Brent	**Cabinet** 15 January 2024
	Report from the Corporate Director of Finance and Resources
	Lead Member - Deputy Leader & Cabinet Member for Finance, Resources & Reform (Councillor Shama Tatler)

Quarter 3 Financial Report 2023/24

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Two: Appendix A: Savings Delivery Tracker 2023/24 Appendix B: Prudential Indicators
Background Papers:	None
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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 3 2023/24.

1.2 The Council's revised General Fund revenue budget for 2023/24 is £297.5m. 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 £13.0m against the revised General Fund revenue budget at Quarter 3, which is overall broadly the same as the position reported 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 As set out in the Quarter 2 forecast report, 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 There are also significant pressures being reported within the Housing Revenue Account as a result of considerable savings being required following rent limitations imposed by central government and increased demand and costs associated with repairs. Further details are set out from section 3.11. The forecast against the Dedicated Schools Grant is a deficit of £0.8m, which has reduced by £0.6m as forecast at Quarter 2. Further details are set out in section 3.10. The Capital Programme is forecasting a variance of £39.6m to the revised budget for the year with a number of projects experiencing delays to the programmed works resulting in slippage. Further details can be found in section 3.12.

1.5 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	71.1	71.4	0.3
Communities and Regeneration	7.3	7.3	0.0
Governance	13.9	13.5	(0.4)
Finance and Resources	12.3	12.2	(0.1)
Resident Services	68.7	81.9	13.2
Subtotal Service Area Budgets	**297.5**	**310.5**	**13.0**
Central Budgets	61.0	61.0	0.0
Total Budget Requirement	**358.5**	**371.5**	**13.0**
Funding	(358.5)	(358.5)	0.0
Grand Total General Fund Budgets	**0.0**	**13.0**	**13.0**
DSG Funded Activity	0.0	0.8	0.8
Housing Revenue Account (HRA)	0.0	0.3	0.3
Net Total	**0.0**	**14.1**	**14.1**

Table 1 - Forecast Position Against Budget

**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	(220.7)	(220.7)	0.0
Expenditure	220.7	221.5	0.8
Total	**0.0**	**0.8**	**0.8**

Table 2 - DSG Gross Income and Expenditure

HRA gross income and expenditure			
	Budget	Forecast	Overspend / (Underspend)
	£m	£m	£m
HRA			
Income	(61.2)	(61.2)	0.0
Expenditure	61.2	61.5	0.3
Total	**0.0**	**0.3**	**0.3**

Table 3 - HRA Gross Income and Expenditure

1.6 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	10.8	10.3	(0.4)	(0.1)
Housing GF	82.3	165.9	135.3	0.3	(30.9)
Housing HRA	157.0	73.0	69.9	0.3	(3.4)
PRS I4B	18.5	2.5	5.8	0.0	3.3
Public Realm	25.5	36.9	29.2	(0.2)	(7.5)
Regeneration	74.1	9.8	9.0	0.0	(0.8)
Schools	35.1	12.6	12.4	(0.1)	(0.1)
South Kilburn	27.0	14.8	14.8	0.0	0.0
St Raphael's	31.7	0.8	0.8	0.0	0.0
Total	**461.4**	**327.1**	**287.5**	**(0.1)**	**(39.5)**

Table 4 - Forecast Against Revised Budget - Capital Programme

Current economic environment

1.7 The current economic environment is volatile and uncertain with high interest rates designed to curb high inflation, in part caused by the war in Ukraine and unrest in the Middle East, which particularly affect energy costs, and exacerbate the cost-of-living crisis. CPI Inflation was 3.9% in November 2023, which is the lowest it has been since October 2021, although still significantly above the Bank of England’s target of 2%. Inflation is expected to continue to fall in 2024 but is expected to remain above the target for longer than was previously forecast. In its November 2023 economic and fiscal Outlook report, the Office for Budget Responsibility forecast that inflation will not reach the

2% target until the second quarter of 2025, more than a year later than it forecast in March 2023, driven in part by stronger wage growth.

1.8 The Bank of England has frozen interest rates at 5.25% for a third consecutive time. This comes after 14 consecutive increases between December 2021 and August 2023. In the Monetary Policy Committee's monthly report for November 2023, it was implied that interest rates will remain frozen until the third quarter of 2024, before reducing gradually to 4.25% by the end of 2026, which remains higher than at any time since 2008. However, the report also states that the Bank of England 'will keep interest rates high enough for long enough to get inflation back to the 2% target'. Therefore, it remains possible that there may be further interest rate rises if the Bank considers inflation to be too persistent. These factors create a challenging environment for the Council to plan its future resourcing requirements.

Medium Term Financial Strategy update

1.9 The budget for 2023/24 was approved by Council on 23 February 2023, including new savings proposals of £18m to be delivered between 2023/24 (£13.5m) and 2024/25 (£4.5m). Appendix A sets out the progress in delivery of these savings and any mitigating actions where necessary. As at Quarter 3 93% are on track to be delivered, delivering 81% of the budgeted savings. Mitigating actions are being implemented to deliver the targets for those flagged at risk.

1.10 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. In November 2023, the draft budget for 2024/25 and 2025/26 was presented to Cabinet, where new savings proposals were brought forward to close the £8m budget gap. The budget gap and savings target were not increased as a result of the forecast overspend reported in Quarter 2. Should management actions and other cost control measures not turn around the situation both for 2023/24 and future years, it may be necessary to identify further savings.

1.11 The 2024/25 Local Government Finance Settlement was announced on 18 December 2024, which was the sixth annual one-year settlement for local government and continues the trend of the last 13 years of real terms cuts to funding. The policy approach for the settlement is once again a uniform roll over for the core elements (council tax, business rates and specific grants) and preserving current distributions. There are no new resources for service provision, arising from the Autumn Statement. Any nominal increase in funding available to the Council is predicated on the Council raising its council tax by the referendum limit of 2.99% and levying an adult social care precept of 2%.

