	Cabinet 15 January 2025
	Report from the Corporate Director of Finance and Resources
	Lead Member - Deputy Leader and Cabinet Member for Finance & Resources (Councillor Mili Patel)

Quarter 3 Financial Forecast 2024-25

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:	N/A
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1.0 Executive Summary

1.1 This report sets out the financial forecast for the General Fund revenue budget, the Housing Revenue Account, the Dedicated Schools Grant and the Capital Programme, as at Quarter 3 2024/25.

1.2 The Council’s revised General Fund revenue budget for 2024/25 is £387.5m. There is a forecast overspend of £17.6m against the revenue budget at Quarter 3, which is an increase of £2.8m compared to the Quarter 2 forecast presented to Cabinet in October 2024. The forecast overspend is primarily within the Housing service, which is experiencing high levels of demand due to a rise in homelessness and a reduction in the supply of suitable temporary accommodation, and has remained steady at £15.2m since the Quarter 2 forecast. Additionally, new pressures have arisen within the Children & Young People and Community, Health & Wellbeing directorates. These pressures are being partially offset by £8m of in-year savings that have been identified across other services.

1.3 If sustained until 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 the Council’s reserves. The Council is taking a number of mitigating actions, including continuing to implement spending controls and setting directorates in-year savings targets, in order to contain identified pressures as much as possible. The current budget also reflects £8m of savings agreed by Full Council in February 2024, the status of which are set out in Appendix A.

1.4 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. The Dedicated Schools Grant is reporting a £0.2m overspend, however there remains a legacy deficit of £15.1m that presents a significant risk. 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.

1.5 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	156.3	156.7	0.4
Children and Young People	91.0	92.3	1.3
Neighbourhoods and Regeneration	35.4	33.7	(1.7)
Law and Governance	14.0	14.1	0.1
Finance and Resources	11.4	11.3	(0.1)
Partnerships, Housing and Resident Services	39.1	52.0	12.9
Subtotal Service Area Budgets	**347.2**	**360.1**	**12.9**
Central Budgets	**40.2**	**44.7**	**4.5**
Total Budget Requirement	**387.4**	**404.8**	**17.4**
Funding	**(387.4)**	**(387.4)**	**0.0**
Grand Total General Fund Budgets	**0.0**	**17.4**	**17.4**
DSG Funded Activity	0.0	0.2	0.2
Housing Revenue Account (HRA)	0.0	0.0	0.0
Net Total*	**0.0**	**17.6**	**17.6****

*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.
**In-year forecasts are inclusive of the in-year savings

DSG gross income and expenditure			
	Budget	Forecast	Overspend / (Underspend)
	£m	£m	£m
DSG			
Income	(235.9)	(235.9)	0.0
Expenditure	235.9	236.1	0.2
Total	**0.0**	**0.2**	**0.2**

HRA gross income and expenditure			
	Budget	Forecast	Overspend/ (Underspend)
	£m	£m	£m
HRA			
Income	(65.8)	(67.0)	(1.2)
Expenditure	65.8	67.0	1.2
Total	**0.0**	**0.0**	**0.0**

1.6 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	£m	£m
	£m	£m	£m	(Underspend) / Overspend	(Slippage)/ Brought Forward	Variance Total
Corporate Landlord	14.2	17.0	13.5	0.0	(3.5)	(3.5)
Housing GF	59.8	63.0	57.5	(1.0)	(4.5)	(5.5)
Housing HRA	57.3	54.7	52.8	(0.9)	(1.0)	(1.9)
PRS I4B	46.3	0.0	0.0	(0.0)	0.0	0.0
Public Realm	23.8	24.9	19.7	(0.1)	(5.1)	(5.2)
Regeneration	64.7	66.1	55.9	0.0	(10.2)	(10.2)
Schools	24.7	28.3	20.7	0.3	(7.9)	(7.6)
South Kilburn	27.2	33.4	19.0	(14.2)	(0.2)	(14.4)
St Raphael's	0.3	0.5	0.5	0.0	0.0	0.0
Total	**318.3**	**287.9**	**239.6**	**(15.9)**	**(32.4)**	**(48.3)**

Current Economic Environment

1.7 Since the Quarter 2 Financial Forecast reported to Cabinet in October 2024, the Chancellor of the Exchequer, Rachel Reeves MP, delivered her first Budget on 30 October 2024. This announcement outlined a set of measures aimed at fixing the foundations of the economy and delivering change. Alongside this fiscal event, the Office for Budget Responsibility (OBR) published its updated economic and fiscal outlook.

1.8 In the report, the OBR forecast that there would be a short-term boost to growth in Gross Domestic Product (GDP) as a result of the policies included in the budget, but that Consumer Price Index (CPI) inflation would rise slightly again in the short term to 2.6% in 2025, before returning to the Bank of England's 2% target thereafter. Interest rates were consequently expected to be reduced at a slower rate from the current 4.75%, before settling at 3.5%, 0.5 percentage points higher than the OBR had forecast at the time of the Spring Budget in March 2024, delivered prior to the General Election, which resulted in a change of government.

1.9 On 4 December 2024, the Organisation for Economic Co-Operation and Development (OECD) released a separate forecast, which supported the direction of the OBR's projections, with growth forecast to be 0.9% in 2024 (OBR 1.1%), 1.7% in 2025 (2.0%) and 1.3% in 2026 (1.8%). The OECD expectation for inflation in 2025 is slightly higher at 2.7% and interest rates are expected to fall back to 3.5% by early 2026.

1.10 It is important to note that while inflation remains significantly lower and less volatile than in recent years and is expected to remain so in the near future, current inflation is being applied to prices that are more than 20% higher on average than they were three years ago. This is more than triple the increase that would have occurred if inflation had remained at the target. This continues to make the economic environment challenging for Brent Council and its residents and businesses.

1.11 Higher interest rates increase the cost of borrowing for all organisations, Brent Council included. The holding of interest rates at a higher level for longer, as a result of higher-than-expected inflation, may have an impact on the Council's ability to use borrowing to fund capital investment our residents rely on in the Borough. Future policy decisions regarding interest rates are dependent upon UK economic data with the Bank monitoring both inflation and employment.

1.12 Whilst in the short term the economic environment is more challenging, the OBR acknowledged that long term growth prospects for the economy may be improved as a result of the policies in the Budget, provided that the increase in public investment is sustained. Such long-term growth in the economy would be a positive for Brent Council and its residents, but this is highly uncertain. It remains unclear if sustained public investment beyond the current Budget cycle is possible, given the increasing demands on the government's resources in areas such as Defence and Health. These factors create a challenging environment for the Council to plan its future resourcing requirements.

Maintaining Financial Control

1.13 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 a prolonged period of high inflation, high interest rates and significant increases in demand due to demographic changes. So far, 19 Councils have formally applied to the Government for Exceptional Financial Support, and many more are in talks, allowing them to use capital resources (such as borrowing or selling assets) to pay for day-to-day spending. 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 against its revenue budget by £14m and is forecast to overspend again in 2024/25.

1.14 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 the case with 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.

1.15 Since 2023, 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. The Council has implemented a Budget Assurance Panel to provide additional oversight and scrutiny of its financial position, including in-year budget pressures and issues, mitigating actions and the delivery of agreed savings. In addition, the Council has introduced a number of spending controls, including a new requirement for services to deliver further in-year savings to provide more assurance over the Council's spending decisions and reduce the risk that the budget deteriorates further. These measures include 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. This report reflects where departments are in the identification and delivery of these new in-year savings targets.

1.16 A further update on the overall financial position over the medium term will be provided in the 2025/26 Budget and Council Tax report, which will be presented to Cabinet in February 2025.

Provisional Local Government Finance Settlement 2025/26 Summary

1.17 The Ministry of Housing, Communities and Local Government published their provisional Local Government Finance Settlement for 2025/26 on the 18 December 2024. Brent's Core Spending Power (a measure of the total resources available for local government, including Council Tax increases) will increase by 6.2% in 2025/26. Additional grant funding was also announced for social care, an increase of £5.2m, a new Recovery Grant of £5.8m, a new Children's Social Care Prevention Grant of £1.3m and additional Homelessness Prevention Grant of £3.5m. All other grants and funding streams were as assumed in the draft budget. Overall, while this new funding is welcome, there are new burdens that are unavoidable, primarily the indirect cost of employer National Insurance contributions from contracts and commissioned services, notwithstanding existing inflationary and demand pressures. At this stage, current estimates suggest that these unavoidable additional costs exceed the increase to general and new grants announced in the settlement. The final budget will be presented to Cabinet in February 2025, which will incorporate the changes to grants set out in the provisional settlement as well as the new burdens and additional costs expected next year.

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.

2.4 That Cabinet approve the virements set out in section 4.7.13 of this report.

3.0 Cabinet Member Foreword

3.1 This report sets out a comprehensive overview of the financial and operational challenges and achievements faced by the council during the 3rd financial quarter of 2024/25.

3.2 For another consecutive quarter, the financial picture in Brent remains incredibly challenging. I have written before, that without wide-ranging reform of Local Government Finance, councils will be on a pathway to managed decline. In the meantime, the impact is felt across all of our services, which are working under extraordinary pressure, with far fewer staff than ever before. We have always maintained, that if we were allocated the funding that matches the latent demand and need in this borough, this council could do far more than it can achieve today. While we prioritise the statutory services for which we are legally and morally compelled to provide, the cost is clear to see as other discretionary services are impacted. We are therefore grateful to the government for their promise of a multi-year funding settlement, the future cannot come soon enough.

