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|  | Cabinet 15 July 2024 |
| | Report from the Corporate Director of Finance and Resources |
| | Lead Member - Deputy Leader, Cabinet Member for Finance & Resources (Councillor Mili Patel) |
| Quarter 1 Financial Forecast 2024- 25 | |

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|--|--|
| 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 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 1 2024/25.
- 1.2 The Council's revised General Fund revenue budget for 2024/25 is £387m. There is a forecast overspend of £10m against revenue budget at quarter one. If sustained until the year end, this would require a transfer from unallocated reserves. Equally, any overspend not dealt with in 2024/25 could potentially carry over into following year, therefore increasing the requirement for further savings whilst at the same time depleting Council's reserves. The Council is taking a number of mitigating actions, including continuing to implement spending controls, in order to contain identified pressures. The current budget also reflects £8.0m of savings that are set out in Appendix A.

1.3 There are also potential budget pressures being reported within the Housing Revenue Account as a result of considerable savings being required following rent limitations imposed by central government in previous years and increased demand and costs associated with repairs. Further details are set out in section 6. While the Dedicated Schools Grant is reporting a breakeven position, there remains a legacy deficit of £15.1m that requires urgent attention. Further details are set out in section 5. There is significant risk within the delivery of the Capital Programme due to the complex nature of the projects within it which may result in slippage. Further details can be found in section 7.

1.4 The tables below show the forecast position against budget for the General Fund, Dedicated Schools Grant and Housing Revenue Account.

| | Budget | Forecast | Overspend / (Underspend) |
|--|----------------|-----------------|-------------------------------------|
| | £m | £m | £m |
| Community, Health and Wellbeing | 146.8 | 146.8 | 0.0 |
| Children and Young People | 85.7 | 85.7 | 0.0 |
| Neighbourhoods and Regeneration | 28.4 | 28.4 | 0.0 |
| Law and Governance | 12.6 | 12.6 | 0.0 |
| Finance and Resources | 17.5 | 17.5 | 0.0 |
| Partnerships, Housing and Resident Services | 40.7 | 50.7 | 10.0 |
| Subtotal Service Area Budgets | 331.7 | 341.7 | 10.0 |
| Central Budgets | 55.3 | 55.3 | 0.0 |
| Total Budget Requirement | 387.0 | 397.0 | 10.0 |
| Funding | (387.0) | (387.0) | 0.0 |
| Grand Total General Fund Budgets | 0.0 | 10.0 | 10.0 |
| DSG Funded Activity | 0.0 | 0.0 | 0.0 |
| Housing Revenue Account (HRA) | 0.0 | 0.0 | 0.0 |
| Net Total | 0.0 | 10.0 | 10.0 |

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

| DSG gross income and expenditure | | | |
|---|---------------|-----------------|-------------------------------------|
| | Budget | Forecast | Overspend / (Underspend) |
| | £m | £m | £m |
| DSG | | | |
| Income | (236.5) | (236.5) | 0.0 |
| Expenditure | 236.5 | 236.5 | 0.0 |
| Total | 0.0 | 0.0 | 0.0 |

| HRA gross income and expenditure | | | |
|---|---------------|-----------------|------------------------------------|
| | Budget | Forecast | Overspend/ (Underspend) |
| | £m | £m | £m |
| HRA | | | |
| Income | (65.9) | (65.9) | 0.0 |
| Expenditure | 65.9 | 65.9 | 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 2024/25.

| Directorate | Original Budget | Revised Budget | Current Forecast | FY Variance | |
|--------------------|------------------------|-----------------------|-------------------------|--------------------------|--------------------------|
| | | | | £m (Under) / Over | £m Slippage / B/F |
| | £m | £m | £m | | |
| Corporate Landlord | 14.2 | 14.3 | 14.3 | 0.0 | 0.0 |
| Housing GF | 59.8 | 61.8 | 61.8 | 0.0 | 0.0 |
| Housing HRA | 57.3 | 53.7 | 53.7 | 0.0 | 0.0 |
| PRS I4B | 46.3 | 46.2 | 46.2 | 0.0 | 0.0 |
| Public Realm | 23.8 | 25.4 | 25.4 | 0.0 | 0.0 |
| Regeneration | 64.7 | 62.2 | 62.2 | 0.0 | 0.0 |
| Schools | 24.7 | 25.4 | 25.4 | 0.0 | 0.0 |
| South Kilburn | 27.2 | 33.4 | 33.4 | 0.0 | 0.0 |
| St Raphael's | 0.3 | 0.5 | 0.5 | 0.0 | 0.0 |
| Total | 318.3 | 322.8 | 322.8 | 0.0 | 0.0 |

Current Economic Environment

- 1.6 The current economic environment is volatile and uncertain with high interest rates designed to curb high inflation, in part caused by the conflicts in Ukraine and the Middle East, which particularly impact energy costs, and exacerbate the cost-of-living crisis. Consumer Price Index (CPI) inflation has reduced to 2.0% in May 2024, which is 6.7% lower compared to same time last year at 8.7%. In its March 2024 economic and fiscal Outlook report, the Office for Budget Responsibility forecast that inflation will average at 2.2% this year and 1.5% in 2025 before gradually returning to Bank of England target levels of 2% in 2028.
- 1.7 The Bank of England maintained interest rates at 5.25% in May. This comes after 14 consecutive increases between December 2021 and August 2023. Future policy decisions are dependent upon UK economic data with the Bank monitoring both inflation and employment.

General Election

- 1.8 At the time of publication of this report, a General Election is ongoing, so there is also political uncertainty, which will affect the future direction of funding for local government.
- 1.9 At the Spring Budget in March 2024, the outgoing Government set out planned departmental resource spending, which according to analysis by the independent Institute for Fiscal Studies implies that there will be cuts to unprotected departments, including local government from 2025/26.
- 1.10 Many of the manifestos have included commitments which are not dissimilar to these fiscal rules and no announcements have been made of major direct significance to local government finance. It is therefore a reasonable expectation that, regardless of the outcome of the General Election, public finances will continue along the same path seen before the General Election. The current economic environment and the political uncertainty create a challenging environment for the Council to plan its future resourcing requirements.

Maintaining Financial Control

- 1.11 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, in 2023/24 the Council overspent its revenue budget by £13.5m and is forecast to overspend again in 2024/25.

- 1.12 Despite the considerable efforts to maintain financial control, 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 the cost-of-living crisis which also affects important income streams of the Council.
- 1.13 The main cause of the forecast overspend is within the Housing Needs and Support 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 £10m. Section 5.6 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 proactively changing the financial position.
- 1.14 The introduction of spending controls and the Budget Assurance Panel in 2023 helped to facilitate better grip of the Council's financial position and stabilise the in-year overspend. This introduced a range of measures including proactive vacancy management, directorate led targeted non-essential spending controls including agency and interim spend, alongside department led management action plans reflecting other actions being undertaken. In 2023/24 these measures are estimated to have saved c£4m. These sensible, proactive and prudent measures are providing more assurance over the Council's spending decisions and given the current forecasted overspend will continue into 2024/25.

2.0 Recommendation(s)

- 2.1 That Cabinet note the new grant funding received in year, the overall financial position and the actions being taken to manage the issues arising.
- 2.2 That Cabinet note the savings delivery tracker in Appendix A.
- 2.3 That Cabinet note the prudential indicators for treasury management in Appendix B.

