budgets are being reviewed and mitigating actions are being explored should this risk materialise.

3.5.7 The council is forecasting an increase in asylum seekers living within the borough, in part as a result of the Home Office's confirmed plans of increasing the number of asylum seekers in Brent through "hotel optimisation". As a result, there will be additional pressure within the Communities service and in other services, such as Children & Young People, Housing and legal services to meet the costs of supporting the asylum seekers. In the current climate these pressures are expected to continue into the next year.

3.5.8 In addition, Communities has identified small underspends of £0.1m across the directorate that will be used to offset the overspend in Regeneration.

Savings and Slippages

3.5.9 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
Pre-Application and Application Fee increases will be introduced in January 2024 and demand will decline thereafter	The proposed fee increase has been included within the income forecasts. If there is a delay to the introduction of this increase, the service will overspend further, and even more so if the demand still declines.	Higher income volumes will generate additional revenue for the Council	Continuous monitoring of the fee income to identify budgetary pressures as early as possible.
Strategy and Partnerships contract dispute with a third sector partner over historic contract payments	Payment has been built into the forecast on a worst-case scenario basis.	If the potential payment is no longer needed, the funds will be available to other programmes or relieve pressures elsewhere within the directorate	Budgets are being reviewed and spending plans will be adjusted to absorb the overspend

3.6 Governance

Governance	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Legal Services	4.8	4.7	(0.1)
HR Services	3.8	3.7	(0.1)
Executive & Membership	4.1	4.1	0.0
Procurement	1.1	1.1	0.0
Total	**13.8**	**13.6**	**(0.2)**

Summary

3.6.1 The Governance department is forecasting an underspend of £175k for 2023/24, which is due to the following reasons:

- Legal Services are forecasting a £65k underspend due to a higher level of income anticipated to be received than budgeted. A £110k underspend is attributable to an early achievement of 2024/25 savings by the Human Resources service (£70k) and the Executive and Membership service (£40k).

- Executive and Membership are forecasting an underspend of £50k due to reduced number of councillors netted off by £10k overspend for additional training & conference costs.

Risks and uncertainties

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

Savings and Slippages

3.6.3 A £0.35m saving is planned to be delivered from the department's budget in 2023/24, predominantly through internal restructures and service transformations. This saving is on track and there is currently no slippage anticipated.

3.6.4 There is an additional digital saving of £75k to be achieved by the Governance department in 2023/24 that is currently on track. This is anticipated to be achieved with an introduction of a HR chatbot and moving one of the Legal systems from on-premise to cloud.

3.7 Finance and Resources

Finance and Resources	**Budget (£m)**	**Forecast (£m)**	**Overspend / (Underspend) (£m)**
Finance	7.1	7.1	0.0
Audit & Investigations	1.1	1.1	0.0
Shared Technology Services	0.0	0.0	0.0
Property & Assets	3.5	3.5	0.0
Total	**11.7**	**11.7**	**0.0**

Summary

3.7.1 Finance and Resources are currently forecasting a break-even position for 2023/24.

3.7.2 Within Property & Assets there is an anticipated £0.2m pressure due to income lost from expired leases and vacant property. However, this is currently offset by additional income generated from Car Parking fees within Facilities Management.

Risks and Uncertainties

3.7.3 Property & Assets are working to find new tenants to replace expired leases and vacant property to increase their income forecast. The service is actively marketing these properties and working with agents where appropriate.

3.7.4 Commercial Property are currently dealing with a dilapidation claim on a property for which they have vacated and broken the lease on. The claim is currently being reviewed, but could be in the region of £0.5 - £0.9m. Once the dispute is resolved it is anticipated that this cost will be covered by a central contingency which has been held for these types of issues.

Savings and Slippages

3.7.5 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.