3.3 This report sets out some stark figures, highlighting the testing conditions Brent is facing. There is no escaping that the financial overspend in-year remains far too steep. This report sets out a predicted £17.4m overspend in the general fund budget, compounded by a £13.4m cumulative deficit on the Dedicated Schools Grant (DSG). The loss of housing benefit subsidy against Temporary Accommodation continues to impact Brent, necessitating ongoing spending controls and directorate savings efforts. While in-year savings of £8m have provided some offset, the potential need to draw from unallocated reserves remains a concern to Cabinet. Once that funding is drawn down, it is difficult to replace, and the ongoing revenue pressures from overspends in the Housing Needs Service are troubling.

3.4 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%. The current number of homelessness applications received equates to an average of 133 applications per week. Across London, the gross total monthly Temporary Accommodation spend was £93.1m in July 2024, up 35.41% on a year earlier. Correspondingly, the total number of households in Temporary Accommodation in Brent has increased by 10.2% and the total number of families living in B&B accommodation rose by 7.2% when compared to the previous year. There are still far too few solutions to address this new fault line in the Housing Emergency, and we would urge the government to increase the funding available to local authorities to cope with the loss in Housing Benefit subsidy, and so that the Local Housing Allowance is truly reflective of the cost of living in London.

3.5 Despite these financial pressures in the Housing Needs Service, the report also showcases positive outcomes. The Neighbourhoods and Regeneration department has achieved an underspend of £1.7m, and the i4B initiative continues to be self-financing, generating annual savings exceeding £4m in Temporary Accommodation costs. Furthermore, proactive efforts in homelessness prevention and relief have yielded some positive results. This is a credit to those teams, facing a huge surge in demand.

3.6 Finally, this report offers a transparent assessment of the council's current position, outlining both the challenges and the progress made. It underscores the importance of continued financial discipline, careful stewardship, and efforts to ensure the financial viability of this council in perpetuity. The work amassed here is the product of many council officers in the Finance and Resources Directorate – and on behalf of Cabinet this report is gratefully received.

4.0 Revenue Detail

4.1 Community, Health and Wellbeing

Community, Health and Wellbeing	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Adult Social Care	84.7	83.8	(0.9)
Strategic Commissioning & Capacity Building	45.8	46.8	1.0
Public Health	24.2	24.2	0.0
Leisure	1.5	1.8	0.3
Integrated Health Partnerships	0.1	0.1	0.0
Total	**156.3**	**156.7**	**0.4**

Summary

4.1.1 The Community, Health and Wellbeing (CHW) department at Quarter 3, is currently forecasting a pressure of £0.4m across the directorate. This is a movement of £2.5m from the £2.1m underspend position reported at Quarter 2. This movement is mainly due to:

- A £1m pressure against Strategic Commissioning and Capacity Building budgets which is an increase of £0.9m compared to the position reported at Quarter 2. This is largely attributable to the increase in homecare service users, which has seen a 7% (114 clients) increase since the position reported at Quarter 2 with the packages of care costing £0.8m more. There is also a slippage against the technology enabled care (CHW01) saving. It is unlikely this will materialise into realisable savings this year as the project is still in the scoping phase.

- A £0.3m pressure against the Leisure budgets arising from the Bridge Park Leisure Centre and Vale Farm, a £0.1m reduction from the Quarter 2 forecast.

- A £0.9m forecast underspend against the Adult Social Care directorate, the forecast underspend has reduced from £2.6m reported in Quarter 2, to £0.9m. The movement is primarily due to:

  - a £1.1m increase to the forecast for placement costs, mainly against Residential and Residential Dementia placements where costs increased by c4% and although placement numbers are stable, the costs of new placements on average are much higher. The Quarter 2 forecast had assumed spend of £21.7m, however by Quarter 3 this has increased to £22.6m due to the costs of newer placements being higher. So far this year there have been 82 new Residential and Residential Dementia placements. The forecast for Supported Living also increased by £0.2m compared to Quarter 2.

- There is also a £0.6m reduction in the forecast income for Continuing Health Care (CHC) and a review is underway to ensure that the right levels of contributions are received from health. These pressures are being offset by the achievement of in-year savings within the directorate.

4.1.2 The forecast includes the delivery of in-year savings arising from previously agreed savings brought forward from 2025/26, and the impact of the changes to the charging policy that was implemented earlier this year estimated at £1.7m.

4.1.3 The section below provides further details of the areas and risks which may further 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:

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. Since the 31 March 2024, the average number of service users has increased by 307. This is an increase of 7%, an average of c1% per month. If this trend continues, there could be 4,729 service users by March 2025. The trend of client numbers will be monitored so that any pressures can be identified and managed. In addition to demand pressures, the average weekly cost has increased by 2% since the 31 March 2024. The last quarter of the financial year also poses a risk due to the impact of winter pressures where demand for services could also increase. The combination of increased demographic and inflationary pressures, above that which has been budgeted for could add to the existing budget pressure.

4.1.6 There are an increasing number of clients 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 or nursing placement which costs £1,302 and £1,159 per week respectively. Whilst the number of service users is remaining relatively stable, the cost of packages is increasing. Brent has used a number of approaches to try and control residential and nursing placement numbers, including commissioning more complex homecare packages, commissioning floating night support to care for people at home and the opening of extra care services. However, the costs for new placements are currently more expensive. For example, in October 2024, the average weekly costs for new placements in Residential Dementia was £1,054 compared to the overall average for the cohort of £892 and for Nursing Dementia an average weekly cost of £1,395 compared to the overall cohort of £1,235.

4.1.7 Recruitment and retention of staff remains a risk nationally in the adult social care sector. The sector continues to be faced with high staff turnover and vacancy rates. 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. To date there have been 16 conversions this year.

4.1.8 The risk remains that supporting the Care Market could also 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.

4.1.10 The BCF review which was undertaken by the North-West London ICS with the aim to have clear sight of all spend, activity & impact of BCF schemes did not result in in-year changes during 2024/25 as previously highlighted as a risk. The BCF schemes totaling £55m in Brent continue to be on track to deliver outcomes.

Public Health

4.1.11 The Public Health grant as at Quarter 3 is forecast to break even at year end despite the impact of high inflation on key contracts procured under the NHS national Agenda for Change (AfC), where the majority of public health services are commissioned. Pressures had arisen due to medical pay awards significantly exceeding the initial increases in the Public Health grant. However, a recent announcement of additional funding £0.5m is expected in Quarter 4 to cover these pay awards has alleviated some of the financial strain. To address any remaining pressures and ensure the continued delivery of essential services, funds from the Public Health earmarked reserve will also be utilised.

4.1.12 Spending on Public Health initiatives funded by the Supplementary Substance Misuse Treatment and Recovery Grant (SSMTRG), Rough Sleepers Drug and Alcohol Treatment Grant (RSDATG), Stop Smoking Grant, and Start for Life Grants is progressing as planned and aligned with the outcomes outlined in their respective guidelines. However, funding for these grants except for the Stop Smoking Grant is not guaranteed beyond 2024/25. The SSMTRG and RSDATG have enabled a significant expansion of local treatment services, leading to improved outcomes. While the Office for Health Improvement and Disparities (OHID) has provided positive indications of at least one additional year of funding, the service is proactively developing a contingency plan to utilise the Public Health reserve to sustain these outcomes in 2025/26 if required.

4.1.13 Sexual health services are facing mounting challenges due to rising demand driven by increasing rates of sexually transmitted infections (STIs), including the emergence of new infections and growing clinical complexity, such as antimicrobial resistance. These pressures are compounded by broader public health constraints, necessitating innovative approaches to service delivery. To address this, the service is working collaboratively with providers to explore the expansion of online offerings. This strategy aims to enhance accessibility and meet rising demand while minimising costs. Expanding these services could help ensure timely diagnosis, treatment, and prevention, particularly considering constrained resources and evolving public health challenges.

Leisure

4.1.14 The Leisure service is dependent on income generation, making it vulnerable to financial challenges from fluctuating demand or unforeseen cost increases. The current Quarter 3 forecast reflects a budget pressure of £0.3m primarily driven by pressures of £0.2m at Bridge Park Community Leisure Centre and £0.2m at Vale Farm, this is partially offset by a £0.1m underspend in the sport services operations budget. The council is actively exploring more sustainable strategies to manage income variability and address the rising operational costs of the service.

4.1.15 The rising costs of running and maintaining the Bridge Park Community Leisure Centre continues to place significant pressure on the budget. There have been increases in income for some services, however it is still not sufficient to fully offset the growing expenses for staffing, cleaning, security, and repairs. To address these challenges, the service continues to explore opportunities to boost income, such as renting out office space, and reducing expenses through more efficient contract negotiations.

4.1.16 The Leisure services at Vale Farm Sports Centre are provided through a Tri-Borough contract involving Brent, Ealing, and Harrow councils. The forecast pressure of £0.2m is due to a shortfall in income arising from the reduced management fee income agreed with the contractor to help address the rising costs of utilities and other goods and services. Both Ealing and Harrow councils are making similar reductions to the management fee income to support the continued delivery of this service.