3.0 Cabinet Member Foreword

- 3.1 This report sets out the Quarter 1 forecast for 2024/25. This report should be considered alongside the accompanying Financial Outturn 2023/24 and Medium Term Financial Outlook reports respectively. Taken together these

three papers give the most comprehensive picture of where we were financially, where we are today and where we might be heading.

- 3.2 These reports are the aggregate of thousands of hours of officer time, with careful input from service areas across the council; and are part of our longstanding commitment for transparency around our budget: joining our externally audited accounts, the budget scrutiny process, public consultation, and the ongoing work of the Members of the Audit & Standards Committee.
- 3.3 While our financial monitoring is robust and an area of pride to this council, the picture that these reports paint is much more sobering. If central government is the body entrusted to preserve the health and condition of the nation, it is local government that is left to deliver it. Since 2010, Brent Council has made at least £210m of cuts and the impact continues to be felt by everyone that lives and works in this borough. In the same period, our core funding from central government has decreased by 78%.
- 3.4 We have made it clear at each Council Tax setting budget meeting, this has meant that the funding burden for Brent Council has been derived principally from Council Tax, Business Rates and Fees and Charges. In other words – local Brent residents.
- 3.5 In this period, the number of council employees has also reduced by at least 50%, shifting more work onto fewer people. As a council, we have innovated, we have identified efficiencies and we've continued to generate more income than ever before. These measures alone are not enough in the long-term though, but for now they are enough to keep this council on borrowed time.
- 3.6 In this financial year (25/26) officers and members will be asked to identify a staggering £16m in cuts if this council is to continue standing still as we are today. There is no doubt, these cuts will be challenging for residents and for officers and members alike.
- 3.7 It is therefore unconscionable to consider that things could still get worse. If things remain the same, the best estimate for 27/28 is that we will need to find in the region of £30m in savings.
- 3.8 Without intervention, we will enter freefall, heading towards the ground, with no easy way to pull back. Plainly, this will mean the functions that this council will be able to perform will be changed irreversibly, allowing for only the most vital services to remain.
- 3.9 Sadly, we are not alone in this position. There were more section 114 notices in 2023 than in the 30 years before 2018, with a survey from the Local Government Association showing that almost one in five councils “think it is very or fairly likely they will need to issue a section 114 notice this year or next due to a lack of funding.
- 3.10 Local authorities like Brent have become the government's emergency provider of last resort, delivering more services than ever, patching over

political paralysis; from adult social care reform to the housing crisis; it is local government left picking up the price.

- 3.11 Residents are rightly angry – as the compact between council and citizen creaks more with every year. Residents rightly expect that by paying into the system that they should see a positive dividend. It is far harder to explain to residents that they are paying not just for their bins; but for looked after children, for whom the council is morally and legally obliged to support.
- 3.12 Under the Homelessness Reduction Act, we are also compelled to support those at threat of losing their home. The common thread between the MTFs, our Q1 report and the Financial Outturn is the enormous pressure our Housing teams are under.
- 3.13 Over 150 families per week are presenting at the Civic Centre as homeless, and this report sets out a further £10m overspend on Temporary Accommodation. The housing crisis did not begin in the council – and until there is fundamental change; things will only get worse before they get better.
- 3.14 We have many housing schemes that remain shovel ready, but without an increase in subsidy, the borrowing required means the numbers simply don't stack up, even over the multiplier of decades. In the meantime, i4B and our New Council Homes Programme remain our only shot, but with over 30k households registered on the housing wait list, it will take a generation to put right.
- 3.15 We also continue to be subjected to macro-economic factors outside of our control. The challenges facing any incoming government will be stark – from a public sector in managed decline; to the ongoing conflicts in the Middle East and Ukraine, and the climate crisis which will continue to alter our way of life forever.
- 3.16 Compared to our European counterparts, councils in the UK have significantly fewer powers over local spending and taxation. It can perhaps be of little surprise that over the past 15 years the average British household has become £8,800 poorer than its equivalent in five comparable countries, according to research prepared by the Resolution Foundation. Sluggish growth and a “toxic combination” of poor productivity and a failure to narrow the divide between rich and poor has resulted in a widening prosperity gap with France, Germany, Australia, Canada and the Netherlands, leaving us struggling to compete internationally.
- 3.17 Without a wholesale reset, our hands remain tied, and the status-quo will prevail. We should never forget, Council Tax is based on values that are now more than thirty years out of date, and the rate structure is so heavily regressive that Buckingham Palace pays less council tax than a 3-bed semi-detached home in Blackpool. That is the reality we exist within in.
- 3.18 At time of dispatch, we will not know who will form the next government. If we are to avoid more reports like the following, something has to give. Given

the opportunity, Brent Council stands ready to rebuild and renew our public services. Until then, we will use our voice wherever we can to fight for the reform's we desperately need. For now, officers and members will continue working hand in hand to protect our residents – breathing life into the services we offer and the change we can make today.

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

4.0 Revenue Detail

4.1 Community, Health and Wellbeing

| Community, Health and Wellbeing | Budget (£m) | Forecast (£m) | Overspend / (Underspend) (£m) |
|---|--------------------|----------------------|--------------------------------------|
| Adult Social Care | 76.9 | 76.9 | 0.0 |
| Strategic Commissioning & Capacity Building | 44.1 | 44.1 | 0.0 |
| Public Health | 24.2 | 24.2 | 0.0 |
| Leisure | 1.5 | 1.5 | 0.0 |
| Integrated Health Partnerships | 0.1 | 0.1 | 0.0 |
| Total | 146.8 | 146.8 | 0.0 |

Summary

4.1.1 The Community, Health and Wellbeing (CHW) budget for 2024/25 includes previously agreed savings of £0.8m offset by additional growth of £9m. Following the realignment of some functions within the council, there have been some changes to the services included within this Directorate. The leisure service has transferred into the Directorate to focus on creating healthy and active communities and a new Strategic Commissioning and Capacity Building division has been created which includes the Procurement service.

4.1.2 The Adults Social Care and Strategic Commissioning budgets are supported by the Adults Social Care precept and grants such as the Social Care grant, Market Sustainability, and Improvement Fund (MSIF), the Improved Better Care Fund (iBCF) and the Discharge Fund. The budgets have been set accordingly, based on assumptions around future demographic and inflationary trends.

4.1.3 The Directorate at this early stage is currently reporting a breakeven position however, there are several risks detailed in the section below, which may impact on the forecast position going forward.