1.12 The provisional settlement is particularly poor for Brent. The increase in government support at 5% is the lowest of the London boroughs (excluding the City of London) and less than the September CPI rate of inflation of 6.7% used as the basis for uprating most grants. The increase is also 1.5% less than the national average of 6.5% and also less than the London average of 6.3%. Indeed, the settlement is so poor for Brent that the government has had to make a Guaranteed Funding payment to keep the total value of the settlement at this safety net level.

1.13 Viewed in the round, the Council has a total level of increase that is little different to the MTFS position, which was cautious. Other than changes to the overall allowance for inflation, no additional funding has been provided in the settlement to tackle issues such as homelessness which are causing significant overspending. None of the funding in the settlement is available to address the current forecast overspend in this area of £13m, which looks set to continue in the new financial year.

1.14 Since the provisional settlement does not adequately provide funding to cover inflationary pressures and offers no new funding to tackle persistent pressures in social care and homelessness, the Council continues to be under pressure to continue to realise its planned savings whilst taking action to curb its expenditure in order to maintain a balanced budget.

1.15 At this stage, no changes to the draft budget are required as a result of the settlement and the final budget will be presented to Cabinet on 5 February 2024 and then Full Council on 29 February 2024.

Maintaining Financial Control

1.16 As reported in Quarter 2, 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, at Quarter 2, the position for 2023/24 had worsened significantly and the forecast required the Council to take urgent actions in the short and medium term to maintain financial control.

1.17 Despite the considerable efforts of the Council to manage its position, the operating environment and wider economic context continues to be volatile with small changes in demand disproportionately materialising in large financial pressures. These are particularly in Children’s social care and Adult social care packages in terms of volumes and complexities, and temporary accommodation volumes, costs of provision and loss of Housing Benefit subsidy from central government. The Council is also dealing with the impact of rising costs due to continued high level of provider inflationary pressures, and the impact of cost-of-living crisis which also affects important income streams of the Council.

1.18 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 the supply of suitable accommodation are expected to result in an overspend of over £13m. Section 3.8 of this report sets out the Council's strategy in dealing with the significant increase in the cost 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 Councils 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 focused on positively changing the financial position.

1.19 Since Quarter 2, a number of immediate and medium-term actions have been 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. In addition, a number of new spending controls were introduced in an attempt to prevent the financial situation worsening.

1.20 The introduction of spending controls and the Budget Assurance Panel are intended to facilitate better grip of the Council's financial position and reduce the in-year overspend. This introduced a range of measures including proactive vacancy management, directorate led targeted non-essential spend control including agency and interim spend, alongside department led management action plans reflecting other actions being undertaken. These sensible, proactive and prudent measures are providing more assurance over the Council's spending decisions and reducing the risk that the budget position deteriorates further. Each department has provided responses on what actions have been taken to reduce and control expenditure – these are set out in the service area sections below.

1.21 At Quarter 3, the forecast has remained broadly the same as in Quarter 2, which indicates that the interventions that have been put in place to this point have made an impact on controlling the increase in the overspend against the 2023/24 budget, despite demand for homelessness services increasing. However, the actions taken have not led to an improvement in the budget position and the Council must continue to work hard to reduce this and return quickly to a sustainable position.

1.22 At this stage, it appears that the current spending controls will need to be enhanced and continue into 2024/25, with further actions, mitigations and in-year savings to be identified. Funding an overspend of this magnitude will require the use of reserves in 2023/24. This can only be a one-off solution as it will result in a significant depletion of the reserves available for use in future years. Holding an adequate level of reserves to fund future commitments and mitigate risks is a key indicator of the Council's financial resilience and the current trajectory going into 2024/25 is not sustainable. A full analysis of reserves and a financial resilience assessment will be presented to Cabinet in February 2024 as part of the 2024/25 budget setting process.

2.0 Recommendation(s)

2.1 That Cabinet note 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 note the Prudential Indicators set out in Appendix B.

2.4 That Cabinet approve the virements set out in section 3.9.11 of this report.

3.0 Detail

3.1 Cabinet Member Foreword

3.1.1 This report sets out the Quarter 3 forecast for the Council's overall 2023/24 budget. The forecast overspend in housing due to increases in homelessness and lack of suitable accommodation, will have a significant impact on the Council's budget. While this is being reported as a London wide issue, a number of actions are being taken to manage these pressures and support vulnerable residents that have been affected by the cost-of-living crisis. This is in line with the Council's strategic priority - Prosperity and Stability in Brent.

3.1.2 It is important to recognise that over a decade of austerity on Local Government has reduced the ability of councils to withstand issues like the increased pressures on Temporary Accommodation. The impact of the disastrous mini-budget last year on interest rates and inflation has significantly impacted the supply of housing and on delivering council services. Brent will continue to take decisions to ensure a sustainable budget can be delivered while safeguarding key services.

3.1.3 It is also worth noting that Brent will receive the second lowest Local Government Finance Settlement in London for 2024/25. Despite the significant challenges Brent faces, the Government has not allocated any support for homelessness pressures. Pressures on Local Government finances are going to continue to be difficult as a result of the decisions of this Government.

3.2 Contribution to Borough Plan Priorities & Strategic Context

3.2.1 The Borough Plan includes a specific priority to support residents affected by the cost-of-living crisis.

3.3 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**

Table 5 - Forecast Against Budget - Care, Health and Wellbeing

Summary

3.3.1 Care, Health and Wellbeing are forecast to break even this financial year, unchanged from the Quarter 2 forecast. 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 In order to ensure the department is able to maintain its forecast break-even position, spending controls were introduced in October 2023. These controls include:

- A recruitment freeze for positions not involved in essential services
- A review of all agency staff to reduce agency contracts, and an emphasis on converting agency to permanent staff
- Establishment of a project team to review volatile areas of residential and nursing care, particularly for Learning Disability & Mental Health placements
- Going forward all placements require sign-off from the Operational Director.

3.3.3 There are increasing pressures around 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.

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

3.3.5 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.