4.1.17 At Willesden Sports Centre, the increasing indexed unitary charges and rising utility costs are creating significant financial pressures. To help manage these challenges, a £1m smoothing reserve is available to address the fluctuating cash flows, though it is anticipated that most of this reserve will be utilised during 2024/25, with a projected drawdown of £0.8m. The council is working closely with leisure providers to ensure the long-term delivery of an affordable and sustainable service that does not rely on the reserve which is due to run out by 2025/26.

Savings and Slippages

4.1.18 The department has a savings target of £0.8m to deliver in 2024/25. Most of the savings are on track to be delivered, however, savings target CHW01 – technology enabled care (£0.1m) will be delayed as work required in determining an approach to deliver the saving is still underway.

Summary of Key Assumptions

4.1.19 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)

Children and Young People (GF)	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Central Management	1.8	2.0	0.2
Early Help	5.5	5.0	(0.5)
Inclusion	3.8	3.8	0
Localities	24.4	24.4	0
Looked After Children and Permanency	7.4	7.9	0.5
Forward Planning, Performance & Partnerships	45.8	46.9	1.1
Safeguarding and Quality Assurance	2.2	2.1	(0.1)
Setting and School Effectiveness	0.1	0.2	0.1
Total	**91.0**	**92.3**	**1.3**

Summary

4.2.1 The CYP directorate is projecting an overspend of £1.3m at the end of Quarter 3, including additional in-year savings of £1.0m. This reflects a £1.8m movement from the underspend forecast of £0.5m reported at the end of the previous quarter, mainly driven by pressures against the placement budgets. The unpredictable nature of the demand for placements presents risks and uncertainties which make it challenging to provide accurate full year spending forecasts. As a result, this position may fluctuate further by the end of the financial year.

4.2.2 The budget for SEN Transport, which covers transport services for adults with social care needs, transferred to CYP at the beginning of the financial year. This budget is reporting a break-even position as at Quarter 3.

Forecast

4.2.3 The Forward Planning, Performance and Partnership (FPPP) service is reporting an overspend of £1.1m due to the following reasons:

- The placements' budgets are experiencing a net pressure of £0.9m, primarily driven by costs associated with residential and secure placements. Quarter 3 has seen an unprecedented rise in clients with very high needs entering care. The forecast accounts for a net increase of seven additional clients in residential placements by the end of the financial year. This pressure is partially mitigated by underspends in the Independent Foster Agency (IFA) placements budget, resulting from lower client numbers. While the number of clients in supported accommodation grew during quarter 3, this specific budget is expected to remain balanced due to reduced unit costs compared to last year, achieved through effective commissioning practices.

- £0.1m overspend against the Business Support budget due to staffing pressures and a net overspend of £0.1m in all other areas.

4.2.4 LAC and permanency is reporting a £0.5m overspend, mainly driven by legal costs and some pressures within the Contact team, particularly related to out-of-borough contact services. Legal costs, which are largely unavoidable, are influenced by the number of court proceedings and are challenging to predict. The pressure this year relates to a small number of legal challenges and high-cost legal disbursements linked to age assessments of Unaccompanied Asylum-Seeking Children (UASC). Numbers are expected to reduce towards the end of the financial year, in line with trends in the last 3 years.

4.2.5 The Localities service which includes demand led care packages for Children with Disabilities' (CWD) is reporting a breakeven position:

- There are pressures against the CWD budget due to the number of supported clients rising by 5% since March 2024. A cost driver in this area is the increasing number of Education, Health, and Care Plans (EHCPs) which also has an impact on the High Needs Block of the Dedicated Schools Grant. Care packages are also seeing significant price increases including 5% increases in Care at Home and 10% in Direct Payments. The Localities and the LAC and Permanency services are also reliant on the need to use agency social workers to cover vacant positions.

- These pressures have been mitigated by in-year savings within the Direct Payment budgets, higher levels of claw backs from overpayments and an expected 10% reduction in agency costs.

4.2.6 The forecast against the Early Help budgets is an underspend of £0.5m, mainly derived from the Brent Family Solutions service and the Barnardo's contract which supports the Brent Family Well Being Centres. The forecast includes in-year savings of £131k agreed for this area and a drawdown of reserves to fund ongoing projects.

4.2.7 To manage the pressures mentioned above, a CYP Placement Commissioning Board has been put in place to oversee the development of two workstreams:

- Growing Brent's in-house foster care provision by developing a new and competitive package for in-house carers and reducing the requirement to use more expensive Independent Fostering Agencies (IFAs).

- Promoting greater independence for care-experienced young people thereby reducing placement spend and the number of care-experienced young people in paid for accommodation through a system-wide approach that supports young people transitioning to independence (e.g., working with the Housing department to enable tenancy sustainment, ensuring care leavers claim Housing Benefit when entitled with the aim of reducing the impact on the placements' budget).

4.2.8 CYP management continue to take steps to improve recruitment and retention of social workers including several recruitment drives, a weekly Establishment Board created to scrutinise all agency recruitment, and corresponding activity to achieve permanency through conversations with agency staff to convert to permanent roles. The drive to achieve a further 10% savings against agency costs has resulted in cost avoidance of £129k since the commitment was made in October 2024 and if the trend of the reduction in agency cost continues, the £200k in-year savings target will be achieved.

Risks and Uncertainties

4.2.9 The main risks and uncertainties impacting on the CYP directorate stem from inflationary pressures resulting in increased costs from private providers of fostering, semi-independent and residential accommodation for looked after children. Therefore, ongoing actions are being undertaken by the directorate to control spend within the funding envelope available.

4.2.10 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, thereby exacerbating the pressure to achieve the expected savings for this financial year. This risk is considered to be low as the latest forecast (breakeven) incorporates the latest data on clients and routes for the new academic year and it is unlikely that there will be major changes.

4.2.11 Recruitment and retention of skilled and experienced social work staff continues to be a risk within the Localities and LAC and Permanency services with agency staff occupying a high proportion of the workforce in some teams. The current agency cost is expected to reduce by 10% to achieve the expected in-year savings.

4.2.12 The volatility surrounding the placements budget for LAC is a key challenge. If demand for residential placements increases, the financial pressure also increases as an individual high cost residential or secure placement can cost up to £0.5m per annum.

4.2.13 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 the 2024/25 FY.

4.2.14 The CWD 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. The average cost of supporting a new CWD client can range between £8k (Direct Payment) to £33k. These are average costs and some of the most expensive packages can be substantially higher.

4.2.15 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 directorate, particularly in events where placement charges are disputed.

4.2.16 The forecast position is also dependent on estimated income from the Home Office for UASC and Care leavers (£3m) and health contributions from the ICB (£1.66m). Any major fluctuations against these income streams could impact on the outturn position.

Savings and Slippages

4.2.17 The directorate has a £1.9m savings target to deliver in 2024/25 which is forecast to be met, as well as £1.2m savings against the SEND Transport budget, however, this has now been deferred to 2025/26 when the newly approved transport policy will begin to gain traction, with the anticipated impact of the policy to drive cost savings.

4.2.18 There are savings from reductions in care packages of £0.9m, staffing efficiencies of £0.5m, £0.4m 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 directorate.

4.2.19 As part of the requirement to deliver in-year savings to address the challenging financial situation the Council is facing, the directorate has reviewed some of the savings previously planned for 2025/26 with the potential to bring these forward into the current financial year. As of October 2024, the directorate had identified c£1.0m worth of in-year savings. However, these savings have been subsumed by the inherent pressures against the demand led placements budget, leading to a shift from a forecast underspend position in quarter 2, to a forecast pressure of £1.4m in quarter 3.

4.2.20 There is limited time to implement any structural changes to find additional in-year savings other than those already identified, particularly given the newly identified pressures against the CYP budgets. Any further reduction in agency staff would increase caseloads for the remaining staff and significantly increase several risks, many related to safeguarding, that would be extremely challenging for the directorate to manage effectively. The directorate continues to scrutinise all aspects of discretionary spend to identify where greater impact can be seen in this financial year.

Summary of Key Assumptions

4.2.21 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 815 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.
CWD placements forecast assume numbers of 684 and packages & unit costs reflect current trends	An increase in the number of packages would place pressure on the budget.		Rigorous gate keeping of care packages. Enhanced clawback arrangements.
Health contributions for CYP placements and	spend will not be mitigated by these contributions	It will assist in mitigating overall net spend.	Maximising joint funding approaches with health to ensure contributions to placement costs where

Children with Disabilities (CWD) packages will be lower than the 2023/24 levels.	in proportion to the overall demand.		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	A significant increase in the number of children with Education, Health and Care Plans which would place additional pressure on the budget	A reduction in the number of children with Education, Health and Care Plans.	A full implementation of the SEN Transport policy and on-going review of the management of the SEN Transport contract by the SEN Travel Board, including monitoring of KPIs.

4.3 Neighbourhoods and Regeneration

Neighbourhoods and Regeneration	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Public Realm	24.7	23.7	(1.0)
Inclusive Regeneration & Employment	2.9	2.5	(0.4)
Property & Assets	7.8	7.5	(0.3)
Total	**35.4**	**33.7**	**(1.7)**

Summary

4.3.1 Neighbourhoods and Regeneration Directorate are currently forecasting an underspend of £1.7m at Quarter 3. This underspend is a result of in-year savings implemented to assist the Council with forecast budget pressures. These savings come from a review of the resources available to department, and largely come from the utilisation of reserves and additional income that is forecast to be generated by the Parking service in 2024/25.