Risks and uncertainties

- 4.1.4 There remains a number of risks and uncertainties which could impact on the budgets within the CHW department. These include the following:

Adult Social Care and Strategic Commissioning and Capacity Building

- 4.1.5 Demographic changes could put pressure on existing systems and budgets if the trend of rising number of clients using social care services in Brent continues. For example, in 2023/24, increases in the number of clients included a 16% increase in Supported Living clients, an 11% increase in Homecare clients, Nursing clients increased by 6% while Direct payments and Extra Care client numbers increased by 4%. For 2024/25 Q1 is showing an increase of 3% for Supported Living, 4% for Homecare and 2% increase against Direct payment clients. In addition to demand pressures, the average unit costs have also increased due to inflationary pressures and the fact that there are more complex cases and the need for specialised treatments and support, the unit cost increases ranged from 4% to 9%. There is the risk that this combination of increased demographic and inflationary pressures could add additional pressures to the existing budget.
- 4.1.6 Regarding complex cases, it remains a challenge that an increasing number of clients are presenting with more complex health and social care needs, requiring additional resources and more specialised staff. There is a risk of additional costs due to difficulties in managing complex cases and the need for detailed assessments and personalised care plans, such as one-to-one support in a residential / nursing placement which costs £1,277/ £1,200 per week respectively.
- 4.1.7 Nationally, the adult social care sector has consistently faced challenges with recruitment and retention, with high staff turnover and vacancy rates. Also, the shortage of qualified staff can have detrimental effects on the care provided to adult service users and added stress on existing staff. The national shortage of care workers has changed the workforce model across social care leading to a reliance on agency staff that are more costly compared to permanent staff. Management continues to focus on agency to permanent conversions as part of its workforce planning strategy and to maintain stability for the clients.
- 4.1.8 Supporting the Care Market could place pressures on the budget as there are risks related to the sustainability of private care providers and the need to ensure the care market has sufficient capacity to meet demand. There is also the need to support care providers through fair contracts and financial assistance to ensure continuity of services and care quality.
- 4.1.9 To manage demand, the service continues to focus on prevention through continuing work with the Partnerships, Housing and Resident Services directorate, providing advice and ensuring that only those who are eligible access council funded services, including ensuring appropriate referrals to the NHS for Continuing Health Care and appropriate reviews of aftercare provision under Section 117 of the Mental Health Act 1983. The valuable role of carers is also recognised and the Directorate is working hard to ensure that

carers are well supported. Brent's commitment to carers is outlined in the new co-produced carers strategy and the services focus on strength-based practice to promote independence and aid people to remain supported within their community.

Public Health

- 4.1.10 Public Health contracts have been affected by the rising levels of inflation. Most public health services are commissioned from the NHS where national Agenda for Change (AfC) pay awards have significantly outstripped uplifts in the Public Health grant. While the Department of Health and Social Care (DHSC) has allocated an additional AfC supplement of £0.3m to help fund these pressures, there remains a shortfall against the actual costs which will be incurred.
- 4.1.11 Public health spend activity against the additional grants, Supplementary Substance Misuse Treatment and Recovery Grant, Rough Sleepers Drug and Alcohol Treatment Grant, Stop Smoking Grant and the Family Hubs and Start for Life Grants, are all on track and in line with the outcomes that have been set out within the respective guidelines. Funding for these grants, except for the Stop Smoking grant, are due to end in 2024/25.
- 4.1.12 Sexual Health services are under increasing pressure to deliver due to the increasing Sexually Transmitted infection (STI) rates including emerging infections and increased clinical complexity including antimicrobial resistance. The service is working closely with treatment and testing providers to get activity and spend data to ensure any slippages against the contracts are identified.

Leisure

- 4.1.13 The Leisure service is dependent on income generation and reduced income could create financial challenges if service demand is lower than expected. There is a smoothing reserve of £1m, in leisure, which is used to manage the uneven cash flows across the years. It is expected that this will be fully utilised in 2024/25. There is a further risk against the council's reserves if costs continue to increase, as the reserve will not be sufficient to mitigate any additional costs. The council will need to find a more sustainable solution to manage the income volatility and fund the increasing costs of running the service going forward.
- 4.1.14 The indexed unitary charges and increased utility costs at Willesden Sport Centre are putting significant pressure on the budget. Additionally, the significant maintenance required at Bridge Park Community Leisure Centre is impacting its ability to generate income to budgeted levels. Other facilities also have loss of income coupled with rising costs of cleaning, security, repairs and maintenance. The council is working with the leisure providers to ensure the continuity of an affordable service which should also not be reliant on a temporary reserve.

4.1.15 Energy market volatility is being monitored closely against budgetary assumptions, it remains a high-risk area for the service, which potentially could impact on future growth requirements in the MTFS.

Savings and Slippages

4.1.16 The department has a savings target of £0.8m to deliver in 2024/25. These savings are on track, however, there is a risk that savings target CHW01 – technology enabled care (£0.1m) may slip as work has just commenced in determining an approach to deliver the savings.

Summary of Key Assumptions

4.1.17 The table below summaries the main assumptions made in the CHW forecast.

| Key Assumption | Downside if worse | Upside if better | Mitigations |
|--|--|--|--|
| Adult Social Care providers' costs will increase to the anticipated level in line with inflationary assumptions. | A 1% increase over and above budgeted levels on the cost of care packages could result in a £1m pressure | A 1% decrease on the cost of care packages could result in a £1m 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. |
| Leisure - Utility costs to stay within the expected forecast | Additional pressure on the leisure reserves | Reduced pressure on the reserves | Service is monitoring activity and pricing to ensure are updated and reflected in a timely and accurate way. |

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

| CYP Department | Budget (£m) | Forecast (£m) | Overspend / (Underspend) (£m) |
|--|-------------|---------------|-------------------------------|
| Central Management | 1.2 | 1.2 | 0.0 |
| Early Help | 5.5 | 5.5 | 0.0 |
| Inclusion | 3.4 | 3.4 | 0.0 |
| Localities | 24.2 | 24.2 | 0.0 |
| Looked After Children and Permanency | 7.5 | 7.5 | 0.0 |
| Forward Planning, Performance & Partnerships | 41.7 | 41.7 | 0.0 |
| Safeguarding and Quality Assurance | 2.2 | 2.2 | 0.0 |
| Setting and School Effectiveness | 0.0 | 0.0 | 0.0 |
| Total | 85.7 | 85.7 | 0.0 |

Summary

- 4.2.1 At this early stage of the financial year the Children & Young People's Directorate is currently forecasting a breakeven position. The budget includes savings of £3.1m and a growth allocation of £3.6m across the Directorate. However, there are a number of risks and uncertainties discussed below which may impact on this position going forward.
- 4.2.2 The budget for SEN Transport transferred to CYP at the beginning of the financial year. The budget also covers transport services for adults with social care needs. Pressures are expected mainly from the Taxi service to transport children and young people with SEN who cannot be transported by more cost-effective modes of transport. A new Travel Assistance Policy for CYP aged 0-25 in Education was approved by Cabinet in June 2024 and will begin to be implemented this financial year. However, the financial impact of the new policy is unlikely to be seen until 2025/26 onwards.

Risks and Uncertainties

- 4.2.3 The main risks and uncertainties impacting on the CYP department stem from inflationary pressures resulting in increased costs from private providers of fostering, semi-independent and residential accommodation for looked after children.
- 4.2.4 The SEN transport service is a demand-led budget and increases in the number of children needing Education and Health Care Plans (EHCPs) could put additional pressures on this budget. Furthermore, there could be inflationary and market pressures which could impact on taxis, fuel and other

running costs and thereby exacerbating the pressure to achieve the expected savings for this financial year.