3.3.6 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, there has been an increase of 6% since this time last year.

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

3.3.8 Whilst there are ongoing pressures within ASC relating to expenditure on agency staff, homecare, Nursing, Residential care, and Learning Disability supported living. ASC is forecasting a breakeven position for Q3 as the additional growth allocation will mitigate any additional costs as a result of underlying pressures.

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. However, for 2023/24 the funding for nationally agreed NHS pay increases has been provided to the ICB for NHS and local authority commissioned services.

3.3.10 Public health spend activity against the additional grants, Supplementary Substance Misuse Treatment and Recovery Grant, and Rough Sleepers Drug and Alcohol Treatment Grant and Start for Life, are all on track and in line with the outcomes that have been set out within the guidelines. Some contracts have been broken down and commissioned separately to utilise in-year grants, where they would previously be funded by the public health grant.

Risks and uncertainties

3.3.11 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 in 2023/24.

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

3.3.13 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.

3.3.14 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.

3.3.15 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. 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 greater detail.

3.3.16 Brent will continue to receive Hospital Discharge Funding from the government this financial year to the value 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 monthly return is submitted to the DHSC to monitor spend against this grant.

3.3.17 Within Public Health, sexual health testing and treatment services are currently on cost and volume contracts. There is a risk of underperformance against these contracts, as clinical activity has not fully recovered from COVID-19 and MPox. The service is working with the trusts to get the latest activity and spend data to identify any slippage.

Savings and Slippages

3.3.18 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.

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.

Table 6 - Key Assumptions - Care, Health and Wellbeing

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

CYP Department	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Central Management	1.4	1.4	0.0
Early Help	5.3	5.2	(0.1)
Inclusion	2.0	2.0	0.0
Localities	23.2	23.9	0.7
Looked After Children and Permanency	7.5	7.5	0.0
Forward Planning, Performance & Partnerships	29.0	28.7	(0.3)
Safeguarding and Quality Assurance	2.7	2.7	0.0
Setting and School Effectiveness	0.0	0.0	0.0
Total	**71.1**	**71.4**	**0.3**

Table 7 - Forecast Against Budget - Children and Young People

3.4.1 There is currently a £0.3m forecast overspend within the Children and Young People department, which is a £0.2m reduction from the Q2 reported position of £0.5m. The reduction is largely due to stepdown arrangements against the Placement budgets.

3.4.2 The ongoing actions being undertaken by the department to control spend are mainly interventions the department has put in place in previous years and currently this continuation and increased focus will lead to cost avoidance estimated at c£1.6m and 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. There have been 5 step-downs achieved and a further 3 expected by the end of the financial year which will lead to cost avoidance of c£0.7m and as a result has led to the FPPP department forecasting a £0.3m underspend.
- Due to the challenges of recruiting and retaining permanent social work staff, the department is reliant on agency workers. Several actions are in place to address the workforce pressures:
  - Working in collaboration with 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 was created to scrutinise all agency recruitment, and corresponding activity to achieve permanency through conversations with agency workers to convert to

permanent roles. There have been 10 agency workers in the Localities service that have converted to permanent roles as at 31st of October 2023 leading to cost avoidance of £63k.
    - Ensuring that across the CYP department, that agency workers take at least the minimum annual leave requirement of 20 days which is assumed to lead to cost avoidance of c£0.3m
- Also included in the forecast is £0.3m of cost avoidance arising from positions that have been held vacant in order to contain the departments overspend as much as possible. The changes to approval limits as part of the expenditure controls put in place and further scrutiny of subsistence payments is also assumed to generate cost avoidance of c£0.2m.

Forecast

3.4.3 The Localities service has an overall pressure of £0.7m. This consists of a £0.3m forecast pressure against employee costs, mainly driven by the need to use agency social workers to cover vacant positions and the Localities service has pressures due to additional staff required to cover long term sickness absences and maternity leave; a £0.2m forecast pressure against the Children with Disabilities (CWD) Placements budget, which funds Direct Payments, Care at Home, and Residential and Day Services, with numbers of supported clients rising by 18% since 2022/23. There is also a £0.2m pressure against the Short Break Centre mainly because of the use of agency workers and the use of an external provider required to provide 2:1 care for a number of children with challenging needs.

3.4.4 The pressures against the Localities service are currently being offset by underspends against the Forward Planning, Performance and Partnership service of £0.3m which is mainly due to the impact of the stepdown arrangements built into the forecast as mentioned in paragraph 3.4.2 above.

3.4.5 The Early Help service is reporting a £0.1m forecast underspend, which is due to the impact of holding positions vacant within the service.

Risks and Uncertainties

3.4.6 Recruitment and retention of skilled and experienced social work staff remains a risk in the Localities and Looked After Children, and Permanency (LAC&P) services. Focus remains on agency staff conversions to permanent positions. As at September 2023, 67.4% of the social worker cohort are permanent compared to 54.1% as at September 2022.

3.4.7 The volatility surrounding the placements budget for looked after children (LAC) and social care costs for children with SEND remains a key risk as an individual high cost residential or secure placement in the final quarter of the year can cost between £0.1m to £0.2m.

3.4.8 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 budget. 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.

Savings and Slippages

3.4.9 The department has a £0.84m savings target to deliver. 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.

Summary of Key Assumptions

Key Assumption	Downside if worse	Upside if better	Mitigations
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 reducing 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.
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£0.3m (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.

Mix of social work staff and caseloads in the Localities and LAC & Permanency service to include the use of agency staff.	If there are 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.

Table 8 - Summary of Key Assumptions - Children and Young People

3.5 Communities and Regeneration

Communities and Regeneration	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Communities	4.6	4.6	0.0
Communities and Regeneration Directorate	0.2	0.2	0.0
Regeneration	2.5	2.5	0.0
Total	**7.3**	**7.3**	**0.0**

Table 9 - Forecast Against Budget - Communities and Regeneration

Summary

3.5.1 The Communities and Regeneration department is currently forecasting to break even in 2023/24. To mitigate against overspends, the department have put in place various measures to reduce spend. So far, £0.3m of cost avoidance savings are forecast for this financial year.