3.8 Resident Services

Resident Services	**Budget (£m)**	**Forecast (£m)**	**Overspend /(Underspend) (£m)**
Resident Services Directorate	0.3	0.3	0.0
Customer Services	15.3	15.3	0.0
Housing	3.2	16.3	13.1
Environment and Leisure	41.1	41.1	0.0
Transformation	11.4	11.4	0.0
Total	**71.3**	**84.4**	**13.1**

Summary

3.8.1 Resident Services is forecasting an overspend of £13.1, which is directly attributable to the high level of pressures on the Housing Service. All other service areas are forecast to achieve a break even position. The department is taking a number of actions to support Brent residents and businesses to mitigate the impact of the cost-of-living crisis.

Risks and uncertainties

Housing

3.8.2 The forecast overspend of £13.1m is made up of a £4.5m overspend in the cost of providing temporary accommodation and a £8.6m loss of housing benefit subsidy from the Department of Work and Pensions as a result of type of accommodation being used to house those that are homeless.

Temporary Accommodation – increase in demand and reduction in supply

3.8.3 The increase in demand for Bed & Breakfast, Annexes and Emergency Homeless Lets (EHL) is expected to result in a £4.5m pressure against the current 2023/24 budget. An extremely high level of demand for housing services is a national issue, but is particularly acute in London. The Housing Needs Service in Brent has seen a 22% increase in a number of homelessness presentations when compared to the same time last year. Other London boroughs are experiencing a similar increase in demand, with a 20% increase in presentations on average. The total number of households in Temporary Accommodation in Brent has increased by 14% and the number of families in Bed and Breakfast hotels has seen a 322% increase. Whilst the COVID-19 pandemic, associated lockdowns and the ban on Private Rented Sector (PRS) evictions may have been a factor in this growth, demand for homelessness services continues to grow. As at the end of July 2023, the total number of homeless households living in B&B and Annexe accommodation has risen to 553, broken down between 324 families and 229 single people. If demand continues at the same rate, the service will receive a total of 7,700 applications this financial year, an average of 148 applications every week, which is the highest it has ever been.

3.8.4 Once the Council accepts that a household is eligible as homeless, as defined by legislation, the Relief Duty to take reasonable steps to help the applicant secure that accommodation becomes available for at least six months is triggered. If the applicant is also deemed to be in priority need, as defined by legislation, there is an immediate statutory duty to secure suitable interim accommodation, pending further enquiries into the application.

3.8.5 As these issues are London wide, the availability of B&B and Annexe accommodation is severely restricted across the capital, with many Councils being forced to book rooms in commercial hotels to meet statutory duties. This lack of availability of accommodation is resulting in having to use expensive providers and at times outside of Brent, which also causes significant financial pressures to the families placed there due to additional travel costs for children at schools in Brent.

3.8.6 London Councils commissioned Savills and the London School of Economics (LSE) to produce a report on the Supply of PRS (Private Rented Sector) Accommodation in London. The report has found that London's PRS is affected by multiple factors driving a reduction in the availability of properties for rent. The report highlights that demand for housing is continuing to increase while supply is reducing across the whole market. It has found that greater reliance on the PRS to house lower income households and increasingly limited housing benefits are making accommodation less affordable and available. Currently it appears to be supply side factors notably taxation, interest rate changes and uncertainties about future regulation that are reducing availability at the lower end of the PRS.

3.8.7 The researchers also investigated affordability for the 300,000 London households reliant on Local Housing Allowance (LHA) to meet their housing costs. Eligible households receive LHA as part of their housing benefit or universal credit payment if they have a private landlord, and the government has frozen LHA rates since April 2020. In the face of fast-rising rents, the decision to keep LHA rates frozen has significantly reduced the number of properties affordable in London under LHA. Between January and March this year, only 2.3 per cent of London listings on a major online property portal were affordable in 2022/23 to those using the benefit to pay their rent – falling from 18.9 per cent in 2020/21.

3.8.8 Brent is one of 10 member boroughs of Capital Letters, which is a company established to enable a collaborative approach to procuring PRS properties across London, to help meet the demand for affordable housing from homeless families. The current PRS market conditions have also had a significant detrimental impact on Capital Letters performance in securing suitable PRS properties for member boroughs. There was a 53% reduction in PRS properties let through Capital Letters from 2021/22 to 2022/23. If the 2023/24 procurement continues at the same rate, the decrease will be 72%.