4.3.2 The service is expecting to generate more income from the parking service, based on forecast PCN income. Smaller savings come from bringing forward voluntary redundancy dates, and minor restructures related to this.

4.3.3 Property and Assets has moved into the Neighbourhoods and Regeneration directorate in Quarter 3, and Strategic Housing is now part of the Planning and Development service within Inclusive Regeneration and Employment.

Risks and uncertainties

Inclusive Regeneration & Employment

4.3.4 Within Inclusive Regeneration & Employment, pressures reported on income generated by Building Control and Planning remain.

4.3.5 Building Control have been impacted in their ability to generate fee income by scaling back or cancellation of major developments, which has resulted from the increases to interest rates and material costs experienced in recent times. At the same time the service has also been affected by 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.

4.3.6 Planning and Development services have been similarly affected to Building Control by the recent financial climate, with application and pre-application fee income seeing a decline in recent years. This was managed in 2023/24 due to an implementation of fee increases in December 2023, which is expected to be sufficient to prevent any pressures in 2024/25.

Public Realm

4.3.7 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 become embedded.

4.3.8 The largest contract is the new waste contract, and this contract is also experiencing the most pressure currently. Within the service there is close monitoring of recycling tonnage, and market prices for recyclates, to ensure they align with the predicted figures for the contract. The material prices can suffer significant swings, for example across 2023/24 there was an 80% swing between the highest and lowest price achieved for cardboard. As at Quarter 3, higher variable costs and market fluctuations for various materials, including card, paper and aluminium have led to a pressure.

4.3.9 In 2024/25 there has been an increase in residual waste tonnage collected, with the current forecast expected to be an 8% increase on the prior year tonnage. The main drivers for this appear to be the poor quality of communal recycling, this means it cannot be recycled and therefore has to be disposed of as residual waste. An increase in fly-tipping in recent years has created additional collection/cleaning and disposal costs. Alongside this increase in tonnage, waste disposal costs have also been rising. Disposal costs per tonne are expected to be 8.5% higher in 2024/25 than last year.

4.3.10 It was anticipated that 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. These reserves are enabling the service to remain within budget for the current year despite the pressures. The service is working on mitigations and performance improvements to ensure that service can continue to operate in future years, once the reserves have been utilised.

Property & Assets

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

4.3.12 Based on the current forecasts of energy prices from the Council's 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. The current estimate is an underspend of £0.4m. Energy prices are prone to fluctuations, which has resulted in a revision of £0.2m since Quarter 2.

4.3.13 The underspend in Property & Assets is offset by a projected £0.1m pressure in car park income as a result of works in Wembley Triangle which is expected to affect demand.

Savings and Slippages

4.3.14 Savings for 2024/25 were set under the Council's previous structure. Following the senior leadership realignment, savings have been realigned and £2m of savings are attributable to the new Neighbourhoods and Regeneration department. Of this £2m target, £0.7m relates to finding new tenants for parts of the Civic Centre, which has now been deferred to 2025/26.

4.3.15 At Quarter 3 there are no reported issues within Public Realm and Inclusive Regeneration & Employment, all savings in those areas are expected to be delivered in-year.

4.3.16 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
That newly implemented in-year savings can be achieved. This also assumes that the service would otherwise have broken even.	If the savings are not achieved, it will put pressure on the Council's overall budget.	There are significant pressures on the Council's overall budget, so if further savings are achieved to will go towards alleviating this.	Work has already begun to achieve the savings. Some are straightforward, such as holding vacancies and therefore already achieved.
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 arriving through the BSR are being closely monitored to ensure accurate forecasting. A reserve was created in 2023/24 to mitigate pressures whilst a longer term plan is implemented.

Recycling performance will improve and material prices for the recyclates will be in the forecast range.	The full reserve could be utilised and pressures spread into future years. There is a £560k difference between the central and worst case when modelling the cost of the recyclate reprocessing budget.	If recycling improves it will reduce the cost of waste disposal, leading to a rebate on forecast charges. Based on prior years this could be up to £500k. 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.
The waste contract now has some variable elements which are paid for as used, for example winter maintenance. It is assumed that usage will be within the expected range.	This will create a financial pressure for the service, likely leading to an overspend.	The expected budget for this element would not be utilised. This could then be used to cover pressures elsewhere.	The service are aware of the costs of the variable elements. The volume is therefore closely monitored to ensure that the usage is appropriate.

4.4 Law and Governance

Law and Governance	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Legal Services	4.9	5.3	0.4
HR & Organisational Development	3.6	3.3	(0.3)
Democratic Services	5.5	5.5	0.0
Total	**14.0**	**14.1**	**0.1**

Summary

4.4.1 The Law & Governance Directorate are forecasting an overspend of £0.1m at Quarter 3, compared to an underspend forecast at Quarter 2. This underspend was a result of in-year savings implemented to assist the Council with forecast budget pressures. However, there are a number of underlying budget pressures, especially in Legal Services, which existing actions have not been able to fully control, and therefore need to be recognised in the Quarter 3 forecast.

4.4.2 Legal Services was reporting to breakeven in the Quarter 2 report, however as of October 2024 the revised forecast is an overspend of £0.4m. This is mainly due to vacancies which are covered by agency staff. Legal Services have implemented a recruitment strategy to try and fill the vacancies with permanent staff. However, this hasn’t been delivered at the speed Legal Services anticipated. As a result of high agency costs the department is likely to overspend by £0.5m on staff costs for 2024/25.

4.4.3 Some of the Legal Services overspend will be met by £0.2m of additional income which the legal service has generated through a review of debt recovery cases.

4.4.4 Human Resources are expected to underspend by £0.3m as a result of the achievement of their in-year savings targets. This largely comes from a review of the Occupational Therapy Services budget, and an element of the training budget that will not be utilised.

4.4.5 Democratic Services is currently expecting to break even. The Department has implemented in-year savings around £0.1m, however this has been offset by a higher volume of compensation payments by the Complaints service than had been anticipated.

Risks and uncertainties

4.4.6 Brent's council-wide homelessness and temporary accommodation pressures have led to the use of specialist agency staff which has resulted in an overspend on salaries.

4.4.7 Additionally, the department is experiencing budget pressures due to increases in Barrister fees since the start of the year when a new Framework was procured through the London Boroughs Legal Alliance. The new rates are generally advantageous compared to rates available outside that framework but are higher than under the previous framework. The service is seeking to mitigate this by close controls over instruction of barristers and by increasing advocacy capacity internally.

Savings and Slippages

4.4.8 Human Resources is on track to deliver an in-year saving of £0.3m with underspends being reported for Occupational Therapy services and the corporate training budget.

4.4.9 As at Quarter 3 Democratic Services is on track to deliver £62k in year savings plus an additional underspend of £16k due to staff vacancy.

4.5 Finance and Resources

Finance and Resources	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Finance Services	7.2	7.2	0.0
Organisational Assurance & Resilience	4.2	4.1	(0.1)
Shared Technology Services	0.0	0.0	0.0
Total	**11.4**	**11.4**	**(0.1)**

Summary

4.5.1 The Finance & Resources directorate is reporting an underspend of £0.1m at Quarter 3.

4.5.2 Finance Services has four service areas: Core Finance, Finance Transformation Programme, Pensions and Transactional Finance. Currently these are all forecast to break even.

4.5.3 Organisational Assurance & Resilience is forecast to underspend by £0.1m this year. There is a £0.1m underspend in Audit & Investigations. This is due to staff turnover causing temporary vacancies and this budget will be fully utilised once posts are filled in order to deliver the planned audits.

4.5.4 Within Organisational Assurance & Resilience, Insurance is forecast to break even this year. However, there is a shortfall in schools' income of £0.5m. This shortfall is due to the government now offering insurance directly to schools. The RPA Insurance offered by the Government is cheaper than the insurance the Council can offer. Unfortunately, as the council self-insures to a significant level, the reduction in income from schools is not offset by a corresponding reduction in expenditure this year. The property insurance premium has been uplifted by nearly £0.1m due to out-of-date reinstatement valuations, this risk will continue to increase if this is not addressed, the service is in the process of commissioning valuations to bring this up to date. The budget will need to be reviewed to understand if the loss of income is a permanent structural issue and to what extent it can be offset by actively managing insurance premiums. The Council has an insurance earmarked reserve of £5.3m to manage peaks and troughs of claims between years, which will be used in 2024/25 to cover the overspend.

4.5.5 Shared Technology Services (STS) is expected to break even. The costs for Shared Technology Services are split between Brent, Southwark and Lewisham, so income is equal to expenditure for STS.

Savings and Slippages

4.5.6 A total of £1.1m in savings was planned for Finance and Resources 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. However, due to the internal restructuring, Property & Assets has moved to Neighbourhood & Regeneration since November and part of the savings target (£0.8m) is for Property & Assets.

4.5.7 Savings of £22k that were to be delivered by utilising sharepoint to replace software used by Organisational Assurance & Resilience have been delayed until 2025-26, as the relevant software license expires in March 2025.

Risks & Uncertainties

4.5.8 There is a risk that the insurance income is further reduced from schools due to the cheaper and more user-friendly insurance introduced by the Government.