Risks and uncertainties

Regeneration, Growth and Employment

3.5.2 The service is currently forecasting a break-even position, however there are a number of risks that the department is managing. The current economic climate has caused a decline in the income generated within the department, with Building Control and Planning being particularly impacted.

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 for planning applications have been implemented by the Department for Levelling Up, Housing and Communities. 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 is expecting to break even as a result of the fee increases.

3.5.4 Rising interest rates and material costs are likely to cause cancellation or 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 were introduced in October 2023, which mean a switch to a cost recovery basis. The service is currently forecasting an overspend of £0.5m.

3.5.5 Community Infrastructure Levy activity this year is high comparative to prior years, which increases costs for administration. Under the regulations that govern the Community Infrastructure Levy, the Council can apply up to 5% of receipts generated to cover administrative expenses. The elevated levels of activity this year is forecast to generate an additional £0.25m, which partially offsets the overspends elsewhere in Regeneration.

3.5.6 As a result of the Council's spending controls, savings have been made across the Regeneration department which has helped to offset the overspend in Building Control, with the largest savings coming from holding vacancies within the department as well as a reduction of consultancy costs. These savings, in conjunction with the application of the Community Infrastructure Levy administration allowance has resulted in a break-even outturn for Regeneration.

<u>Communities</u>

3.5.7 Communities is currently forecasting an overall breakeven position.

3.5.8 The Communications service are forecasting a £0.1m underspend due to successfully generating additional commercial income, due in part to a series of large filming bookings in the Civic Centre.

3.5.9 Community Safety and Prevent are forecasting to break even.

3.5.10 Strategy and Partnerships has a pressure of £0.2m, this mostly due to a contract dispute with a third sector partner. This relates to a historic contract and will not affect future years.

3.5.11 To mitigate against overspends, the department have put in place various measures to reduce spend. So far, £0.1m of cost avoidance savings are forecast for this financial year. The majority of this saving is a result of holding vacancies within the department.

Savings and Slippages

3.5.12 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, including the deletion of some posts. 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. This saving is being delivered in 2023/24 by limiting spending on training to create a £50k underspend. The rest of the savings are on track to be delivered.

Summary of Key Assumptions

Key Assumption	Downside if worse	Upside if better	Mitigations
Application Fee increases have been introduced in December 2023, and there is a projected fall in demand as a result	If the introduction of this increase causes a fall in demand that exceeds the value of the increase, the service will overspend	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

Table 10 - Summary of Key Assumptions - Communities and Regeneration

3.6 Governance

Governance	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Legal Services	4.8	4.8	0.0
HR Services	3.7	3.4	(0.3)
Executive & Membership	4.3	4.2	(0.1)
Procurement	1.1	1.1	0.0
Total	**13.9**	**13.5**	**(0.4)**

Table 11 - Forecast Against Budget - Governance

Summary

3.6.1 The Governance department is forecasting an underspend of £375k for 2023/24. This is made up of:

- A £112k underspend attributable to early achievement of 2024/25 savings by the Human Resources service
- An underspend of £128k as a result of a recruitment lag on apprenticeship and graduate schemes.
- An underspend of £135k in Executive and Membership due to reduced a number of councilors.

3.6.2 This forecast underspend in Governance has increased by £200k when compared to Quarter 2 projections. This is mainly a result of the identified recruitment lag and a £57k saving achieved as a result of the implemented spend controls.

Risks and uncertainties

3.6.3 There are no materials risk identified for this department at present.

Savings and Slippages

3.6.4 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.

3.7 Finance and Resources

Finance and Resources	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Finance	7.5	7.4	(0.1)
Audit & Investigations	1.2	1.2	0.0
Shared Technology* Services	0.0	0.0	0.0
Property & Assets	3.7	3.7	0.0
Total	**12.3**	**12.2**	**(0.1)**

Table 12 - Forecast Against Budget - Finance and Resources

**Shared Technology Service show a net zero budget, however their gross expenditure budget is £17m. This expenditure is fully recharged across the three partner boroughs, therefore the income for these recharges net the expenditure to zero.*

Summary

3.7.1 Finance and Resources are currently forecasting an underspend of £0.1m, this is a small favourable movement from the break-even position forecast in Quarter 2.

3.7.2 The £0.1m underspend is a result of the spending controls introduced by the Council in October 2023. The holding of vacant positions in Finance is expected to result in a reduction in spend of £0.1m by year-end.

3.7.3 Within Property & Assets there is an anticipated £0.1m pressure due to income lost from expired leases and vacant property. However, this is currently offset by underspends in rental expenditure and additional income generated from Car Parking fees within Facilities Management.

Risks and Uncertainties

3.7.4 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. They are also tracking and accelerating efforts to reclaim retrospective rental income owed from expired leases.

3.7.5 Facilities Management are currently reviewing the establishment to determine the optimum staffing level. This aims to minimise the impact of overtime and agency premiums for a more sustainable solution. It is expected that increased car park income will be used to cover any shortfalls.

3.7.6 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 £0.5m - £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

3.7.7 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	0.0	0.0	0.0
Customer Services	14.2	14.2	0.0
Housing	3.2	16.5	13.3
Environment and Leisure	38.2	38.2	0.0
Transformation	13.1	13.0	(0.1)
Total	**68.7**	**81.9**	**13.2**

Table 13 - Forecast Against Budget - Resident Services

Summary

3.8.1 The Resident Services department is forecasting an overspend of £13.2m, a £0.1m increase when compared to the Quarter 2 forecast. There is also a risk that it could rise to £14.4m. This projected overspend is predominately a result of significant pressure on the Housing service. Transformation are forecasting a small underspend as a result of the implemented spending controls. 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 £13.2m is made up of the following pressures:

- £4.2m overspend associated with the cost of providing temporary accommodation
- £8.9m attributable to a loss of housing benefit subsidy from the Department of Work and Pensions as a result of the type of accommodation being used to house those that are homeless
- £0.6m is a result of additional Council Tax liability on empty properties that are being considered for temporary accommodation use
- (£0.4m) is a saving attributable to spending controls, mainly staffing related

3.8.3 This position represents a £0.3m decrease in projected temporary accommodation costs and a £0.3m increase in projected subsidy loss when compared to the Quarter 2 forecast. There is a risk that this could rise to £14.5m by the end of the year. An additional pressure around the Council Tax liability and a saving as a result of spend controls were not quantified as part of the Quarter 2 forecast, which results in an overall net £0.2m increase.