3.8.9 As well as procuring PRS properties through Capital Letters, the housing service operates a Find Your Home scheme, to encourage homeless households to find their own affordable PRS property, which the service will then assist them to secure by paying the owner a financial incentive in lieu of a deposit and first month's rent. There was a 35% reduction in PRS properties let through Find Your Home and internal procurement from 2021/22 to 2022/23. If the 2023/24 procurement continues at the same rate, the decrease will be 64%.

3.8.10 The supply of settled TA properties, leased from private owners and used to move families out of B&B and Annexe accommodation has also contracted. This is due to fewer new properties being procured under Private Sector Leasing (PSL) schemes, and owners not renewing the lease for existing stock, when the lease ends.

Housing Benefit Subsidy loss

3.8.11 The type of accommodation provided as TA also has a bearing on entitlement to housing benefit subsidy for the payments made. Where a family occupies more than one room in a hotel and those rooms are not connected only one room will be eligible for subsidy. Depending on whether the accommodation is self-contained (exclusive use of a kitchen, bathroom and toilet) or non-selfcontain (one or more facilities is shared), there is a cap on the subsidy entitlement based on the applicable Local Housing Allowance (LHA). Payments above the LHA cap are ineligible for HB subsidy.

3.8.12 The loss of subsidy cost is forecast to rise to £8.6m in 2023/24 (from £3.7m in 2022/23) as rents increase but the LHA remains unchanged at its current level. Benefits paid to those living in TA is limited to 90% of the 2011 LHA rates which, particularly since the pandemic, is significantly less than rents being charged by most private sector landlords today. A percentage of the Housing Benefits subsidy received from DWP when compared to the total amount paid to residents is forecast to reduce by 14% when compared to the average over the last three years (67% versus a 81% average).

3.8.13 A programme of works has been designed to focus on containing the projected overspend. A number of workstreams covering affordability of Temporary Accommodation and new and alternative supply have been set up. Some progress has already been made to move some of the most expensive cases or those with the highest subsidy loss to alternative arrangements that aim to reduce costs to the Housing Needs service and associated overall subsidy losses, however it is too early to quantify the impact of these actions at this stage.

Environment and Leisure

3.8.14 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. The impact on the budgets this financial year will become clearer once pupil numbers become known this month. Brent continues to monitor the demand projections for the year and mitigations in place to reduce the impact.

3.8.15 Within Leisure, reductions in income could cause financial pressures if demand for services is lower 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.

3.8.16 Volatilities in the energy market are being closely monitored against the budgetary assumptions but this is one of the risk areas for the service. Energy costs are currently forecast to be lower than initially feared earlier in the year and are expected to be contained within the budget growth allowed within the MTFS.

3.8.17 In addition, new contractual arrangements for a number of key services within the Environmental Services and Leisure department, such as parking and waste management, commenced in 2023/24, which creates further uncertainties that could materialise in financial pressures until the contracts are fully embedded. New contracts are being closely monitored and performance measured in order to identify any potential issues and develop mitigation plans in a timely manner. No financial pressures against the budgetary assumptions have been identified to date.

Supporting residents

3.8.18 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 £0.9m of support has been provided in the first two quarters of 2023/24 through the Energy Bills Support Scheme Alternative Funding and Alternative Fuel Payments Alternative Funding schemes. This has been delivered to households who were ineligible for support with their energy bill costs through their domestic electricity supply.

3.8.19 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. The Council has already spent £1.5m to provide support to 11,207 households. Further activities for supporting residents claiming Housing Benefits only, Disabled residents receiving Housing Benefits, Young Carers is planned are planned for October/November. There are further plans to support Food banks, Charities and voluntary organisations to support our residents with financial, food and fuel support. Further payments for holiday vouchers for school children for an additional six weeks is still to be awarded of the total allocation, £2m of the HSF has been made available for the Resident Support Fund (RSF) for reactive support through RSF applications.