- 4.2.5 Recruitment and retention of skilled and experienced social work staff continues to be a risk in Localities and Looked After Children, and Permanency (LAC&P) services with agency staff occupying up to 50% of the workforce in some teams.
- 4.2.6 The volatility surrounding the placements budget for looked after children (LAC) is a key challenge. If demand for residential placements increases, this will increase the financial pressure as an individual high cost residential or secure placement can cost over £0.5m per annum.
- 4.2.7 Ofsted has introduced regulation of the 16/17 year old placement market. This new approach, alongside a testing inspection framework for children's residential homes may cause a risk of a reduction in the number of homes, causing higher demand and higher costs for local authorities competing for the same places. In response, Brent has been successful in a DfE bid to build and run a children's home, which will help manage costs and improve placement sufficiency. The home is expected to be operational towards the end of 2024/25.
- 4.2.8 The Children with Disabilities budget within the Localities service funds the social care cost element for many children with an EHCP. There remains a risk that further increases in EHCPs will put additional pressure on the care packages budgets in this area and impact on staffing costs.
- 4.2.9 A lack of full, agreed cost sharing for children's care packages at an Integrated Care Board level for CYP Placements and Children with Disabilities remain a high risk for the department, particularly in events where placement charges are disputed.
- 4.2.10 The forecast position is also dependent on estimated income from the Home Office for Unaccompanied Asylum Seeking Children (UASC) and Care leavers (£2.8M) and health contributions from the ICB (£1.66m). Any major fluctuations against these income streams could impact on the outturn position.
- 4.2.11 Mitigating factors include the development of the new in-house children's home which is expected to open later in this financial year and reduce the need to use costly independent providers. Brent is part of a pan-London vehicle to ensure greater sufficiency of secure welfare residential placements which will be operational in 2025.
- 4.2.12 The Placements Commissioning Strategic Group has focused on two workstreams aimed at reducing financial pressures: "Growing the In-house Fostering Service" (To increase the number of in-house Brent Foster Carers to reduce the reliance on higher cost IFAs) and "Promoting Care Leavers Independence" (A review of Brent's support for care leavers to promote independence to achieve financial savings). A key risk is the pipeline of care

leavers waiting for a permanent secured tenancy, in line with the Council's agreed offer to care leavers.

Savings and Slippages

- 4.2.13 The department has a £3.1m savings target to deliver in 2024/25. This includes £1.2m savings against the SEND Transport budget which was brought forward from 2023/24 and transferred to the CYP department in April 2024.
- 4.2.14 There are also savings from reductions in care packages of £0.86m, staffing efficiencies of £0.51m, £0.376m arising from contract and other miscellaneous items and £0.2m from "service transformation/digital" savings. The digital savings remain a risk as not all of the £0.2m has yet been identified. Implementation of changes will involve support as part of the Council's wider Digital Programme. The rest of the savings are on track to be delivered and any risk of slippage will be managed by the department.

Summary of Key Assumptions

- 4.2.15 The table below summaries the main assumptions made in the CYP forecast.

| Key Assumption | Downside if worse | Upside if better | Mitigations |
|--|--|---|--|
| LAC and Care Leaver placements forecast assumes numbers of 814 FTEs 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£0.5m (and £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£0.2m 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 2023/24 levels. | 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 at a similar level than 2023/24. | If increases of 15% during the year, there could be up to £0.4m 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 and incentives. New/more targeted recruitment campaign |
| Assume numbers of SEN clients requiring transport do not increase significantly | An increase in the numbers would place pressure on the budget | Reduction of the expected overspend | Transformation programme is reviewing options to achieve savings and avoid costs |

4.3 Neighbourhoods and Regeneration

| Neighbourhoods and Regeneration | Budget (£m) | Forecast (£m) | Overspend / (Underspend) (£m) |
|--|-------------|---------------|-------------------------------|
| Public Realm | 25.7 | 25.7 | 0.0 |
| Strategic Housing | 1.5 | 1.5 | 0.0 |
| Inclusive Regeneration & Employment | 1.2 | 1.2 | 0.0 |
| Total | 28.4 | 28.4 | 0.0 |

Summary

- 4.3.1 Neighbourhoods and Regeneration Directorate are currently forecasting a break-even position at Q1. However, there are some pressures that will need to be managed to maintain this position.

Risks and uncertainties

- 4.3.2 Within Inclusive Regeneration & Employment, pressures reported on income generated by Building Control and Planning in 2023/24 remain.
- 4.3.3 Increased interest rates and material costs have seen cancellation or scaling back of some major developments, which has affected the ability of Building Control to generate the fee income that it has collected historically. The Health and Safety Executive (HSE) high-rise building regulations were introduced in October 2023, which meant a switch to a cost recovery basis for charging. In addition, almost all major project work is assigned to Local Authorities by the BSR (Building Safety Regulator) which has taken away the department's ability to bid for further work. The department is working to mitigate the effect of these factors in the new financial year.
- 4.3.4 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. This was managed in 2023/24 due to an implementation of fee increases in December 2023, which is currently estimated to be sufficient to prevent any pressures in 2024/25.
- 4.3.5 For Public Realm the new contractual arrangements for a number of key services such as parking and waste management, commenced in 2023/24. These continue to be closely monitored as the contracts are still within their first 12 months of operation.
- 4.3.6 Within the new waste contract there is close monitoring of recycling tonnage and market prices to ensure they align with the predicted figures for the contract. It was anticipated the new service would face some pressure in the first few years, and as such an earmarked reserve was created to smooth any financial impacts between years.

Savings and Slippages

- 4.3.7 Savings for 2024/25 were set under the Council's previous structure. Following the senior leadership realignment, savings have been realigned and £1.2m of savings are attributable to the new Neighbourhoods and Regeneration department.
- 4.3.8 At Quarter 1 there are no reported issues and all savings are expected to be delivered in-year.
- 4.3.9 The table below summaries the main assumptions made in the N&R forecast.

Summary of Key Assumptions

| Key Assumption | Downside if worse | Upside if better | Mitigations |
|--|---|---|--|
| Building Control is able to mitigate pressure on its income generation. | In 23/24 the department reported a £600k overspend, without mitigation the same could occur | The department is able to generate more income providing additional revenue to the Council | Cases are starting to arrive from the new process through the BSR. These are being closely monitored to ensure accurate forecasting, whilst reviewing other mitigations. |
| The new waste contract is still embedding and recycling performance will improve | The full reserve could be utilised and pressures spread into future years. | The reserve balance is not fully used and is available to repurpose and utilise for other pressures | The monthly data around tonnage, rejections and market prices for recycling are closely monitored. With ongoing work to improve recycling performance. |

4.4 Law and Governance

| Law and Governance | Budget (£m) | Forecast (£m) | Overspend / (Underspend) (£m) |
|--|-------------|---------------|-------------------------------|
| Legal Services | 5.0 | 5.0 | 0.0 |
| HR & Organisational Development | 3.5 | 3.5 | 0.0 |
| Democratic Services | 4.1 | 4.1 | 0.0 |
| Total | 12.6 | 12.6 | 0.0 |

Summary

4.4.1 The Law & Governance Directorate are forecasting to break-even in 2024/25.

Risks and uncertainties

4.4.2 Although the department are forecasting to break-even there are some pressures which present a risk to this forecast within Legal Services.

4.4.3 Legal services are currently using temporary staff to cover critical positions in the department which are vacant. There is a risk to the staffing budget if the department is unable to permanently recruit to these posts and the structure of the service will need to be reviewed to ensure the capacity matches the available budget.

4.4.4 Additionally, the department is experiencing budget pressures due to the rising hourly rate of Barrister fees. Further work is being undertaken to look at mitigations for this.

Savings and Slippages

4.4.5 Under the new Council structure £0.3m of 2024/25 savings are attributable to Law & Governance. At Quarter 1 there are no reported issues and all savings are expected to be delivered in-year.