Temporary Accommodation – increase in demand and reduction in supply

3.8.4 The increase in demand for Bed & Breakfast, Annexes and Emergency Homeless Lets (EHL) is expected to result in a £4.1m - £5.6m 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 38% increase in the number of homelessness presentations when compared to the same time last year. The total number of households in Temporary Accommodation in Brent has increased by 13% and the number of families in Bed and Breakfast hotels has seen a 347% 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 November 2023, the total number of homeless households living in B&B and Annexe accommodation has risen to 639, broken down between 377 families and 262 single people. This is a further increase of 16% when compared to the previous quarter. If demand continues at the same rate, the service will receive a total of 8,200 applications this financial year, an average of 158 applications every week, which is the highest it has ever been.

3.8.5 London Councils share some analysis and benchmarking of peers that helps to gauge a position across London. They revealed that Housing pressures are increasing rapidly compared to budgeted levels and that on average Boroughs are projecting to overspend their budgets by 49%. Across London, total number of homelessness presentations has increased by 24%, whilst total number of residents owed a prevention or relief duty has gone up by 15%. A total number of households in temporary accommodation has increased by 13% and a total number of families in Bed and Breakfast hotels rose by 443%.

3.8.6 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.

3.8.7 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.

3.8.8 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.

3.8.9 London Councils' findings suggest that London's PRS (Private Rented Sector) is affected by multiple factors driving a reduction in the availability of properties for rent. The demand for housing is continuing to increase while supply is reducing across the whole market. Greater reliance on the PRS to house lower income households and increasingly limited housing benefits are making accommodation less affordable and available. 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.

Housing Benefit Subsidy loss

3.8.10 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-self-contain (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.

3.8.11 The loss of subsidy cost is forecast to rise to £8.9m 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 21% when compared to the average over the last three years (60% versus an 81% average). The current forecast represents a £0.3m increase when compared to the previous quarter and includes a £2.6m subsidy loss attributed to backdated Housing Benefit applications as a result of clearing a backlog.

3.8.12 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. Officers are actively looking to renegotiate prices and identify alternative arrangements that would allow to move some of the most expensive cases or those with the highest subsidy loss with the aim of reducing costs to the Housing Needs service and associated overall subsidy losses. Circa £0.9m has been avoided in accommodation costs and £1.2m in subsidy losses. In addition, 484 Housing Benefit applications have been assessed that relate to a backlog from the previous year, which helped to collect £3.9m of Housing Benefit contributions towards rent arrears. Officers also continue to carefully consider and assess the needs of homelessness applications, where almost half of the approaches the Council has not accepted duty for.

3.8.13 Furthermore, in December, Cabinet approved for the Council to, if necessary, consult on ending the South Kilburn Promise (Landlord Offer) for new temporary accommodation households and the use of voids properties identified on the South Kilburn regeneration area for temporary accommodation. The purpose of this proposal is to utilise empty properties within Brent for Temporary Accommodation, reducing the pressure created by high-cost or unsuitable placements currently being made due to unprecedented demand. At the moment the Council incurs a £0.6m Council Tax charge in relation to void properties within the South Kilburn regeneration area, which contributes to the overall overspend within Housing. Cabinet also approved an acquisitions budget of £52.7m to provide 133 homes and to help alleviate the demand pressure for temporary accommodation. This was in addition to any acquisitions already approved by Cabinet. Any new supply would help to avoid additional housing costs and mitigate the risk of the projected overspend increasing.

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 are projected to result in a £0.2m pressure on the budget. Brent continues to monitor the demand projections for the year and mitigations in place to reduce the impact.

3.8.15 Within Leisure services, a reduction in management fees for one of the leisure centers as a result of an increase in operational costs leads to a £0.1m pressure on the service. Any reductions in income could cause further 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.

3.8.18 The Environment and Leisure department has achieved a £0.3m saving as a result of the introduced spending controls, which helps to contain the identified pressures within the overall budget.

Transformation

3.8.19 The Transformation service is forecasting a £0.1m saving as a result of the introduced spending controls.

Supporting residents

3.8.20 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 was provided in the first two quarters of 2023/24 through the Energy Bills Support Scheme Alternative Funding and Alternative Fuel Payments Alternative Funding schemes. The scheme is now completed and this has been delivered to households who were ineligible for support with their energy bill costs through their domestic electricity supply.

3.8.21 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 £2.5m to provide support to 13,806 households. Further activities for supporting residents claiming Housing Benefits only, Disabled residents receiving Housing Benefits, Young Carers is planned are planned in the year. There are further plans to support Food banks, Charities and voluntary organisations to support our residents with financial, food and fuel support with circa £220k. Further payments for holiday vouchers for school children for an additional five 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. No new HSF funding has been confirmed for 2024/25.

3.8.22 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 2773 applications that were accepted and a total of £2m 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.

3.8.23 In addition, £1m has been made available in the form of the Family Food Fund, which has supported 1,828 residents.

3.8.24 The Collection Fund has foregone around £32m of Council Tax revenue in 2023/24 to fund the Council Tax Reduction Scheme (CTRS), supporting around 26,000 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 and at the end of Quarter 2, £300k of support has been provided from this Fund. Any remaining allocation from this fund will be used to support vulnerable households through the RSF.