3.8.20 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, of which £3m is the Council's investment and £2m of the HSF reactive support fund. This fund has already supported 2073 applications that were accepted and a total of £1.4m has been awarded to residents. High volumes of applications are expected in the winter months and the Council will be working collaboratively to support residents who may have difficulty in making payments.

3.8.21 In addition, £1m has been made available in the form of the Family Food Fund. So far 236 applications have been received out of which 196 have been provided with support of £64.8k. The take up is expected to increase as the schools have opened in September.

3.8.22 The Council has foregone around £32m of Council Tax revenue in 2023/24 to fund the Council Tax Reduction Scheme (CTRS), supporting around 26-27,000 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.

Savings and Slippages

3.8.23 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 is a risk that a £1.2m saving allocated against the Brent Transport Services will slip against the original timeline, however it is anticipated that this will be managed by the department through one-off measures.

3.8.24 In addition, there is a £300k digital saving allocated against this department that is currently on track. This is anticipated to be achieved through processes automation, licenses and technology efficiencies and a back office review.

Summary of Key Assumptions

Key Assumption	Downside if worse	Upside if better	Mitigations
Rent collection rates for the Housing Needs service will not fall below the anticipated level.	A 5% worsening in the collection rate will cost £0.9m.	A 5% improvement in the collection rate will recover £0.9m.	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 £10,102 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 taking

			place to look for efficiencies.
Energy costs stay within the expected forecast.	Additional pressures on reserves.	Reduced pressure on the Council's reserves.	The service is working closely with the contractors to build projections and mitigate impacts.

3.9 Central items

Collection Fund – Council Tax

3.9.1 The net collectible amount for Council Tax for 2023/24 (after exemptions, discounts and Council Tax Support) at 31st August 2023 is £202.5m. As at the end of August 2023, the amount collected was 45.4%, an increase of 0.4% when compared to the in-year target, but 0.8% lower than the amount collected in the same period of 2022/23 (46.2%). However, the collection in the first two quarters of 2022/23 included some payments from the Council Tax energy rebate scheme which are not present in the 2023/24 collection data.

3.9.2 Collection of Council Tax remains 1.7% up on the equivalent period of 2021/22 (43.7%). This suggests that collection rates are still slowly recovering from the COVID-19 pandemic, but this recovery may be being impacted by the ongoing cost of living crisis. Work will be carried out in Q3 to review the collection data and determine what the long term forecast is. This will lead into the decision required for the Council Tax Base report to General Purposes Committee in December 2023 on whether to increase the long term collection rate back to the pre-pandemic target of 97.5%. The results of the review and the decision taken will have a direct impact on the resources available to the General Fund in 2024/25 and future years.

Collection Fund – Business Rates

3.9.3 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.

3.9.4 The actual net collectable amount for NNDR at 30th April 2023 is £122.0m, a decrease of £3.5m 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.

3.9.5 The decrease 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.

3.9.6 As at the end of August 2023, the amount collected was 46.8%, which is only 0.1% lower than the collection in the equivalent period in 2019/20, the last year before the COVID-19 pandemic. The amount collected in the same period in 2022/23 was 44.0% and in 2021/22 the collection was 34.7%. This increase suggests that collection of Business Rates is recovering from the COVID-19 pandemic.

3.9.7 However, there are currently a number of factors present in the economy, which could have a negative affect on 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. During Q3, work will be undertaken to review the NNDR collection rates and determine if the future trend is one of continued growth, or if the aforementioned economic factors will result in a new drop in collection rates.

Pay Award

3.9.8 The current financial environment is putting considerable upward pressure on pay. As of the time of dispatch of this report, the pay award for 2023/24 has not been formally agreed. However, on 23 February 2023, the National Employers agreed unanimously to make a full and final offer, which for Outer London consists of an increase of the highest of 3.88%, or £1,925, plus the Outer London Weighting. In absolute terms, this is similar to the pay award for 2022/23, but broadly equates to an average 5.8% increase in pay (6.5% in 2022/23), ranging from 9.4% at the lowest level of pay to 4.3% at the highest level of pay. This is estimated to cost £8.5m in 2023/24. Provision has been made for this in the Council's budget for 2023/24, so it is not anticipated at this time that further management action will be required to mitigate this pressure.