4.5.9 A significant driver of the long-term cost of insurance is the number and value of claims for injuries and vehicle damage relating to footways and highways, this is currently increasing, which if unaddressed will increase the cost of insurance. The service continues to be pro-active in working with relevant council departments, such as highways, to address issues where claims are prevalent.

4.6 Partnerships, Housing and Resident Services

Partnerships, Housing and Resident Services	Budget (£m)	Forecast (£m)	Overspend / (Underspend) (£m)
Communications Insight and Innovation	15.5	15.0	(0.5)
Communities & Partnerships	4.3	4.1	(0.2)
Housing Needs & Support	2.2	17.4	15.2
Private Housing Services	0.3	0.2	(0.1)
Residents Services	14.7	13.2	(1.5)
Housing & Resident Services Corporate Director	2.1	2.1	0.0
Total	**39.1**	**52.0**	**12.9**

Summary

4.6.1 The Partnerships, Housing and Resident Services Directorate is forecasting a budgetary pressure for 2024/25, which could amount to £12.9m. It is directly attributable to the high level of pressures in the Housing Needs and Support service resulting in a possible £15.2m projected overspend, which is partially reduced by in-year saving measures across other service areas within the department. In-year saving measures amounting to £2.3m are largely achievable as a result of holding vacant posts, generating additional income and reviewing opportunities to postpone expenditure plans in the short term. This forecast shows a £1m reduction in the projected overspend in comparison to Quarter 2. This is due to a £1m increase in projected in-year savings as a result of re-prioritisation of existing resources and future commitments.

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 The Household Support Fund (HSF) grant has been extended for 12 months, until 31 March 2025, to support residents through the cost-of-living crisis. The initial £2.8m grant for April to September 2024 was fully utilised, and a further £2.8m was received in October 2024, to be spent by March 2025. This is anticipated to be fully utilised to continue to support households receiving free school meals, Care Leavers, Disabled households on Housing Benefits, Credit Union and external partners. An amount will also be 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 (MTFS) 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 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 an underspend in line to achieve its in-year savings for areas other than Housing Needs for 2024/25. However, there are risks and uncertainties that could impact the year's final financial outturn position.

Risks and uncertainties

4.6.6 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%. The current number of homelessness applications received equates to an average of 133 applications per week. If demand remains at the same rate this would result in a total of 6,862 applications for the year, a 6% reduction on the previous year. However, the reduction continues to be in approaches from single people, rather than families, which are forecasted to remain constant. As at the end of November 2024, the total number of homeless households living in emergency type accommodation had risen to 1179, with the service placing an average of 26 households every week. This is a 28% rise in comparison to April 2024 that had 922 households in stage 1 temporary accommodation and an 11% increase when compared to August 2024.

4.6.7 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 £101.5m (38.5%) higher in 2024/25 than it was in 2023/24. Brent has seen a 259% increase in the deficit between 2022/23 and 2023/24. The gross total monthly TA spend was £93.1m in July 2024, up 35.41% on a year earlier. Across London, the total number of households in temporary accommodation has increased by 10.2% and the total number of families living in B&B accommodation rose by 7.2% when compared to the previous year. There was a 4.9%% decrease in families living in B&Bs beyond the six-week limit.

4.6.8 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.

4.6.9 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.

4.6.10 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. The Office for National Statistics has published its latest private rent and house prices bulletin providing figures for October 2024. To note, in the months to October 2024 average UK private rents increased by 8.7%, this is up from 8.4% in the 12 months to September 2024. Average rents increased to £1,348 (8.8%) in England, with rent inflation highest in London (10.4%) and lowest in Yorkshire and the Humber (5.9%).

4.6.11 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 £344 per week.

4.6.12 In 2023/24, the total subsidy loss for the Council amounted to £10.4m. In 2024/25, the Council has changed its approach to B&B rental charges where these are now set at 90% of the 2011 Local Housing Allowance (LHA) rate. Previously B&B rents were charged at the same level as costs paid to the accommodation provider. Whilst Housing Benefit (HB) would fund either the full or the assessed cost to the tenant on HB, the Council would incur a subsidy loss as it would only be able to recover HB at a subsidy rate of 90% of the 2011 LHA. This loss would be charged to TA. Rents set at 90% of the 2011 LHA allow to minimise subsidy losses, however the TA budget needs to cover the difference between the cost paid to the accommodation provider and the HB subsidy. This change therefore has no effect on the overall forecast as what would have previously been a subsidy loss, is now borne directly by the Housing Needs service.

4.6.13 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. At the end of November 2024, the average percentage of approaches that had successfully been prevented or relieved in 24/25 reached 51%.

4.6.14 In 2024/25, i4B is continuing its street property acquisition programme and had 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 August 2024, 34 properties have been acquired and these property sizes range between one to five bed properties, meaning i4B has exceeded its target for the year and is on track to acquire a total of 40 properties in the year. Negotiations are in progress for additional properties in the borough. i4B continues to be self-financing and the current portfolio results in an annual saving in excess of £4m in Temporary Accommodation costs. Whilst building and new acquisitions would not solely resolve the homelessness crisis, the Council is doing everting within its powers and the funding available to source new supply. Any new supply would help to avoid additional housing costs and mitigate the risk of the projected overspend increasing.

Supported Exempt Accommodation

4.6.15 In addition, the supported exempt accommodation properties are leading to growing financial pressures on the Council and present a new budgetary risk for 2024/25. This is because providers are not constrained by the LHA caps like other landlords and are able to charge a higher rent once they justify that they are providing support. The amount of Housing Benefits subsidy is dependent on the Rent Officer decision and is awarded based on the claim related rent. This is a national challenge as there is a need for better regulation around the agreed criteria that a provider should meet to be considered as a Supported Exempt Accommodation provider and further clarity on what constitutes as minimal care would enable a universal approach when considering an individual's support needs. A detailed review has taken place within the Adult Social Care and Single Homelessness Team to ensure providers can adequately fulfil the care and support duties required for Supported Exempt Accommodation. It has been established that the main referrers are coming from the Voluntary Sector from services such as Crisis, Thames Reach and Single Homeless Prevention Service (SHPS). Historically, this has not been a significant budget pressure for the Council and has been managed corporately within Central Budgets. At this stage an overspend of £4.5m is forecasted, while further analysis is carried out to understand the scale and quality of referrals from external organisations.

4.6.16 A dedicated working group has been set up within the Council and its work aims to minimise the opportunities for exploitative landlords to join the Supported Exempt Accommodation market by introducing a clear strategy on the Council's mechanisms to review landlords that enter this market and those already established. Reviews will also be carried out to consider the individual's support care needs and to verify whether the provider is providing the appropriate amount of care.

4.6.17 A consultation is expected to be launched on the implementation of the Supported Exempt Accommodation Act. The Supported Housing (Regulatory Oversight) Act was introduced in 2022 and came into force on 29 August 2023. The Act introduces national standards for support and give local housing authorities power to set up licensing schemes to manage the scale and distribution of supported accommodation and tackle poor quality supported housing. As Government starts consulting on the standards and licensing and more details becomes known, further horizon scanning will continue to ensure the outputs of this work are aligned to the new requirements.

Savings and Slippages

4.6.18 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 will not be achieved in the current financial year due to slippages against the delivery of this saving, however it is anticipated that any slippages will be managed by the department through one-off in year 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 £344 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 £344 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 per quarter	A 5% improvement in the collection rate will recover £0.4m.per quarter	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 30 November 2024 is £217.4m (£217.1m at 31 August). As at the end of November 2024, the amount collected was 67.2%, a decrease of 2.6% when compared to the in-year target and 1.2% lower than the amount collected in the same period in 2023/24.

4.7.2 In 2023/24, 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. Based on the collection in the year to date, a similar or lower level of collection on the current year liabilities can be expected at the end of 2024/25, indicating that the issues that have been negatively affecting the collection of Council Tax are continuing. The most prominent of these impacts is the ongoing cost-of-living crisis, which has been exacerbated in Brent by levels of unemployment above national and London averages. Collection continues beyond the end of the financial year and 93.5% of the 2023/24 debt has now been collected at 30 November 2024. However, this remains below 94% and 3.5% below the long-term collection target of 97%. Evidence suggests that debt becomes much harder to collect after two years have passed.

4.7.3 The Revenue and Debt service are utilising external resources to enable a deeper analysis of the outstanding Council Tax debts and the reasons for non-payment. The analysis will also enable the service to segment the debts based on the likelihood of collection. The service is reporting regularly to the Budget Assurance Panel and working together with the Finance department to ensure that appropriate actions can be taken which maximise the collection within the resources that the Council has available.

4.7.4 In the current uncertain funding environment for local government low collection of Council Tax represents a 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 been depleted in recent years due to high inflation and demographic pressures. The Draft Budget for 2025/26 approved by Cabinet in November 2024, did not include reductions in the assumed collection of Council Tax or of the growth in the taxbase. However, ongoing low collection of Council Tax will result in a permanent reduction in resources for the Council through a reduction in the taxbase used for budgeting purposes.