Savings and Slippages

3.8.25 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 and a £350k saving attributed to new accommodation will slip against the original timeline, however these delays have been accounted for in the Medium-Term Finance Strategy.

3.8.26 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
Housing benefits subsidy loss % will remain stable and as projected	A 1% additional loss in subsidy could cost an additional £280k.	A 1% less of subsidy lost could save £280k.	A number of workstreams covering affordability of Temporary Accommodation and new and alternative supply have been set up in order to monitor and contain the projected overspend in Housing
Temporary Accommodation costs will not increase above the currently projections	A 1% increase in approaches could cost an additional £300k - £450k	A 1% decrease in approaches could save £300k - £450k.	A number of workstreams covering affordability of Temporary Accommodation and new and alternative supply have been set up in order to monitor and contain the projected overspend in Housing.
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	Additional pressures on reserves.	Reduced pressure on	The service is working closely with the contractors to build

expected forecast.		the Council's reserves.	projections and mitigate impacts.

Table 14 - Summary of Key Assumptions - Resident Services

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) as at 30th November 2023 is £201.5m. As at the end of November 2023, the amount collected was 68.4%, a decrease of 1.9% when compared to the in-year target and 2.6% lower than the amount collected in the same period in 2022/23 (71.0%). This has been revised down from the position reported in the Quarter 2 report (2.3% decrease) and is the result of a timing error.

3.9.2 The collection rate is low due to several issues, including the fall in the number of working age residents in receipt of Council Tax Support (CTS), which creates additional debt to collect, a large outstanding payment due from the Council for an empty property in South Kilburn and staffing issues within the Revenues team, which have a created a backlog of work.

3.9.3 Collection of Council Tax is the same as it was in the equivalent period of 2021/22. This suggests that the recovery of the in-year collection rate from the fall during the COVID-19 pandemic has stalled and may be being impacted by the ongoing cost-of-living crisis. The Council Tax Base report to General Purposes Committee in December 2023 includes an increase in the long-term collection rate back to the pre-pandemic target of 97.5%. Further work is being undertaken to determine if the current issues with collection in the short term will lead to a reduction in the long-term collection. The results of this review will have a direct impact on the resources available to the General Fund in future years and will be reported to Cabinet in the July 2024 update to the Medium-Term Financial Strategy so that it can feed into the 2025/26 budget setting process.

Collection Fund – Business Rates

3.9.4 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.

3.9.5 The actual net collectable amount for NNDR as at 30th November 2023 is £121.0m, a decrease of £4.5m from the budget in January 2023. 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.

3.9.6 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.

3.9.7 As at 30th November 2023, the amount collected was 71.1%, which is 0.6% above the month-end target. The amount collected in the same period in 2022/23 was 68.2% and in 2021/22 the collection was 63.8%. This increase suggests that collection of Business Rates is continuing to recover from the COVID-19 pandemic.

3.9.8 However, there are currently a number of factors present in the economy, which could have a negative effect on the ability of businesses to pay their Business Rates, such as energy costs, persistently high inflation and the reduction in consumer spending power as a result of the cost-of-living crisis. Work is ongoing 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

3.9.9 The current financial environment is putting considerable upward pressure on pay. On 1st November 2023, the pay award for 2023/24 was agreed, which for Outer London consists of an increase of the highest of 3.88%, or £2,226, inclusive of the Outer London Weighting. In absolute terms, this is similar to the pay award for 2022/23, but broadly equates to an average 5.7% increase in pay (6.5% in 2022/23), ranging from 9.42% at the lowest level of pay to 3.88% 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

3.9.10 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 3 93% of these are on track to be delivered, delivering 81% of the budgeted savings. Since Quarter 2, one saving has moved from at risk to being on track to be delivered and one saving has moved from being on track to at risk. The remaining savings have been flagged as a risk, however mitigating actions are being implemented to deliver these savings targets.

Virements

3.9.11 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 31.10.2023
	£m	£m	£m	£m	£m
Care, Health and Wellbeing	**122.0**	1.1	0.1	1.0	**124.2**
Children and Young People	**62.1**	0.0	0.0	9.0	**71.1**
Communities and Regeneration	**5.2**	2.0	0.0	0.1	**7.3**
Resident Services	**69.2**	2.4	0.1	(3.1)	**68.6**
Governance	**13.6**	0.5	(0.2)	0.0	**13.9**
Finance and Resources	**11.7**	0.5	0.0	0.1	**12.3**
Central Items	**(283.8)**	(6.5)	0.0	(7.1)	**(297.5)**
Total Budget	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Table 15 - Virements by Directorate in 2023/24

3.9.12 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.

3.9.13 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.

3.9.14 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).

3.9.15 The table above includes the following technical adjustments added between August and October 2023:

- Rent for Council owned depot at Unit 2 Marsh Road funded by Resident Services
- Increase to employee costs in Transactional Finance funded by the Pension Fund
- Growth for Children and Young People agreed at Full Council meeting on 23 February 2023
- Centralisation of budgets for document storage
- Transfer of Brent's share of the 2022/23 West London Waste Authority PPP income.

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	75.5	0.8
Early Years Block	24.4	24.4	0.0
Central Block	2.1	2.1	0.0
Total DSG	**220.7**	**221.5**	**0.8**

Table 16 - Forecast Against Funding - Dedicated Schools Grant

Summary

3.10.1 The DSG forecast reflects a deficit of £0.8m, against grant funds of £220.7m for 2023/24, due to pressures from the High Needs (HN) Block, a £0.6m reduction from the reported Quarter 2 forecast of a £1.4m deficit. This reduction is mainly due to a reduction in the forecast expenditure for Brent children in out of borough special schools. The forecast assumes that the other funding blocks will achieve a balanced budget by the end of the financial year.

3.10.2 The cumulative DSG deficit brought forward from 2022/23 is £13.8m. The forecast deficit on the HN block will increase the overall DSG deficit to £14.6m by the end of this financial year and will be held in an earmarked unusable reserve in line with Department for Education (DfE) regulations (the School and Early Years Finance (England) Regulations 2021), to be funded from future years’ funding and/or recovery plans agreed with the DfE.