Savings

3.9.9 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. Of the savings for 2023/24, at Quarter 2 84% of these are on track to be delivered. The remaining savings have been flagged as at risk, however mitigating actions are being implemented to deliver these savings targets.

Virements

3.9.10 The table below shows the virements which have been entered to adjust the budgets at Corporate Directorate level during 2023/24.

	2023/24 Opening Budget	**In-year growth**	**Transfer of functions between services**	**Technical Adjustments**	**2023/24 In-Year Budget at 31.07.2023**
	£m	**£m**	**£m**	**£m**	**£m**
Adult Social Care and Health	**122.0**	1.2	0.1	1.0	**124.2**
Children and Young People	**62.1**	0.0	0.0	0.9	**63.0**
Communities and Regeneration	**5.2**	1.8	0.0	0.1	**7.2**
Resident Services	**69.2**	2.4	0.1	(0.4)	**71.3**
Governance	**13.6**	0.3	(0.2)	0.1	**13.8**
Finance and Resources	**11.7**	0.4	0.0	(0.5)	**11.7**
Central Items	**(283.8)**	(6.1)	0.0	(1.3)	**(291.2)**
Total Budget	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

3.9.11 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.

3.9.12 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.

3.9.13 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).

3.9.14 The table above includes the following technical adjustments added between May and July 2023:

- Replacing the 2022/23 Borough Plan budget with the agreed budget for 2023/24
- Allocation of savings from August 2022 Voluntary Redundancy Scheme to service areas
- Adjustments to allocation of savings agreed in the February budget report
- Centralisation of budgets due to changes to processes
- Other adjustments to budgets agreed between services

3.10 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	76.1	1.4
Early Years Block	24.5	24.5	0.0
Central Block	2.1	2.1	0.0
Total DSG	**220.8**	**222.2**	**1.4**

Summary

3.10.1 The DSG forecast reflects a deficit of £1.4m, against grant funds of £220.8m for 2023/24, due to pressures from the High Needs (HN) Block.

3.10.2 As reported in Quarter 1, the forecast assumes that the other funding blocks will achieve a balanced budget by the end of the financial year. This position is likely to change over the next two quarters, as more information becomes available. For example, the forecast for the Early Years (EY) Block is likely to change following payments to childcare 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 2023. The actual cost of payments for the first two quarters would inform a better projection for Quarter 3 & Quarter 4.

3.10.3 Although the HN Block allocation increased by £7m in 2023/24, 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 £74.7m. This allocation includes a £1.2m transfer from the Schools Block. The HN Block funding is expected to be adjusted for a recoupment of funds for school place funding for Brent pupils in other local authority areas and for a place funding repayment from other local authorities, following a recent import/export review by the DfE in July 2023.

3.10.4 The cumulative DSG deficit brought forward from 2022/23 is £13.8m. This includes an in-year surplus of £1.3m achieved in 2022/23. This surplus is held in a separate usable reserve to support the DSG budgets in this financial year. The £15.1m deficit carried forward has been disclosed as an earmarked unusable reserve in line with Department for Education (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. The forecast deficit on the HN block will increase the DSG deficit to £15.2m by the end of this financial year.

Forecast

3.10.5 The £1.4m deficit against the HN Block is an increase from the break-even position reported in Quarter 1. This is mainly due to an increase in the forecast spend on top-up funding to in-borough mainstream schools and academies. The pressure against the budget set for this area is equivalent to an additional 329 pupils at an average cost of £9k.

3.10.6 The growth in EHCPs is a London and national trend whereby the number of children assessed as meeting the threshold for support continues to increase. However, the HN funding has not increased in line with the growth in overall pupil numbers creating financial pressures. At the end of July 2023, there were 3363 EHCPs, which represents a growth of 8% compared to July 2022 (3122) and a 14% increase compared to the March 2022/23 outturn of 2959 EHCPs.