4.5 Finance and Resources

| Finance and Resources | Budget (£m) | Forecast (£m) | Overspend / (Underspend) (£m) |
|--|--------------------|----------------------|--------------------------------------|
| Finance | 4.7 | 4.7 | 0.0 |
| Organisational Assurance & Resilience | 4.2 | 4.2 | 0.0 |
| Shared Technology Services | 0.0 | 0.0 | 0.0 |
| Property & Assets | 8.6 | 8.6 | 0.0 |
| Total | 17.5 | 17.5 | 0.0 |

Summary

4.5.1 The Finance and Resources Directorate are currently forecasting to spend to budget for 2024/25.

4.5.2 Shared Technology Services has a net zero budget as it recharges all its costs to the member councils, including the Brent client service within Partnerships, Housing and Resident Services.

Risks and Uncertainties

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

4.5.4 Based on the current forecasts of energy prices from our energy supplier, which is based on the contracts they have already bought for future energy supply, Property & Assets are expecting energy costs to the council to fall in

October. Finance and Resources delivering a break-even outturn is dependent on energy costs decreasing as expected.

Savings and Slippage

4.5.5 A total of £1.08m in savings is planned through staff reductions, digital transformation, leasing additional floors of the Civic Centre, streamlining Facilities Management services, maximising income potential from Council assets, and other departmental efficiencies.

4.6 Partnerships, Housing and Resident Services

| Partnerships, Housing and Resident Services | Budget (£m) | Forecast (£m) | Overspend / (Underspend) (£m) |
|--|--------------------|----------------------|--------------------------------------|
| Communications Insight and Innovation | 15.2 | 15.2 | 0.0 |
| Communities & Partnerships | 4.7 | 4.7 | 0.0 |
| Housing Needs & Support | 11.8 | 11.8 | 10.0 |
| Private Housing Services | 0.4 | 0.4 | 0.0 |
| Residents Services | 15.1 | 15.1 | 0.0 |
| Housing & Resident Services Corporate Director | 3.5 | 3.5 | 0.0 |
| Total | 40.7 | 50.7 | 10.0 |

Summary

4.6.1 The Partnerships, Housing and Resident Services Directorate is forecasting a possible budgetary pressure for 2024/25, which could amount to £10m and is directly attributable to the high level of pressures in the Housing Needs and Support department. All other service areas are forecast to achieve a break-even position.

4.6.2 The department continues to take a number of actions to support Brent residents and businesses and mitigate the impact of the cost-of-living crisis.

4.6.3 A Household Support Fund (HSF) grant has been announced by the Government to be extended for a further six months, to the end of September 2024, to support residents through the cost-of-living. For Brent this is an additional £2.8m. This is anticipated to be utilised in full to support households receiving free school meals for May half-term and six weeks summer holidays, Care Leavers, Disabled households on Housing Benefits, Credit Union and external partners. £1.2m has been allocated for reactive support where residents who are in hardship can apply for help and support.

- 4.6.4 In addition, a new model of support for Brent residents has been developed through the piloting of Cost-of-Living Outcome Based Review (OBR) projects and guided by a series of design principles. The approach proposes a single, joined-up model including development of a Community Wellbeing Programme aligned with a refreshed Resident Support Fund (RSF), designed to support residents to be more resilient in the longer term and align more closely with strategic priorities and related projects. The RSF supports the Council's approach towards addressing key community needs through strategic funding and partnerships, ensuring impactful and sustainable support for residents. £1m of recurring funding has been allocated in the Medium Term Financial Strategy to support this new model. The Council's original RSF, a discretionary support fund, has been in place since August 2020 to provide more support to residents and businesses with the cost of living.
- 4.6.5 The Collection Fund has foregone £33m of Council Tax revenue in 2024/25 to fund the Council Tax Reduction Scheme (CTRS), supporting around 25,600 households in the borough.
- 4.6.6 The 2024/25 budget has been set considering assumptions around future demographic changes, the impacts of the cost-of-living crisis and inflationary trends. It is based on these assumptions and current trends that the Partnerships, Housing and Resident Services department is forecasting a break-even position for areas other than Housing for 2024/25. However, there are risks and uncertainties that could impact the year's final financial outturn position.

Risks and uncertainties

- 4.6.7 Housing Needs and Support continues to be the most significant area of risk for the department. An extremely elevated level of demand for housing services and emergency accommodation is a national issue that is particularly acute in London. The Housing Needs Service in Brent has seen a 12% increase in the number of homelessness presentations received in 2023/24 (7,300) compared to 2022/23. The total number of households in temporary accommodation in Brent has increased by 8% over the same period, and the number of families in emergency temporary accommodation has increased by 36%. As at the end of May 2024, the total number of homeless households living in emergency type accommodation has risen to 922, with the service placing an average of 30 households every week.
- 4.6.8 London Councils conduct analysis and benchmarking of peers that help to gauge the situation in London. They revealed that Housing pressures are increasing rapidly compared to budgeted levels and that Councils' net deficit on homelessness service spending was projected to be £104.9m (54.2%) higher in 2023/24 than it was in 2022/23. Brent has seen a 259% increase in the deficit between 2022/23 and 2023/24. The gross total monthly TA spend was £65.2m in January 2024 up 28.1% on a year earlier. Across London, the total number of households in temporary accommodation has increased by 8.4% and the total number of families living in B&B accommodation rose by

70% when compared to the previous year. There was a 131% increase in families living in B&Bs beyond the six-week limit.

- 4.6.9 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.
- 4.6.10 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.
- 4.6.11 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.
- 4.6.12 Homeless households placed in temporary accommodation who are entitled to it can claim housing benefit to go towards their housing costs. Local authorities pay the cost of that housing benefit upfront and then are paid back by the Department for Work and Pensions (DWP) through subsidy arrangements. Households receive the full housing benefit they are entitled to, however the amount the council can claim back is limited to 90% of the Local Housing Allowance (LHA) rates from 2011. This means that if the cost of the housing benefit claim is higher than those rates, the local authority loses money. The council is essentially bridging the gap between rent and the amount the council is allowed to recover in housing benefit subsidy from the Department of Works and Pensions. This means that if the weekly award of housing benefit for a placement in a bed and breakfast is higher than £170 on average per week, the council only receives £170, and the difference comes at a cost to the council. The average placement is in excess of £280 per week.
- 4.6.13 In 2023/24, the total subsidy loss for the Council amounted to £10.4m. In 2024/25, the Council is changing its approach to rental charges, which is expected to reduce the amount of lost subsidy, but these costs will be borne by the Housing Needs service.
- 4.6.14 A programme of works has been designed to focus on containing the projected overspend. Several 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 the Council to move some of the most expensive cases with the aim of reducing costs for the Housing Needs service. Officers also continue to carefully consider and assess the needs of homelessness applications. In 2023/24, 49% of approaches were successfully prevented or relieved.

- 4.6.15 In 2024/25, i4B is continuing its street property acquisition programme with a target to acquire 25 homes. i4B is a housing company wholly owned by Brent Council set up to acquire, letting, and manage a portfolio of affordable, good quality private rented sector (PRS) properties. Properties are let to homeless families at Local Housing Allowance (LHA) levels. This enables the Council to either prevent or discharge its homelessness duty and therefore reduce temporary accommodation costs whilst also ensuring families have a secure and responsible landlord. The rise in LHA rates has enabled i4B to increase its acquisition price caps. As at end of May 2024, 10 properties have been acquired and these property sizes range between one to five bed properties. Negotiations are in progress for additional properties in the borough. Any new supply would help to avoid additional housing costs and mitigate the risk of the projected overspend increasing.