Forecast

3.10.3 The £0.8m deficit against the HN Block is a reduction from the £1.4m deficit reported in Quarter 2. This is mainly due to a reduction in the forecast spend for top-up funding to out of borough special schools which was initially based on c224 pupils at an average cost of £25.5k, currently numbers have averaged at around 197 pupils, which has resulted in a revision to the forecast.

3.10.4 The pressure remains that there continues to be an increase in the number of children requiring EHCPs and the HN funding has not increased in line with the growth in overall pupil numbers creating financial pressures nationally. At the end of October 2023, there were 3383 EHCPs, which represents a growth of 7% compared to October 2022 (3160).

3.10.5 The forecast position is due to the following pressures:

- £1.1m pressure against the cost of post-16 provision. It is difficult at this point in time to accurately forecast the post-16 costs due to a delay in various settings confirming their charges to the local authority. New pupils also join in the spring term which makes it difficult to predict pupil numbers and therefore the forecast. As such, the forecast pressure of £1.1m is subject to change later in the financial year.

- £0.4m forecast pressure against the costs for independent residential special schools which is based on the number of pupils placed in these schools.
- The above pressure is expected to be mitigated by a (£0.7m) forecast underspend against the out-of-borough special schools due to a reduction in the forecast number of pupils placed in these settings.

3.10.6 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 and 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. As at Quarter 3, there has been cost avoidance delivered of c£1m factored into the forecast. Brent being part of the Delivering Better Value (DBV) in SEND programme continues to work with the DfE to review the current Management Plan and efficiencies identified from the programme may allow funds to be released to address historic deficits.

Risk and Uncertainties

3.10.7 The risk remains, in line with the national trend, that the number of children and young people with Education Health and Care Plans (EHCPs) will continue to grow and funding increases announced by the DfE will not be sufficient to meet the rising demand and inflationary increases requested by providers including other local authorities.

3.10.8 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 and at present no provision is made in the MTFS for such a transfer out of the General Fund. A deficit of this size will completely clear out the Council’s General Fund reserves and put the Council’s financial resilience at significant risk.

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	61.5	0.3
Total	**0.0**	**0.3**	**0.3**

Table 17 - Forecast Against Budget - Housing Revenue Account

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 under pressure to achieve £3m worth of savings as a result of rent limitations imposed in 2023/24, and together with additional budgetary pressures arising during the year, these are resulting in an estimated net pressure of £0.3m on the fund overall.

3.11.3 An increased demand on disrepairs, responsive repairs and void works results in a £0.9m financial pressure on the HRA. Additional costs associated with service charges over planned budget lead to a further £0.4m pressure. This forecast represents a £1.3m increase when compared to the break-even projection at Quarter 2.

3.11.4 Mitigating actions include maintaining vacant positions and exploring the use of alternative funding sources to contribute towards planned maintenance costs. It is anticipated that the HRA will be able to reduce interest charges by £0.4m, which will help to reduce the impact of projected pressures. In addition, a £0.6m reduction in expenditure is anticipated as a result of a review of support services and brining a number of support functions under the HRA management. The HRA has a £0.4m working balance in reserves.

3.11.5 There are a number of other risks and uncertainties that could pose further financial pressures.

Risks and uncertainties

3.11.6 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.

3.11.7 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.

3.11.8 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.

3.11.9 These risks are being continuously monitored and reflected in the HRA Business Plan and the Council's Medium Term Financial Strategy. The HRA reserve is currently lower than the target working balance, however plans are in place to increase this reserve over the medium term to increase the financial resilience and sustainability of the HRA.

Capital Programme

3.12 Capital Summary

3.12.1 The table below sets out the Capital Programme current forecast to the revised budget position for 2023/24. Due to the multi-year nature of projects within the Capital Programme, any variances are reported either as an overspend or underspend which is spending more or less than anticipated on a particular aspect of a project or slippage, or as brought forward which is a change in the timing of the expenditure between financial years.

Directorate	Original Budget	Revised Budget	Current Forecast	FY Variance	
	£m	£m	£m	£m (Underspend) / Overspend	£m (Slippage)/ Brought Forward
Corporate Landlord	10.3	10.8	10.3	(0.4)	(0.1)
Housing GF	82.3	165.9	135.3	0.3	(30.9)
Housing HRA	157.0	73.0	69.9	0.3	(3.4)
PRS I4B	18.5	2.5	5.8	0.0	3.3
Public Realm	25.5	36.9	29.2	(0.2)	(7.5)
Regeneration	74.1	9.8	9.0	0.0	(0.8)
Schools	35.1	12.6	12.4	(0.1)	(0.1)
South Kilburn	27.0	14.8	14.8	0.0	0.0
St Raphael's	31.7	0.8	0.8	0.0	0.0
Total	**461.4**	**327.1**	**287.5**	**(0.1)**	**(39.5)**

Table 18 - Forecast Against Revised Budget - Capital Programme

3.12.2 This quarter's forecast has seen a significant amount of 2023/24 budget slippage into future periods. The narrative in the following paragraphs provides further explanation on the underlying causes for this quarter's change in forecast. This narrative demonstrates a clear distinction between the issues for those schemes currently onsite and those that are working to complete their design prior to the commencement of main works.

3.12.3 Since the last quarter, the GLA has launched a new grant programme for acquisitions. The focus of this new programme is towards the delivery of new Temporary Accommodation with each unit receiving an additional allocation of £85k per unit (£6k per unit additional grant for social housing). This is welcome news, especially with recent increases in the Local Housing Allowance and the continuation of HRA borrowing rates confirmed in the Autumn Statement. This news will bring units for Temporary Accommodation within the reach of the Council that previously were not due to viability.