3.10.7 The forecast position is due to the following pressures:

- £2.1m forecast pressures against top-up funding paid to in-borough academies and mainstream schools which includes funding to be recouped from other local authorities for their children placed in Brent schools. The pressure is due to an increased number of pupils with special educational needs placed within the borough.

- The pressure is further offset by a £0.8m forecast underspend against SEN Services and support being provided for inclusion services. This forecast is likely to change by year end as it is subject to the actual number of pupils excluded from mainstream schools during the year, following enrolments from September 2023.

3.10.8 The Council has a Deficit Recovery Management Plan is in place with longer-term actions to recover the cumulative deficit. A task group led by the Corporate Director of Children and Young People (CYP) is in place to coordinate and monitor these actions. Some of these actions to reduce costs include developing Alternative Provision education in the borough, increasing the amount of special provision within the borough, particularly for secondary phase pupils and 16–25-year-old SEND students. A combination of these longer-term recovery actions and anticipated funding increases is expected to achieve a reduction in the deficit.

3.10.9 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

3.10.10 A balanced budget was 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.

3.10.11 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 or carry forward some or all the deficit to the funding period is due to come to an end in 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 balances.

3.11 HRA

HRA gross income and expenditure			
	Budget	**Forecast**	**Overspend/ (Underspend)**
	£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

3.11.1 The budgets for the Housing Management function are contained within the ring-fenced Housing Revenue Account (HRA), which has a balanced budget for 2023/24.

3.11.2 The HRA is forecasting a break-even position for 2023/24, with budget pressures of £0.3m due to service charge refunds being mitigated by keeping staffing vacancies. There are a number of other risks and uncertainties in this fund that could pose financial pressures.

Risks and uncertainties

3.11.3 High levels of uncertainty around 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. Energy cost increases 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.

3.11.4 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.

3.11.5 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.

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

4.0 Capital Programme

4.1 Capital Summary

4.1.1 The table below sets out the Capital Programme current forecast to the revised budget position 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	14.5	15.0	0.5	0.0
Housing GF	82.3	159.9	155.3	(4.1)	(0.5)
Housing HRA	157.0	135.4	138.3	2.5	0.4
PRS I4B	0.0	0.0	0.0	0.0	0.0
Public Realm	25.5	35.8	35.5	0.1	(0.4)
Regeneration	74.1	9.9	8.2	0.1	(1.8)
Schools	35.1	19.6	14.5	(0.9)	(4.2)
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	**443.0**	**404.0**	**395.7**	**(1.8)**	**(6.5)**

4.1.2 The assessment of RAAC across Council owned assets is a key risk for the Capital Programme. The Council is not aware of the presence of RAAC in any maintained schools within the Borough and is taking a proactive approach of assessing other Council assets for the presence of RAAC.

4.2 Corporate Landlord

4.2.1 Corporate Landlord has a forecast of £15.0m versus a revised budget of £14.5m for 23/24. This variance is driven by an accelerated spend of £0.4m on the Civic Centre Development and an overspend of £0.2m on Public Sector Decarbonisation Scheme associated with higher than expected commissioning costs. This is offset by smaller underspends in a number of projects including Flexible Working Equipment, Willeseden Green Library Development, and the Central and North West London College loan totalling £0.1m.

Risk and Uncertainties

4.2.2 With regards to the Central and North West London College loan, there are discussions taking place with the DfE to establish whether the Council will continue to be the lender following the classification change of Colleges to be included within the public sector. For Civic Centre Development there is a risk that the project may be delayed but this is being mitigated against through close monitoring of subcontractors. There is also a risk that the Public Sector

Decarbonisation Scheme overspends by £0.2m if costs are higher than expected. Another issue involves insufficient resources available to ensure that work can be commissioned quickly from Brent IT and Shared Services leading to delivery delays. Timescales are being agreed in advance and escalation to Heads of Service is being carried out when timescales are not met.