Savings and Slippages

- 4.6.16 A total of £1.5m in savings is planned to be delivered from the department's budgets in 2024/25, including a £0.4m housing saving deferred from the previous financial year. The main savings are expected from service transformations, restructures and digital projects. Considering the overall pressures on the Housing service, there is a risk that the £0.4m saving may not be achieved in the current financial year due to slippages against the original timeline for the delivery of this saving, however it is anticipated that any slippages will be managed by the department through one-off measures.

Summary of Key Assumptions

| Key Assumption | Downside if worse | Upside if better | Mitigations |
|---|---|---|---|
| The additional number of homeless people can be managed within the existing forecast. | Each person costs on average £360 per week to accommodate, therefore any further increases in demand would result in a circa £0.1m per quarter for every 20 people. | Faster progress on homeless pathways or any decrease in demand will reduce expenditure by £350 per week per person. | The service is focusing on moving homeless clients along the various pathways. Various project workstreams are focusing on sourcing additional housing supply to |

| | | | |
|--|---|---|---|
| | | | alleviate some of the pressures. |
| Rent collection rates for the Housing Needs service will not fall below the anticipated level. | A 5% worsening in the collection rate will cost £0.4m. | A 5% improvement in the collection rate will recover £0.4m. | Collection rates are being closely monitored and investigations into the drivers for the movements in the collection rates are ongoing. |
| Other inflation linked costs can be contained within existing budgets. | A 3% increase in costs above budgetary assumptions could cost an additional £0.2m per annum | A 3% cost reduction in costs would result in a circa £0.2m saving for the year. | The department continues looking for best way to achieve value for money, utilising the most efficient procurement and service delivery options and negotiations. |

4.7 Central items

Collection Fund – Council Tax

- 4.7.1 The net collectible amount for Council Tax for 2024/25 (after exemptions, discounts and Council Tax Support) as at 31st May 2024 is £216.9m. As at the end of May 2024, the amount collected was 19.2%, a decrease of 0.4% when compared to the in-year target and 0.4% lower than the amount collected in the same period in 2022/23 (19.6%).
- 4.7.2 At the meeting of General Purposes Committee in December 2023, the decision was taken to increase the long-term collection rate for budget setting back to the pre-pandemic target of 97.5%. The target had previously been reduced to 97.0% in December 2021 to account for anticipated increase in uncollectable debts arising from the acute economic impact of the Covid-19 pandemic and the resulting recession. The decision to reverse this reduction was taken on the basis that with all Covid-19 restrictions having been lifted, it could be expected that collection would return to the pre-pandemic average. Increasing the long-term collection rate resulted in an increase to the tax base used for budget setting purposes, which in turn resulted in an increased Council Tax income used to fund the 2024/25 budget.
- 4.7.3 In the Quarter 3 Financial Report 2023/24, it was noted that the collection rates for Council Tax in 2023/24 were significantly lower than the in-year target. By 31 March 2024, only 92.2% of the net collectable debit for 2023/24

had been collected, 1.8% below the 94% in-year target and 2.1% lower than the equivalent figure for 2022/23.

- 4.7.4 This is an indication that there are other issues that are negatively affecting the collection of Council Tax. The most prominent of these impacts is likely to be the ongoing cost-of-living crisis, which has been exacerbated in Brent by levels of unemployment above national and London averages.
- 4.7.5 Furthermore, analysis of the trends in the Council Tax collection over several years has shown that the collection has been falling since before the Covid-19 pandemic, meaning that the short-term shocks have only accelerated the longer-term trend. Work is continuing to determine the cause of this decline and proposals for appropriate action to reverse this will be brought forward over the following quarters of the financial year.
- 4.7.6 The results of this work and the effect that it has on the long-term forecast for Council Tax collection will determine whether it is possible to continue with the current long term collection target for setting the 2025/26 budget. Current Medium Term Financial Strategy assumption is for a 97.5% long term Council Tax collection for all years. If it is necessary to reduce the target, this will reduce the funding available to the General Fund for 2025/26 by approximately £0.9m for every 0.5% reduction.
- 4.7.7 In the current uncertain funding environment for local government there is potential significant risk to the Council's financial resilience. Any budget gap arising from reduced expectations for collection will have to be met either from reserves in the short term or from additional budget savings. The Council has already committed to a challenging programme of savings across 2024/25 and 2025/26 and the reserves have already been depleted in recent years due to high inflation and demographic pressures.
- 4.7.8 Recent years have seen some of the pressure from the reduction in Council Tax collection be mitigated by higher than average tax base growth, which has been driven by the regeneration work ongoing within the borough. Currently it is not known if this growth will continue, or for how long it can be expected to generate additional Council Tax income. With interest rates at their highest level for over a decade and expected to remain high, it is not yet clear what effect (if any) this will have on the building of new homes in Brent. Work will continue in the coming months to produce a more accurate forecast for the growth in the Council Tax base, and this will feed into the budget setting for 2025/26.

Collection Fund – Business Rates

- 4.7.9 The budgeted net collectable amount for Business Rates (NNDR) for 2023/24 is £140.1m (after exemptions, reliefs and discounts). This was based on the forecast used for the NNDR1 form in January 2024 and has increased by 11.6% from £125.5m in 2023/24. This increase is largely the result of a £10.5m reduction in the transitional relief provided to businesses (£1.7m, down from £12.2m in 2023/24), which deferred the increase to their business

rates resulting from the revaluation of all non-domestic properties as at 1 April 2023.

- 4.7.10 The actual net collectable amount for NNDR as at 31 May 2024 is £140.1m, unchanged from the budget in January 2024. 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.
- 4.7.11 Any movement in 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 or from the General Fund in the following financial year.
- 4.7.12 As at 31 May 2024, the amount collected was 17.3%, which is 0.6% above the month-end target. The amount collected in the same period in 2023/24 was 16.8%. Collection in 2023/24 was 93.2%, 0.8% below the in-year target of 94%. This was driven by a small number of issues with businesses with relatively large liabilities and the issues only became apparent later in the year. Whilst the above target collection is positive, any repeat of the issues experienced in 2023/24 will result in a reduction in the business rates income that will impact future General Fund revenue budgets.
- 5.7.13 Furthermore, there remains a number of factors present in the economy, which could have a negative impact on the ability of businesses to pay their Business Rates, such as high interest rates and the reduction in consumer spending power as a result of the ongoing cost-of-living crisis. Work is underway 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.

Savings

- 4.7.14 The 2024/25 budget, agreed at Full Council on 29 February 2024, included an £8.0m savings target, of which £4.5m had been agreed in February 2023. Appendix A sets out the progress in delivery against this savings target and any mitigating actions. Of the savings for 2024/25, at Quarter 1 95% of these are on track to be delivered, delivering 97% (£7.8m) of the budgeted savings.