4.7.5 Further updates on Council Tax collection and the growth in the Council taxbase, including benchmarking and analysis of how Brent compares to its nearest neighbours and the implications for the budget, will be brought forward in the Council Taxbase report to General Purposes Committee in January 2025 and the Budget & Council Tax report in February 2025. If the conclusions drawn in these reports are that a permanent reduction to the resources assumed in the budget is required, this will result in an additional budget gap that will be addressed in the MTFS update to Cabinet in summer 2025.

Collection Fund – Business Rates

4.7.6 The budgeted net collectable amount for Business Rates (NNDR) for 2024/25 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.

4.7.7 The actual net collectible amount for NNDR as at 30 November 2024 is £133.2m, a reduction of £2.3m since August and £6.9m from the budget in January 2024. This is mostly due to additional empty properties and properties with charitable occupation for which relief is given to the businesses. Further 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.

4.7.8 Any movement in the net collectible amount for NNDR does not directly affect the General Fund in the current financial year 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 budgeted amount, 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.

4.7.9 The reduction in business rates income resulting from the additional empty property relief and charitable occupation relief are unfunded reliefs, meaning that this will result in a deficit that will affect the 2025/26 budget. However, the Council holds a Collection Fund reserve for the purpose of smoothing out any unexpected surpluses/deficits on the Collection Fund. It is expected that this deficit will be contained within the available reserve.

4.7.10 As at 30 November 2024, the amount collected was 67.8%, which is 3.3% below the amount collected in the same period in 2023/24 (71.1%). This is partly due to ongoing delays with the payment of a small number of large liabilities. However, it is expected that these will be resolved before the end of the financial year.

4.7.11 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. As with Council Tax, benchmarking and analysis of how Brent compares to its nearest neighbours and the implications for the budget, will be brought forward in the Budget & Council Tax report in February 2025.

Savings

4.7.12 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. Since Quarter 2, the Property service has been transferred from the Finance and Resources directorate to the Neighbourhoods and Regeneration directorate, resulting in a corresponding change to the directorate savings targets. All other savings targets remain unchanged from Quarter 2. Of the savings for 2024/25, at quarter 3, 92% of these are on track to be delivered (96% Q2), which equates to delivering £6.9m of the £8.0m budgeted savings required (87% Q2).

Virements

4.7.13 The table below shows the virements which have been entered to adjust the budgets at Corporate Directorate level from August to October 2024. Cabinet are recommended to approve these virements.

	2024/25 In-Year Budget at 01.08.2024	**In-year growth**	**Transfer of functions between services**	**Technical Adjustments**	**2024/25 In-Year Budget at 31.10.2024**
	£m	**£m**	**£m**	**£m**	**£m**
Community, Health and Wellbeing	156.2	0.0	0.0	0.1	156.3
Children and Young People	91.0	0.0	0.0	0.0	91.0
Neighbourhoods and Regeneration	29.4	0.0	7.8	(1.8)	35.4
Partnerships, Housing and Resident Services	38.9	0.0	0.0	0.2	39.1
Law and Governance	13.8	0.2	0.0	0.0	14.0
Finance and Resources	19.2	0.0	(7.8)	0.0	11.4
Central Items	(348.4)	(0.2)	0.0	1.5	(347.2)
Total Budget	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

4.7.14 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. The table above includes the following in-year growth items added between August and October 2024:

- Temporary funding for the Strategic Change Programme in the Law and Governance Directorate (£0.2m).

4.7.15 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. The table above includes the following transfer of functions between services items added between August and October 2024:

- Transfer of the Property and Assets service from the Finance and Resources directorate to the Neighborhoods & Regeneration directorate (£7.8m)

4.7.16 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). The table above includes the following technical adjustment items added between April and July 2024:

- Permanent deduction from the Neighbourhoods and Regeneration directorate budget for the costs of prudential borrowing in respect of vehicles for the Redefining Local Services (RLS) programme (£1.6m).
- Permanent allocation of funding for the Climate Emergency (£0.1m).
- Permanent transfer of budget for a service manager from Neighbourhoods and Regeneration directorate to Community, Health and Wellbeing directorate (£0.1m).
- Permanent transfer of budget for Environmental Strategy from Neighbourhoods and Regeneration directorate to Partnerships, Housing and Resident Services directorate (£0.1m).

New Grants

4.7.17 There are two new grants for Cabinet to note. These have been included in sections 4.7.18 and 4.7.19 below.

4.7.18 On 29 July 2024, the DfE announced almost £1.1b of funding through the CSBG to support schools with their overall costs in the 2024/25 financial year, in particular following confirmation of the 2024 teachers' pay award. The indicative grant allocation for Brent mainstream schools (excluding Special Schools) in 2024/25 is £2.6m, and special schools will be funded at £703.05 per place. The funding for mainstream primary, secondary and all through schools will be incorporated into core budget allocations for 2025/26, by being rolled into the schools NFF for 2025/26. Funding for Centrally Employed Teachers will be rolled into the Central Schools Services Block funding for 2025/26. For special and AP schools and hospital education, the government will combine the CSBG, teachers' pay additional grant (TPAG) and teachers' pension employer contribution grant (TPECG 2024) allocations into a single grant and paid to local authorities to allocate to these settings.

4.7.19 A recent announcement of additional funding has been made. The Council is expected to receive £0.5m in Quarter 4. This has been provisionally earmarked to alleviate the financial strain from the pay award.

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	77.0	77.2	0.2
Early Years Block	35.2	35.2	0.0
Central Block	2.1	2.1	0.0
Total DSG	**235.9**	**236.1**	**0.2**

5.1 Summary

5.1.1 The DSG forecast is reflecting a deficit of £0.2m, against grant funds of £235.9m for 2024/25, mainly due to pressures from High Needs (HN) Block. he forecast assumes that the other funding blocks will achieve a balanced budget by the end of the financial year.

5.1.2 The cumulative deficit stood at £13.2m as of the close of the 2023/24 financial year, due to rising demand for High Needs provision, coupled with the pressures on top-up funding allocations. The DSG budget is projected to end the 2024/25 financial year with a slight increase to the cumulative deficit, which is now forecast at £13.4m.

5.1.3 The overall DSG allocation has decreased by £0.6m, from the initial allocation in December 2023, due to an in-year adjustment by the DfE in July 2024. The adjustment relates to £0.1m decrease in the HN Block funding for Brent children attending schools in other local authorities and £0.5m decrease in the Early Years Block following the completion of the January 2024 census which saw a reduction in hours of childcare provision compared to the January 2023 census data. There was a 9.5% decrease in take-up of the two-year free entitlement in Brent and this is reflective of a 7% decrease in take-up nationally. This decrease is attributed to three factors including falling birth rate in recent years, the transition to universal credit from legacy benefits and income thresholds for the eligibility criteria remaining unchanged whilst average incomes have risen in recent years. The reduction in funding in mitigated by small underspends within the Early Help central services budgets due to staff vacancies.

5.1.4 It is worth noting that this position is likely to change over the next few months as payments to childcare providers for the autumn term would determine if there has been an increase in the number of take up hours for EY provision from September 2024 and in the Spring term from January 2025. In addition to this, due to changes in EY funding from September 2024 - working parents of 9 months – 3 years old can receive up to 15 hours a week free education and childcare, which will also have an impact on the overall outturn.

5.1.5 Although the HN Block allocation increased by £2.8m in 2024/25 (£6.9m in 2023/24), as in previous years, the number of children with EHCPs has continued to rise. As a result of this growing demand, there is continued pressure on the HN Block. Growth in EHCPs is a national and London trend with the number of children assessed as meeting the threshold for support continuing to increase. However, the HN funding has not increased in line with the growth in demand creating financial pressures. Between January 2024 and September 2024, there was an 8% increase in children and young people with an EHCP, with the number increasing from 3508 to 3782 over this period and this represents a 12% increase when compared to September 2023.

5.2 Forecast

5.2.1 The £0.2m deficit against the HN Block is a £0.2m reduction from the £0.4m pressure reported in quarter 2. This is mainly due to a £0.2m reduction in the forecast pressure against the HN and EY Blocks, to reflect the movement in activities within these budget areas since the last reporting period.

5.2.2 The forecast also includes a small adverse adjustment of £0.09m following confirmation of the import/export adjustment by the DfE in September 2024. This is the net impact of Brent children attending educational settings outside the borough and children from other local authorities attending Brent schools.

5.2.3 The main elements of the forecast position are further detailed below:

i. £0.4m forecast pressures against in-borough mainstream schools' (including academies) top up funding due to the introduction of a new level of funding allocated to mainstream schools with EHCPs for pupils awaiting placements in special schools.

ii. There is a further pressure of £0.3m against the education costs of children placed in independent and residential settings. This is partially mitigated by an additional forecast recoupment income of £0.1m to claim back the cost of children attending Brent schools placed by other boroughs.

iii. £0.7m pressure against the cost of placing Brent children in schools out of borough. The post-16 budget is projecting a breakeven position as it is difficult at this stage to accurately forecast the post-16 costs due to delays in various settings confirming their charges to the local authority. New pupils also join in the spring term which makes it difficult to predict the forecast based on pupil numbers. As such, the forecast against the post-16 budget line is subject to change later in the financial year.

iv. The above pressures are expected to be mitigated by forecast under-spends of 0.7m against SEN support services, including Education Otherwise/Awaiting Placement and a further forecast underspend against the SEN support budget due to slippage against the training budget earmarked for the graduated approach programme.

5.2.4 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.

5.2.5 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.