4.3 Housing General Fund

4.3.1 Housing General Fund is forecasting to spend £4.6m below the current year budget. This position is due to a combination of slippage at Edgware Road, £5.3m and Bridge Park, £0.5m and genuine overspends at Stonebridge £1.1m. Edgware Road is forecasting slippage for the current year due to delay in getting onsite relative to the original target. Bridge Park slipped £0.5m, while management continue to explore the delivery and financing options. The Stonebridge Housing Development is reporting a current year overspend of £1.1m and an overall overspend of £1.7m. The cause is due to design changes and unforeseen regulatory works.

4.4 Housing HRA

4.4.1 The HRA is forecasting to spend £2.9m ahead of the current year profile. This is made up of £2.5m in genuine overspends together with accelerated spend totaling £0.4m. Frontenac is forecast to overspend £0.3m; due to unforeseen external works to balconies and post award changes. Gloucester Close is forecasting an overall overspend of £0.1m; due to unforeseen additional works. Mason Court and Hindhurst Close are collectively forecasting an overspend of £1.0m; due to contractor claims (re Covid and inflation). Tower Blocks - Kilburn Square is reporting an overall overspend of £0.4m. Aneurin Bevan Court is reporting a significant variance, £1.1m overall; this mostly due to the omission of on-costs from the original budget but also includes payment in respect of a loss and expense claim from the contractor. Longley Avenue is forecasting an overspend of £0.2m; the project was put on hold due to a dispute over part of the land; this dispute has been settled in our favour. Sycamore grove is showing underspend of £0.2m as the scheme will no longer proceed due to viability challenges.

Risk and Uncertainties – Housing

4.4.2 Cost inflation is reportedly slowing, which should see a consequential slowing of tender price inflation, although any benefit from slowing inflation may be offset by cost pressures due to environmental and safety regulations. Viability challenges are set to continue given the current high interest rate environment. The Council in the last year has had to pause significant development schemes and further schemes in the New Council Homes Programme may need to be paused throughout the year. The Council is also experiencing significant supply pressures for Temporary Accommodation as set out in section 3.8 One of the options to mitigate the pressure is to increase the supply of temporary accommodation through a new acquisition programme.

4.5 PRS I4B and First Wave Housing

4.5.1 During 2022/23, I4B drew down a £40m loan facility for the acquisition of properties as part of the private rented sector programme. Over 2022/23 I4B made acquisitions totaling £13.7m therefore, the company has £26.3m of their loan facility remaining. I4B are forecasting to spend £2.5m of the drawndown loan in 2023/24. This forecast spend is to cover currently known pipeline acquisitions. Acquisitions by the company have slowed on account of an adverse prevailing market.

Risk and Uncertainties

4.5.2 Whilst inflation is reportedly slowing, it is not certain the Bank of England will drop interest rates, which remain relatively high and make the financing of acquisitions more challenging. First Wave Housing, the Council's other wholly owned housing company, has applied for funding from the GLA's Refugee Housing Programme alongside a wider Council bid. This is for the planned purchase of six larger homes (four beds+) to house Ukrainian and Afghan refugees. If the bid is approved, acquisitions would be 50% grant funded, and the remaining 50% would need to be funded through new borrowing from the Council. For the six properties the funding requirement is expected to be circa £2.31m. I4B is also working closely with the Council on activities to support the temporary accommodation pressure. Depending on the scale of the project, a further loan may be required by the company to acquire more properties.

4.6 St Raphael's

4.6.1 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

4.6.2 The development works on the infill masterplan are currently on pause. The Council remains committed to exploring alternative delivery and financing options however these remain significantly challenging.