5.0 Dedicated Schools Grant (DSG)

| Funding Blocks | Overall DSG Funding 2024/25 | Forecast Expenditure | Overspend/ (Underspend) |
|--------------------------|-----------------------------|----------------------|-------------------------|
| | £m | £m | £m |
| Schools Block | 121.6 | 121.6 | 0.0 |
| High Needs Block | 77.1 | 77.1 | 0.0 |
| Early Years Block | 35.7 | 35.7 | 0.0 |
| Central Block | 2.1 | 2.1 | 0.0 |
| Total DSG | 236.5 | 236.5 | 0.0 |

Summary

- 5.1 There have been increases to the DSG funding blocks for 2024/25 and the overall DSG allocation for Brent is £397.3m. The Department for Education (DfE) has recouped £149.2m from the Schools Block and £9.3m from the High Needs Block. These are proportions of the funding to be transferred directly to Academies by the DfE. In addition, £2.3m was recouped from the Schools Block for National Non-Domestic Rates (NNDR) to be paid directly to billing authorities on behalf of schools. This leaves a total allocation of £236.5m as reflected in the table above. The Schools Block also made a 0.5% contribution to the High Needs Block of £1.4m to support the pressures in this Block.
- 5.2 The cumulative DSG deficit brought forward from 2023/24 is £15.1m. This includes an in-year surplus of £0.6m achieved in 2023/24. This surplus is held in a separate usable reserve to support the DSG budgets to fund the risk of claw back from the Early Years block by the DfE in 2024/25, following the final allocations based on the results of the January 2024 census which will be confirmed in July 2024, and go towards mitigating the overall DSG deficit. The deficit carried forward since 2022/23 has been disclosed as an earmarked unusable reserve in line with DfE regulations (the School and Early Years Finance (England) Regulations 2023). 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.
- 5.3 The Council has a High Needs Block Deficit Recovery Management Plan in place with longer-term actions to recover the deficit. A task group led by the Corporate Director of CYP and the Corporate Director of Finance coordinates and monitors these actions. Some of these actions to reduce costs include; managing demand for EHCPs through adopting a graduated approach framework, improving sufficiency of places through increasing the amount of special provision within the borough, particularly for secondary phase pupils and 16–25-year-old SEND students and financial management to identify efficiencies and charging an administrative cost to ensure that there is full cost recovery from other local authorities that place pupils in Brent Special

Schools. A combination of these longer-term recovery actions and anticipated funding increases is expected to achieve continued reduction in the deficit.

- 5.4 In 2022/23 Brent participated in the DfE programme called Delivering Better Value (DBV) in SEND, to provide dedicated support and funding to help local authorities reform their high needs systems. The first phase of the programme included a comprehensive diagnostic to identify root cause cost drivers and mitigating solutions or reforms and support in developing a quality assured Management Plan and the opportunity to bid for a £1m grant to deliver the actions in the Management Plan. Brent was successful and will receive the £1m funding over two financial years 2023/24 and 2024/25. The programme is in the test and learn phase with specific project workstreams being implemented and monitored along with key performance indicators designed to ensure that actions are tracked. The DBV programme will not address the historic deficit but changes that will be embedded as a result of the programme will be aimed at reducing future spend. The current Management Plan and efficiencies identified from the programme may allow funds to be released to address historic deficits.

Risk and Uncertainties

- 5.5 A balanced budget has been set for the HN Block but there remains a risk that the number of children and young people with Education Health and Care Plans (EHCPs) will continue to grow. The growth in EHCPs is a national and London wide trend whereby the number of children assessed as meeting the threshold for support continues to increase. However, the HN Block funding has not increased in line with continued growth. Over the years, this has created financial pressures with many authorities holding deficit balances. The HN Block received a 3.5% (10% in 2023/24) increase in funding for 2024/25, 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.
- 5.6 The statutory override set out in the School and Early Years Finance (England) Regulations 2021, which requires local authorities to either carry forward any cumulative DSG deficit to set against the DSG in the next funding period or carry forward some or all the deficit to the funding period after that, was expected to end in 2022/23. The government has now extended the arrangement for another three financial years from 2023/24 to 2025/26. There remains the risk that the local authority would then be required to absorb any accumulated deficit from the DSG by using General Fund reserves.

6.0 Housing Revenue Account (HRA)

| HRA gross income and expenditure | | | |
|---|---------------|-----------------|------------------------------------|
| | Budget | Forecast | Overspend/ (Underspend) |
| | £m | £m | £m |
| HRA | | | |
| Income | (65.9) | (65.9) | 0.0 |
| Expenditure | 65.9 | 65.9 | 0.0 |
| Total | 0.0 | 0.0 | 0.0 |

Summary

- 6.1 Budgets for the Housing Management function are contained within the ring-fenced Housing Revenue Account (HRA), which has a balanced budget for 2024/25 made up of £65.9m of income matched by expenditure.
- 6.2 The HRA is forecasting a break-even position. However, based on the analysis of last years' activity and spend on repairs, there is a potential pressure on these budgets in 2024/25 that could be circa £2m due to continued levels of demand to address disrepairs, complex repairs and damp and mould related works. If these responsive repairs related pressures materialise, overspends will be mitigated through in-year savings and efficiencies.

Risks and uncertainties

- 6.3 High levels of uncertainty around the inflation and interest rates pose a financial risk to the HRA. This impacts the cost of materials and repairs and the cost of new build contracts. In addition, an increase in service requests relating to damp and mould and repairs in general is likely to put additional pressure on budgets.
- 6.4 Other pressures involve the capital programme as there is currently insufficient government funding having been made available to meet environmental priorities and requirements such as carbon reduction works to homes.
- 6.5 Government rent policy currently allows for CPI+1 inflation on rents up to March 2026 and could be subject to policy changes depending on the next government. Rent setting uncertainties add to the difficulties in financial planning and budgeting for improvements and building new homes.
- 6.6 These risks are being continuously monitored and reflected in the HRA Business Plan and the Council's Medium Term Financial Strategy (MTFS).

7.0 Capital Programme

- 7.1 The capital programme as at Q1, forecasts expenditure to be in line with the budget for the financial year. While the nil variances largely reflect the early stage of the financial year, risks and uncertainties identified below show significant gaps between forecasts spend and time remaining to incur the expenditure in the year.

| Directorate | Original Budget | Revised Budget | Current Forecast | FY Variance | |
|--------------------|-----------------|----------------|------------------|-------------------|------------|
| | £m | £m | £m | £m (Under) / Over | £m B/F |
| Corporate Landlord | 14.2 | 14.3 | 14.3 | 0.0 | 0.0 |
| Housing GF | 59.8 | 61.8 | 61.8 | 0.0 | 0.0 |
| Housing HRA | 57.3 | 53.7 | 53.7 | 0.0 | 0.0 |
| PRS I4B | 46.3 | 46.2 | 46.2 | 0.0 | 0.0 |
| Public Realm | 23.8 | 25.4 | 25.4 | 0.0 | 0.0 |
| Regeneration | 64.7 | 62.2 | 62.2 | 0.0 | 0.0 |
| Schools | 24.7 | 25.4 | 25.4 | 0.0 | 0.0 |
| South Kilburn | 27.2 | 33.4 | 33.4 | 0.0 | 0.0 |
| St Raphael's | 0.3 | 0.5 | 0.5 | 0.0 | 0.0 |
| Total | 318.3 | 322.8 | 322.8 | 0.0 | 0.0 |

Corporate Landlord (Capital)

- 7.2 Corporate Landlord, which is made up Civic Centre, Digital Strategy, ICT and Libraries, is forecast to spend in line with the budget of £14.3m.

Risks and Uncertainties – Corporate Landlord

- 7.3 Ongoing maintenance demands of Civic Centre such as complex roofing works and lifts could experience higher spend than budgeted and will be monitored throughout the year.