5.3 Risk and Uncertainties

5.3.1 There remains a risk that the number of children and young people with Education Health and Care Plans (EHCPs) will continue to grow above forecast levels. 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 2.8% 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.

5.3.2 The financial year 2022/23 was the final year of the statutory override set out in the School and Early Years Finance Regulations 2021 which requires local authorities to either carry forward any cumulative DSG deficit to set against the DSG in the next funding period of carry forward some or all the deficit to the funding period after that. The government has now extended the arrangement for another three financial years from 2023/24 to 2025/26 with 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	(65.8)	(67.0)	(1.2)
Expenditure	65.8	67.0	1.2
Total	**0.0**	**0.0**	**0.0**

6.1 Summary

6.1.1 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 £65.8m of income matched by expenditure.

6.1.2 The HRA is forecasting an overall break-even position, unchanged from the Quarter 2 forecast. In Quarter 2, based on the analysis of last years' activity and spend on repairs, a potential pressure on these budgets in 2024/25 was anticipated to be circa £2m due to continued levels of demand to address disrepairs, complex repairs and damp and mould related works. There is still a risk that these responsive repairs related pressures could crystalise leading to possible overspends. However, based on leaseholders services charges billing processed for 2024/25 in September, actual charges for the year were higher than the budgetary assumptions, hence reducing the repairs' related pressure within the overall forecast. It is anticipated that any other potential pressures will be mitigated through in-year savings and efficiencies.

6.2 Risks and uncertainties

6.2.1 Although the current rate of inflation has reduced, the uncertainty around inflation and interest rate projections remains and poses 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.

6.2.2 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.

6.2.3 Government rent policy currently allows for CPI+1 inflation on rents up to March 2026. Rent setting uncertainties add to the difficulties in financial planning and budgeting for improvements and building new homes. The Government has launched a consultation on a proposed rent policy which will remain in place for at least 5 years, from 1 April 2026 to 31 March 2031, to permit social rents to increase each year by up to CPI plus 1 percentage point.

Views are also being sought on other potential options, including a longer seven or 10-year rent settlement, or a ‘rolling’ five-year settlement. Whilst a CPI plus 1% model helps to provide some stability and certainty, it does not entirely mitigate other risks, such as the inflation on cost of materials, repairs, maintenance etc., which are usually higher than the rent uplift. For example, the recent Housemark report revealed that the average cost of maintaining a social housing unit has risen by 11%, whereas rent uplift for the current year was 7.7% (CPI of 6.7% plus 1%).

6.2.4 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 Q3 forecasts expenditure to be £48.3m less than the revised budget for the current financial year. This is split between £32.4m of budgeted expenditure that is forecast to slip into future financial years and £15.9m underspend projected for the current financial year.

Directorate	Original Budget	Revised Budget	Current Forecast	FY Variance		
	£m	£m	£m	£m (Underspend) / Overspend	£m (Slippage)/ Brought Forward	£m Variance Total
Corporate Landlord	14.2	17.0	13.5	0.0	(3.5)	(3.5)
Housing GF	59.8	63.0	57.5	(1.0)	(4.5)	(5.5)
Housing HRA	57.3	54.7	52.8	(0.9)	(1.0)	(1.9)
PRS I4B	46.3	0.0	0.0	(0.0)	0.0	0.0
Public Realm	23.8	24.9	19.7	(0.1)	(5.1)	(5.2)
Regeneration	64.7	66.1	55.9	0.0	(10.2)	(10.2)
Schools	24.7	28.3	20.7	0.3	(7.9)	(7.6)
South Kilburn	27.2	33.4	19.0	(14.2)	(0.2)	(14.4)
St Raphael's	0.3	0.5	0.5	0.0	0.0	0.0
Total	**318.3**	**287.9**	**239.6**	**(15.9)**	**(32.4)**	**(48.3)**

7.2 Corporate Landlord (Capital)

7.2.1 Corporate Landlord, which is made up of Retained Estates, Digital Strategy, ICT and Libraries, is forecasting slippage of £3.5m as at Q3, with the budgets set to be reprofiled into future years.

7.2.2 A slippage of £1.6m is projected in Retained Estates, as the Civic Centre roof works and the audio-visual equipment upgrade are now scheduled for next year.

7.2.3 £0.8m slippage in Digital Strategy is due to a reduction in staff which has delayed completion of some projects to next year.

7.2.4 The £0.8m slippage in IT Licensing budgets is due to a reduction in the number of software licenses in use. The remaining budget will be reprofiled to cover annual IT licensing costs in future years.

7.2.5 £0.5m is due to works at Kilburn Library being delayed until all the works at Harlesden Library have been completed.

7.2.6 £0.1m of the budget for flexible working equipment is being reprofiled to future years due to low demand this year. However, demand is expected to increase in the future as more equipment reaches the end of its useful life and requires replacement.

7.2.7 In contrast, there is a £0.3m accelerated spend within the ICT Investment Fund project, as the laptop refresh purchase was brought forward to avoid higher costs anticipated next year.

Risks and Uncertainties – Corporate Landlord

7.2.8 Ongoing works to the Civic Centre such as complex roofing works and improvements to the lifts could experience higher spending than budgeted. At the Cabinet meeting on 9th September 2024, an additional budget of £8.7m was approved to support part of the planned programme of works. However, further costs are anticipated as additional condition surveys are conducted on other non-housing Council properties and assets.

7.3 Housing General Fund (Capital)

7.3.1 As of Q3, the Housing General Fund is forecasting a negative variance of £5.5m against the revised 2024/25 budget of £63.0m. This variance is comprised of net slippage of £4.5m, and an underspend of £1.0m.

7.3.2 The slippage includes £3.0m related to the Church End development project, where the start on site, initially planned earlier, was delayed to April 2024. Various factors such as delays with legal agreements, site water issues, and regulatory approvals have contributed to the slippage, which has been carried forward into 2025/26.

7.3.3 Additionally, £1.2m of slippage on the Build Works Empty Properties scheme is primarily due to its demand-led nature, as the budget is tied to requests for works on empty properties. This was one of the key factors limiting the ability to secure larger development schemes and fully utilise the budget. However, it is now anticipated that the allocated budget will be fully spent in future periods. A further £0.3m would be carried forward into 2025/26 to account for the retention against Honeypot Lane.

7.3.4 An underspend of £1.9m is forecasted against the Brent Indian Community Centre development scheme, which is now complete. The allocation was initially reserved for retention costs, which have been minimal, resulting in a surplus. However, this underspend is partially offset by an overspend of £0.9m on the Edgware Road scheme, driven by costs associated with a s73 planning application and partial demolition works to be completed within the financial year. Upon completion of these works, the project's status will be reassessed, and the Council is currently evaluating options for delivering the project now that the planning application has been submitted in November.

7.4 Housing HRA (Capital)

7.4.1 Housing HRA is forecasting a net £1.9m negative variance, consisting of a £0.9m net underspend and £1.0m slippage against the revised budget of £54.7m.

7.4.2 £1m allocation has been brought forward to accommodate accelerated spending on the Grand Union Phase 2 project, as the contractor is expected to complete the project earlier than anticipated.

7.4.3 An underspend of £2.9m has been projected, this however, is partially offset by a net overspend of £1.9 million on schemes that are currently progressing or complete.

7.4.4 The £1.9m overspend, fully financed through prudential borrowing, is mainly due to increased costs surrounding the energy efficiency works programme within the Major Repairs Programme and a rise in void properties. It also includes smaller overspends across several schemes, primarily driven by tail-end costs such as minor works, settlement agreements, and legal fees.

7.4.5 The Five Tower Blocks project is reporting a slippage of £1.0m, with spend dependent upon planning applications currently going through the Building Regulator, causing programme delays.

Risk and Uncertainties – Housing

7.4.6 Despite a slowdown in cost inflation, recent increases remain embedded in current costs, compounded by new fire safety regulations requiring redesigns and a higher interest rate environment, all which challenge project viability. The construction industry faces additional strain from an increasing number of contractors and suppliers entering administration, impacting competition and driving up contract costs. To address these challenges, officers are reviewing and enhancing procurement processes for the New Council's Homes Programme, aiming to strengthen the Council's commercial position and improve financial returns from development schemes.

7.4.7 The Council continues to face significant supply pressures for Temporary Accommodation and has several schemes in development to address this need. However, delivering these schemes is becoming increasingly challenging due to viability issues driven by high acquisition costs and supply chain disruptions. To mitigate these challenges, the ongoing acquisition programme through the Council's subsidiary, I4B, aimed at increasing the supply of temporary accommodation, is expected to continue in 2024/25. Additionally, the Council has secured funding through the government's Local

Authority Housing Fund (LAHF) programme to enhance supply within the borough by facilitating the planned purchase of 25 properties, helping to alleviate these pressures. The Council is also exploring the introduction of other tenure types into its development programme, creating opportunities for cross-subsidising social housing units while increasing the overall housing supply in the borough.

7.5 PRS i4B and First Wave Housing

7.5.1 At the beginning of 2024/25, i4B had an opening balance of approximately £21.0m remaining from its loan facility for private rented sector property acquisitions. As of Q3, the company purchased 34 units, with an additional 6 units in the acquisition pipeline. With forecasted loan drawdowns of around £20.5m, the company anticipates fully utilising the remaining loan facility balance within 2024/25.