4.7 Public Realm

4.7.1 The Public Realm revised budget for the year is £35.8m with a latest forecast of £35.5m. The variance of £0.3m sits within the Public Realm Capital Programme Board where there are 135 projects with a revised budget. There are numerous projects which are forecasted as higher/lower than the revised budgets. The projects with higher forecasts than budget include the following; Highways has brought forward £1m of budget in order to use contractors to complete works in the summer of 2023. This is with approval to bring forward two schemes (the longest two) on the 2023/24 Principal Roads programme and 10 locations for major footway reconstruction for an early start ahead of formal Cabinet approval of the 2023/24 Highway Capital Maintenance Programme in September. Lamp Column electric chargers are forecasting £400k higher than budget however a grant claim has been submitted to the Department for Transport to cover these additional costs. RLS vehicle programme is forecasting £159k of spend to be brought forward as part of the the waste collection vehicle purchases, however the overall programme forecast is in line with the overall budget. A key projects where the forecast is lower than budget includes S106 Hostile Vehicle Mitigation (HVM) which is forecasting slippage of £658k which is constantly under review by the service as works are based on security works assessments and the need to carry out works. Pitch Improvements are forecasting slippage of £386k due to delays with irrigation and Thames Water works. Healthy Streets and Parking have re-profiled £185k on Roe Green Kingsbury. Parks and Capital are currently forecasting a £234k underspend on several projects which are winding down. Gladstone Park Tennis Court is currently forecast a (£60k) underspend as this project is also close to completion. There is c(£300k) in some Healthy Streets and Landscaping projects where re-profiling has occurred but overall budget spend still being forecast.

Risk and Uncertainties

4.7.2 The reduction in grant funding for TFL has resulted in a smaller scope of works to deliver the Local Implementation Plan – The TfL submission for grant claims was submitted to maximum level in August. 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.

4.8 Regeneration

4.8.1 Regeneration is currently forecasting an underspend of £1.7m (£9.9m revised budget and forecast of £8.2m). £1.8m of this variance is due to the Picture Palace project being delayed. This project which is set to deliver a new community hub has been delayed due to planning issues and viability challenges, however it has now been granted full funding of CIL and an updated schedule of works is being produced.

Risk and Uncertainties

4.8.2 The Wembley Housing Zones project is expected to experience a viability pressure when updating the project plans to meet potential fire safety regulations. Work is already underway with the contractor, Wates, to reduce the impact of any changes required. The Morland Garden project is experiencing significant viability challenges whilst also being subject to a significant delay in the project delivery timescales dependent on the outcome of the public inquiry in relation to the stopping up order.

4.9 Schools

4.9.1 The Schools Board is forecasting an underspend £5.1m for the financial year. £3.2m of this underspend is due to SEND projects which although currently forecasting in line with programme life budget, slippage in FY 23/24 has occurred. This is due to delays in ARP procurement, a detailed ongoing site review of St Gregs , prolongation of London Road SEND due to Thames Water sewer build over requirements and TVS and Woodfield moving to Post-16 at Airco Close. Brent Childrens Home is a new budget this financial year and the forecast is the more up to date view. This project has a £1.1m profiling underspend in FY23/24. The forecast is based on a property that has been identified as a workable solution but is currently being reviewed by planning and legal pre a potential Council purchase. However, until a unit is purchased then this forecast will be volatile. The remaining 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.

Risk and Uncertainties

4.9.2 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.

4.10 South Kilburn

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

Risk and Uncertainties

4.10.2 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.

4.11 Treasury Management Prudential Indicators

4.11.1 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. A performance of the treasury and capital activities against these indicators can be found in Appendix B.

5.0 Stakeholder and ward member consultation and engagement

5.1 There are no direct considerations arising out of this report.

6.0 Financial Considerations

6.1 The proposed loan of £2m to First Wave Housing Ltd would be financed by Council borrowing in accordance with its treasury management strategy. It is anticipated that the interest rate charged to First Wave Housing would be set in reference to PWLB rates at the time of First Wave Housing drawdowns.

6.2 The Council would be providing the loan to First Wave Housing Ltd for the provision of homes under the Greater London Authority Refugee Housing Programme. The Council considers this to be a loan for service delivery to a third party so this will be reported in the Council's capital expenditure programme.

7.0 Legal Considerations

7.1 There are no legal considerations arising out of this report.

8.0 Equality, Diversity & Inclusion (EDI) Considerations

8.1 There are no EDI considerations arising out of this report.

9.0 Climate Change and Environmental Considerations

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

10.0 Human Resources/Property Considerations (if appropriate)

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

11.0 Communication Considerations

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

Report sign off:

Minesh Patel
Corporate Director of Finance and Resources