3.13 Corporate Landlord

3.13.1 Corporate Landlord has a forecast of £10.3m versus a revised budget of £10.8m for 2023/24. This variance is driven mainly by an underspend of £0.4m for Digital Strategy staff costs following a spending review which represents a permanent saving, and slippage of £0.1m for Flexible Working Equipment as a result of lower-than-expected demand, however this will be spent in future years.

Risk and Uncertainties

3.13.2 The programme includes a loan to Central and North West London College to enable the new campus development in Wembley Park. There is a risk the Council may not be the lender to the College following the legal implications of Colleges being included within the Public Sector. Discussions are ongoing with the DfE to confirm this.

3.14 Housing General Fund

3.14.1 This quarter sees significant movement in the 2023/24 forecast across Housing General Fund. At Q3, the Housing General Fund is forecast to spend £30.6m below the current year budget. This position is due to slippage, i.e. expenditure originally targeted this financial year now moved to future periods. This quarter is reporting significant slippage at: Church End, £8.0m, Clock Cottages, £1.7m, Edgware Road, £6.8m and Fulton Road, £14.1m. The underlying theme for this level of slippage is the viability challenges due to changing regulatory requirements (additional staircases and fire safety measures) and a generally worsening economic environment.

3.15 Housing HRA

3.15.1 The HRA Capital Board is forecasting to spend £3.1m below the current year budget. This position is primally driven by slippage totaling £5.7m, offset against accelerated spend (i.e. spend ahead of profile) totaling £2.6m. Most of the accelerated spend is attributable to Neville and Winterleys, £1.3m; this is because actual spend is ahead of a cautious profile set at budget setting. The significant slippage relates to Grand Union Phase 2, £1.7m and Major Repairs, £4.0m. The main cause for this slippage is delay in either progressing or commencing main works.

Risk and Uncertainties – Housing

3.15.2 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 the recent update to the fire safety regulations and the need for schemes to be redesigned. 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 noted in 3.8.4. One of the options to mitigate the pressure is to increase the supply of temporary accommodation through a new acquisition programme.

3.16 PRS I4B and First Wave Housing

3.16.1 At the start of 2023/24, i4B had circa £18m remaining of its drawn down loan facility for private rented sector property acquisitions. The company had paused acquisitions at the start of the financial year, and had a forecast spend of £2.5m based on completion of the existing pipeline. During the year, the company has resumed purchasing and built up its acquisition pipeline. i4B has purchased 10 properties in the year for a total of £3.6m, and is forecasting two further purchases bringing the annual budget to £4.2m. In addition, i4B has 15 properties in conveyancing and a further pipeline of over 20 properties, meaning the company expects to use the majority of its remaining funding within 2024/25.

Risk and Uncertainties

3.16.2 i4B and First Wave Housing are engaging with the Council on the future acquisition strategy and availability of loan funding for the companies. This includes exploring the increased offer of grant from the GLA for Temporary Accommodation alongside the increase in LHA rates for new properties, both of which would improve the viability of future purchases.

3.17 St Raphael’s

3.17.1 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 the 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

3.17.2 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.

3.18 Public Realm

3.18.1 The Public Realm is forecasting a variance for the overall programme of £7.7m, the majority of this is being slipped into future years (£7.5m). There are circa 135 Public Realm live Capital projects. Some of the bigger re-profiling includes Highways, where there is a £2.6m budget slippage. The key projects in Highways are Wembley High Street and Church End, which have experienced delays due to ongoing contractor disputes with FM Conway (£1.5m), the hostile vehicle mitigation has slipped by (£0.4m) as the works are reactive, and Highway Structures (£0.4m) where a new consultant is being appointed to take the programme forward. The parks programme is forecasting slippage of £1.6m which has been pushed out partly due to the pitch improvement project (£0.4m). Delivery is dependent on Thames Water's agreement to increase the drainage system and discussions are ongoing. Healthy Streets has had some scheme delays resulting in a £1.1m slippage, including (£0.5m) slippage on North End Road. Landscaping is forecasting a slippage of £0.7m, primarily due to procurement challenges. The new waste bin trial has been scheduled for 2024/25 resulting in £1.5m being reprofiled into FY24/25.

Risk and Uncertainties

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

3.19 Regeneration

3.19.1 The Bridge Park Regeneration project is still in the early stages of developing options for delivery and is forecasting £0.8m of slippage.

Risk and Uncertainties

3.19.2 Site investigations are ongoing at Wembley Housing Zones project with Wates, with focus on design changes on both sites to meet the new fire safety regulations. The current forecast for this project is centered on implementing the Cecil Avenue planning permission in advance of the February 2024 expiry date. Any deviation from this will significantly change the timescales for delivery of the scheme. The Morland Gardens project has now been aborted and an alternative site strategy is due to be developed.

3.20 Schools

3.20.1 A number of Schools projects have had budgets re-profiled into future years following updates to project plans driven by a delay in procurement on SEND projects and delays in confirmation on claims from schools for capital improvement funding. For the Childrens Care Home project, a site for acquisition is being investigated (currently in conveyancing) which may result in a further update to the spend profile whilst acquisition of a further property is explored.

Risk and Uncertainties

3.20.2 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.

3.21 South Kilburn

3.21.1 South Kilburn will deliver over 2,400 homes, of which 50% will be affordable. The programme is around halfway through, with 10 sites delivered or on site and 7 sites remaining to be developed. The forecast for the financial year includes project costs on live projects and acquisition costs for obtaining vacant possession. The District Energy Network (DEN) has experienced a delay in delivery and the option of a temporary energy resource is being investigated.

Risk and Uncertainties

3.22.2 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.

3.23 Treasury Management Prudential Indicators

3.23.1 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.

4.0 Stakeholder and ward member consultation and engagement

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

5.0 Financial Considerations

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

6.0 Legal Considerations

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

7.0 Equality, Diversity & Inclusion (EDI) Considerations

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

8.0 Climate Change and Environmental Considerations

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

9.0 Human Resources/Property Considerations (if appropriate)

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

10.0 Communication Considerations

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

Report sign off:

Minesh Patel
Corporate Director of Finance and Resources