Risk and Uncertainties - PRS i4B and First Wave Housing

7.5.2 I4B and First Wave Housing are collaborating with the Council to shape their future acquisition strategy. While loan funding is available to support this project, the key consideration is their ability deliver viable schemes within their business plan affordability parameters.

7.6 St Raphael's

7.6.1 As at Q3, St Raphael's has spent £0.2m to date, and is forecast to spend £0.5m in line with the 2024/25 budget. This £0.5m consists of improvements to roads and pavements of £0.4m and additional CCTV equipment of £0.15m. Currently, St Raphael is in a position of instructing the Community Centre works and landscaping on the estate subject to planning award. Risks have been noted around the future profile of works scheduled for 2025 and onwards.

7.7 Public Realm

7.7.1 As at Q3, Public Realm's forecast outturn for 2024/25 is £19.7m against a revised budget of £24.9m. A £5.2m variance is linked to approximately 150 active Public Realm capital projects, all of which are reported as slippage.

7.7.2 £2.7m of Carriageways and Highways works have been rescheduled to spring 2025 due to resource reprioritisation. £0.4m of slippage occurred for Pitch Improvements in the Parks programme, caused by delays in procurement due to a vacant specialist procurement staff position (now filled). Another £0.4m of slippage is related to North End Road works, now set to start in 2025-26, due to resource prioritisation. £0.3m of slippage was attributed to the waste bins scheme, which was delayed by new DEFRA legislation, with the Council continuing to use sacks while awaiting central government advice. Additionally, £0.3m of slippage occurred across several Tree projects, delayed due to the reprioritisation of staff resources, which impacted delivery schedules.

7.7.3 An additional £0.3m of slippage is due to delays in the Gladstone Park tennis courts and sports pitches upgrades which have not yet been contracted. The delay was due to a supplier responsible for providing a toilet block for the sports pitches went into administration, requiring the work to be re-tendered. £0.2m of slippage in the Healthy Neighbourhoods schemes, aimed at reducing traffic to improve air quality (particularly in Roe Green), is due to reduced staffing in the Healthy Streets team. £0.1m for the s106 funded Hostile Vehicle Mitigation works (barriers to prevent parking outside Wembley Stadium) has been deferred to 25-26. £0.1m of slippage in Thames 21 works is attributed to design delays related to the gym.

7.7.4 Delays in procurement and staff reprioritisation resulted in slippages of £0.1m each (£0.3m in total) for King Edward Park, Barham Park and Tokyngton Rec. The remaining £0.1m of slippage relates to the Forty Lane, Brentfield Hillside and Brook Avenue Car Club projects.

Risk and Uncertainties – Public Realm

7.7.5 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. In addition, we are waiting for further advice on the new DEFRA legislation for household waste collection. In the meantime, residents will continue to use sacks for household waste rather than bins.

7.8 Regeneration

7.8.1 The Regeneration programme budget for 24-25 was revised to £66.1m. The £1.6m increase is because of a £1m utilisation of the contingency budget for Wembley Housing Zone, and a £0.6m addition of the One Tree Hill works in Alperton (funded by £0.5m SCIL and £0.1m Public Health Reserve grant).

7.8.2 The Q3 forecast outturn for 24-25 is £55.8m, against a budget of £66.1m, resulting in a variance of £10.2m. The entire variance is reported as slippage into future years. £8.4m, of the £10.2m slippage, is attributed to delays in the start times for various stages of the Wembley Housing Zone works, which have been re-phased into 25-26 and 26-27. Additionally, £0.9m of slippage is related to the Picture Palace scheme. The delay was due to extended engagement with local community stakeholder groups to finalise the requirements before awarding the contract in summer 2024. This process took longer than planned, leading to a delay in the contract award. However, the contractor is now on site, and the project is expected to complete in summer 2025.

7.8.3 Another scheme that experienced slippage was Bridge Park (£0.5m), which began it’s pre-planning consultation later than originally planned. The Grand Union project (£0.2m) slipped into 25-26 due to the design consultant role for the contracting firm being vacant for several months, affecting the review of the design stage. Watkin Road's Affordable Workspace project (£0.1m) also faced delays as the original operator's acquisition of the affordable workspace fell through; however, an alternative operator has now moved to acquire the workspace. £0.1m of the One Tree Hill works has been re-phased to 2025-26 due to a slight delay in the contractor's recruitment of specialist roles for the project, leading to a revised construction timeline.

Risk and Uncertainties - Regeneration

7.8.4 The capital regeneration and development projects are subject to various risks and uncertainties. These include 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. The Wembley Housing Zone contingency budget was applied in Q3 to mitigate cost uncertainties. These will be monitored throughout the year and updated accordingly.

7.9 Schools

7.9.1 In Q3, the Schools programme budget was increased to £28.3m, to reflect the additional £3m SCIL that had been awarded earlier in 24-25 to deliver the SEND School programme. The Q3 forecast outturn for the Schools programme is £20.7m against £28.3m budget, resulting in a variance of £7.6m. This variance consists of a £0.3m overspend, offset by £7.9m of slippages.

7.9.2 £7.3m of the slippages relate to the SEND expansion programme, which has been delayed into future years due to the unsuccessful contractor procurement exercise for the Additionally Resourced Provision (ARP) projects. As a result, the council had to re-tender, and the projects will now begin later this financial year and complete next year. £0.4m slippages are attributed to the the Islamia School project, caused by delays in agreeing designs with the building contractor. £0.1m of slippages occurred in the Onside Youth Zone works programme, due to project resource reprioritisation; officers will now present an alternative proposal in 25-26 with the available budget. Additionally, £0.1m of slippages were for the Welsh Harp project, caused by slight delays in agreeing the designs for the next stage of the programme.

7.9.3 The £0.3m overspend is due to a completed build project for Ark Elvin. At the time of closing the project, the Department for Education (DfE), as the lead project partner, did not inform the council that monies were outstanding. Following an audit of the scheme by the DfE in 2024, it transpired the Council had not paid its full contribution. As this was discovered post closure of the project, the council is now reporting an overspend of £0.3m. This overspend will be covered by the Basic Need grant in the 24-25 claim.

Risk and Uncertainties – Schools

7.9.4 There have been delays to some of the projects within the SEND Capital Programme due to issues such as changes in OFSTED ratings and failed contractor procurement exercises. As a result, the programme could experience volatility in its delivery and costs to deliver due to the delays in starting some of the projects. The capital projects are also impacted on the challenges in the construction industry such as inflation, resource and material availability and contractor administration.

7.10 South Kilburn

7.10.1 In Q3, the South Kilburn programme team provided a revised forecast for indicative programme costs through to 2040. The revised forecast outturn for Q3 is £19.0m against a budget of £33.4m, resulting in a variance of £14.4m. This variance is comprised of £9.2m underspend and £5.2m of slippages. Following Cabinet approval of progressing with the appointment of a Single Delivery Partner (SDP) to deliver the remainder of the South Kilburn regeneration, a wholesale review of the budget for the programme was undertaken. The 24/25 variance is based on the revised SDP forecast, compared to the original site by site delivery model budget, which was an indicative estimate set in late 2023. Future year budgets from 25/26 will reflect the Council's costs aligned with the revised delivery programme under the SDP model.

7.10.2 The South Kilburn programme as a whole maintains the principle of self-financing, with costs and expenditure forecasted to be covered by income from capital receipts and other sources of funding such as SCIL and Infrastructure grants. Forecasts for eight sites have been updated from the site by site delivery model to the new SDP model. These sites include Hereford and Exeter, Masefield Wordsworth Dickens, Austin and Blake, Craik Crone Zangwell, Queen's Park Cullen, William Saville and William Dunbar, John Radcliffe and Carlton Vale Boulevard. Each of these projects are at a different stages of project development; for instance Hereford and Exeter has planning consent, Craik Crone Zangwell is at planning stage.

7.10.3 £4.5m of the £9.2m underspend was due to reforecasting of the SDP against the indicative costs originally budgeted under the multi-site model. The remaining £4.7m underspend resulted from adjustments made following a review of the contingency budget and staff capitalisation costs. The South Kilburn programme had an additional £3.4m contingency budget (representing 10% of the overall budget) at the start of 24/25, but was no longer required following the mid-year SDP model reforecast. The staff capitalisation costs were forecast to be £1.3m less than budgeted following a Q3 forecast review. The £5.2m slippage in 24/25 is primarily due to the revised SDP delivery of three sites in particular: Masefield & Wordsworth, William Saville and William Dunbar, and Hereford & Exeter.

7.10.4 Meanwhile, the DEN (District Energy Network) are forecasting to budget for Q3 and are investigating the option of a temporary energy resource.

Risk and Uncertainties – South Kilburn

7.10.5 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.

7.11 Treasury Management Prudential Indicators

7.11.1 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 3 2024/25. Financial implications of agreeing to this report are included within the forecasts provided.

10.0 Legal Considerations

10.1 The law requires that the council must plan to balance its spending plans against resources to avoid a deficit occurring in any year. Members need to be reasonably satisfied that expenditure is being contained within budget and that the savings for the financial year will be achieved, to ensure that income and expenditure balance (Section 28 Local Government Act 2003: the council's Financial Regulation 2.3 Revenue Budget Monitoring, Forecasting and Overspends).

11.0 Equity, 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