Housing General Fund (Capital)

- 7.4 The Housing General Fund is currently forecasting to spend according to the revised budget of £61.2m. The spend profile for development project is not entirely linear and the individual projects are at different stages so there could be risks of slippage due to the current challenges within the construction industry leading to some contractors struggling to remain solvent. Officers will continue to monitor and report on impact of these challenges in subsequent quarterly reports.
- 7.5 The Edgware Road scheme, still in the Pre-Construction Services Agreement (PCSA) phase, has encountered viability issues due to regulatory

changes regarding secondary means of escape. Officers are proposing a change to the scope to incorporate additional storeys and units to compensate for the loss of units as this scheme is set to provide urgently needed additional units for temporary accommodation. This will involve a redesign and submission of a new planning application as well as incorporate new requirements of the Building Safety Act for High-Risk Buildings. This results in significant risk of delays against the current forecast programme and the impact on cost and time.

Housing HRA (Capital)

- 7.6 Housing HRA is forecasted to spend according to the current year budget. Overall, the programme spend is on track against the budget forecast. Major Capital Repairs account for nearly half of this year's budget, and spending in this area is broadly on track. While some projects currently appear below budget, this is expected to be back on track later in the year. Energy Efficiency works are expected to overspend, with a significant increase forecasted by the end of the year due to a delay in the programme. The Five Tower Blocks project is already showing signs of slippage, with spend dependent upon planning applications currently going through the Building Regulator, causing programme delays.

Risk and Uncertainties – Housing

- 7.7 2023/24 saw several schemes transition from assets under construction to completions, notably including the Brent Indian Community Centre, Preston Community Library, and Stonebridge Housing Development. These schemes are now in their defects liability period (DLP), with the Council holding final retention payments. There is potential for reputational risk as not all defects may be identified during the DLP. Issues might arise after occupancy, leading to disputes over responsibility for rectification. By proactively managing these risks through detailed planning, clear communication, and contractual safeguards, the council can better navigate the defects liability and handover periods.
- 7.8 While cost inflation is showing signs of slowing, the recent rises are baked into current costs while additional cost pressures have also emerged from recent updates to fire safety regulations and the resulting need for redesigns. The high interest rate environment continues to pose viability challenges. The construction industry is also seeing an increase in the number of contractors and suppliers going into administration, which may have an impact on appetite for contracts and costs. To help mitigate the impact of these costs on Council capital budgets, officers have commenced an exercise to review and improve the procurement of development schemes across the Council for the New Council's Homes Programme. The main aim is to strengthen the commercial position of the Council when procuring development schemes to improve the financial returns of the Council from these schemes.

- 7.9 The Council continues to face substantial supply pressures for Temporary Accommodation and has several schemes in the pipeline to help increase supply. Delivery of these pipeline schemes is increasingly becoming challenging due to viability issues brought about by recent high cost of construction and related supply chain issues. To mitigate this, the on-going acquisition programme to increase the supply of temporary accommodation through the Council's subsidiary I4B is expected to continue in 2024/25.

PRS I4B and First Wave Housing

- 7.10 At Q1, I4B Private Sector Acquisitions is reporting to spend according to the current year budget. The current year budget is composed of a loan facility for I4B to be drawn subject to them presenting a viable property acquisition programme.

Risk and Uncertainties - PRS I4B and First Wave Housing

- 7.11 I4B and First Wave Housing are collaborating with the Council to shape their future acquisition strategy and assess the availability of loan funding. This involves exploring the enhanced grant offers from DHLUC in relation to the Local Authority Housing Fund (LAHF) for Temporary Accommodation and affordable housing acquisitions in general, alongside the rise in LHA rates for new properties, both of which have improved the viability of future acquisitions.

St Raphael's

- 7.12 The St Raphael's project is forecasted to spend according to budget. The current year budget covers planning and design costs for all phases and minor improvement works that do not require formal planning consent. Future plans for additional works will be confirmed based on viability. The Council is now progressing towards the delivery of the first tranche of estate improvement works, which are planned to commence in earnest in FY 2025/26. This will comprise of the community hub with its extended landscape, signage, CCTV, Metro-store bins and funding highway improvements on the estate.

Risk and Uncertainties - St Raphael's

- 7.13 Plans for further works will be confirmed in the future. A notable risk is the future profile of major works scheduled to commence from 2025/26 and beyond, which requires a more realistic assessment. This profile will be established once there is greater clarity around the programming and timing of the works.

Public Realm

- 7.14 As at Q1, the Public Realm board is forecasted to spend according to the budget of £25.4m. There are approximately 135 live Public Realm capital projects.

Risk and Uncertainties – Public Realm

- 7.15 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.

Regeneration

- 7.16 As at Q1, Regeneration is forecasted to spend according to the current year budget of £62.2m. Most of the current year's budget is allocated to the Wembley Housing Zone. The budget has been reprofiled based on the latest programme, however, spending is slightly behind the forecast.

Risk and Uncertainties - Regeneration

- 7.17 The capital regeneration and development projects are subject to various risks and uncertainties. Including land and planning risks, and increased cost from new health and safety regulations and recent high build costs all potentially leading to delays and impacting scheme viability. These will be monitored throughout the year and updated accordingly.

Schools

- 7.18 As at Q1, the Schools Capital Programme board is forecast to spend according to the budget of £25.4m. The school condition related spending will not commence until Q2 and so will show in later financial reporting periods. £20.8m of the current year's budget is allocated to SEND expansion, but as of Q1, only £0.5m has been spent. Most of the SEND spend relates to the London Road SEND school and Additional Resource Provisions (ARPs). The London Road Send school project has only recently been awarded so spending will increase in the latter quarters of the year. Also, the ARPs will not start on site until Q3, meaning spend will be slow to show until later in the year.

Risk and Uncertainties – Schools

- 7.19 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. As a result, the programme could experience volatility in its delivery. Some of the delays to SEND expansion projects have been attributed to changes in OFSTED ratings in the case of the Phoenix Arch SEND expansion and others to delays from dependent projects being delivered by the DfE.

South Kilburn

- 7.20 As at Q1, the South Kilburn Capital Programme board is forecasted to spend according to the budget of £33.4m.

- 7.21 The South Kilburn project will deliver over 2,400 homes, of which 50% will be affordable. The forecast for the financial year includes project costs for ongoing projects, acquisition costs for obtaining vacant possession as well as funding for a project to identify the most beneficial way of delivering the remaining phases of the South Kilburn programme. 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 – South Kilburn

- 7.22 Viability is a key challenge for the remaining developments within the South Kilburn programme. The Council as a result is exploring other development routes aimed at improving the viability of the future phases and help provide certainty for the programme.

Treasury Management Prudential Indicators

- 7.23 In line with changes to the Prudential Code in 2021, the performance of the Council's treasury and capital activities against the approved prudential indicator for the year are now reported quarterly within these financial reports to members. Details of the performance against the indicators in the first quarter of the financial year are captured in Appendix B and show the Council to be operating within the limits of the prudential indicators.

8.0 Stakeholder and ward member consultation and engagement

- 8.1 There are no stakeholder and ward member consultation arising from this report.

9.0 Financial Considerations

- 9.1 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 1 2024/25. Financial implications of agreeing to this report are included within the forecasts provided.

10.0 Legal Considerations

- 10.1 There are no legal considerations arising out of this report.

11.0 Equality, Diversity & Inclusion (EDI) Considerations

- 11.1 There are no EDI considerations arising out of this report.

12.0 Climate Change and Environmental Considerations

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

13.0 Human Resources/Property Considerations (if appropriate)

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

14.0 Communication Considerations

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

Report sign off:

Minesh Patel

Corporate Director of Finance and Resources