Brent	**Cabinet** 16 July 2018 **Report of the Chief Finance Officer**

Quarter 1 Financial Forecast 2018/19

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
No. of Appendices:	None
Background Papers:	None
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1 Purpose of the Report

1.1 This report sets out the current forecasts of income and expenditure against the revenue budget for 2018/19 and other key financial data.

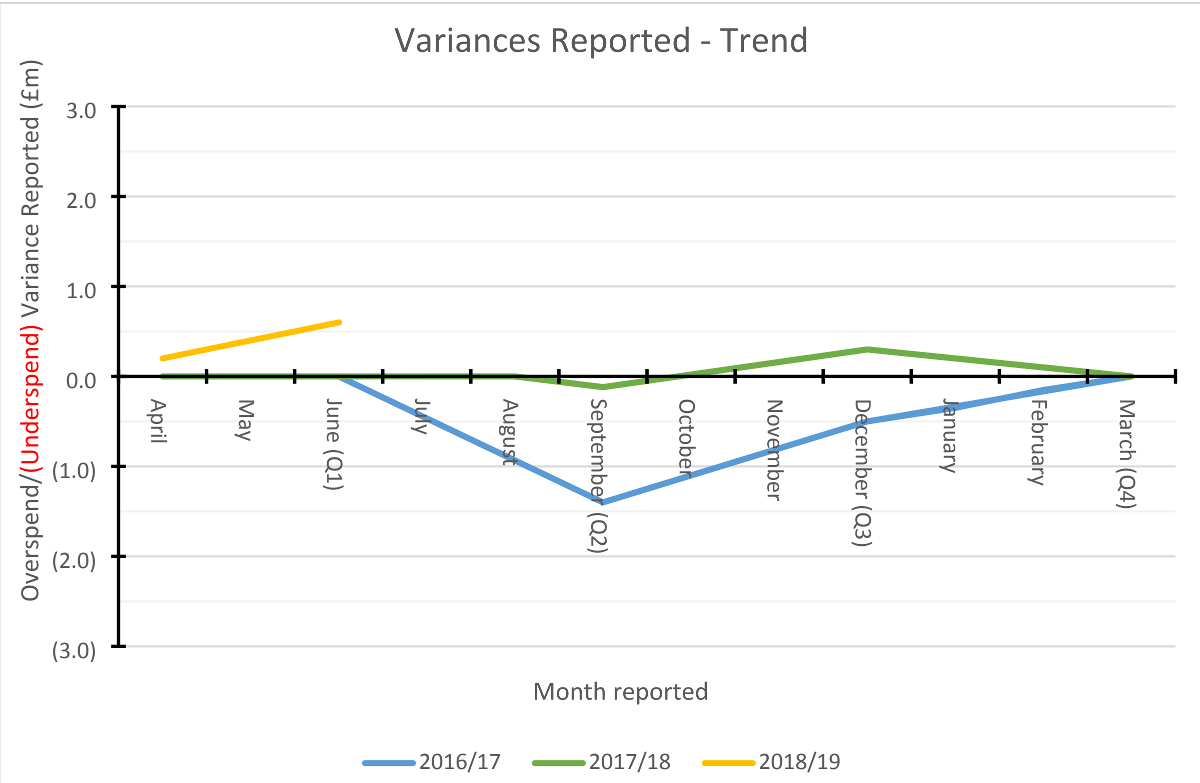
1.2 With the exception of the pressure against the Housing Association Leasing Scheme (HALS) budgets The Council is on track to spend within its budget as set out below. This is not without risk, but to date identified risks can be addressed by offsetting against underspends and use of contingencies within the budget. This demonstrates that the budget set for 2018/19 is appropriate, and shows the strong financial management within the council. The HALS pressure is estimated to be £0.5m, and is set out in more detail in Section Three of this report.

1.3 Table One summarises the overall position. The report then sets out more detail on a department by department basis.

Table One: Overall revenue financial position 2018/19
Net revenue spend is forecast to be contained within the agreed budget

Department	Budget	Forecast spend	Variance
	£m	£m	£m
Children & Young People	40.4	40.5	0.1
Community Wellbeing	121.6	122.1	0.5
Performance, Policy & Partnerships	9.6	9.6	0
Regeneration & Environment	30.1	30.1	0
Resources	30.5	30.5	0
Subtotal Service Area Budgets	**232.2**	**232.8**	**0.6**
Other Expenditure	33.7	33.7	0
Subtotal Net expenditure	**265.9**	**266.5**	**0.6**
Business Rates, Council Tax and Specific Grants	(265.9)	(265.9)	0
Total General Fund	**0**	**0.1**	**0.6**
DSG funded activity	0	0	0
HRA funded activity	2.5	2.5	0
Overall position	**2.5**	**2.5**	**0**

1.4 If expenditure in 2018/19 was contained within the budget this would be consistent with the pattern of the last two years.



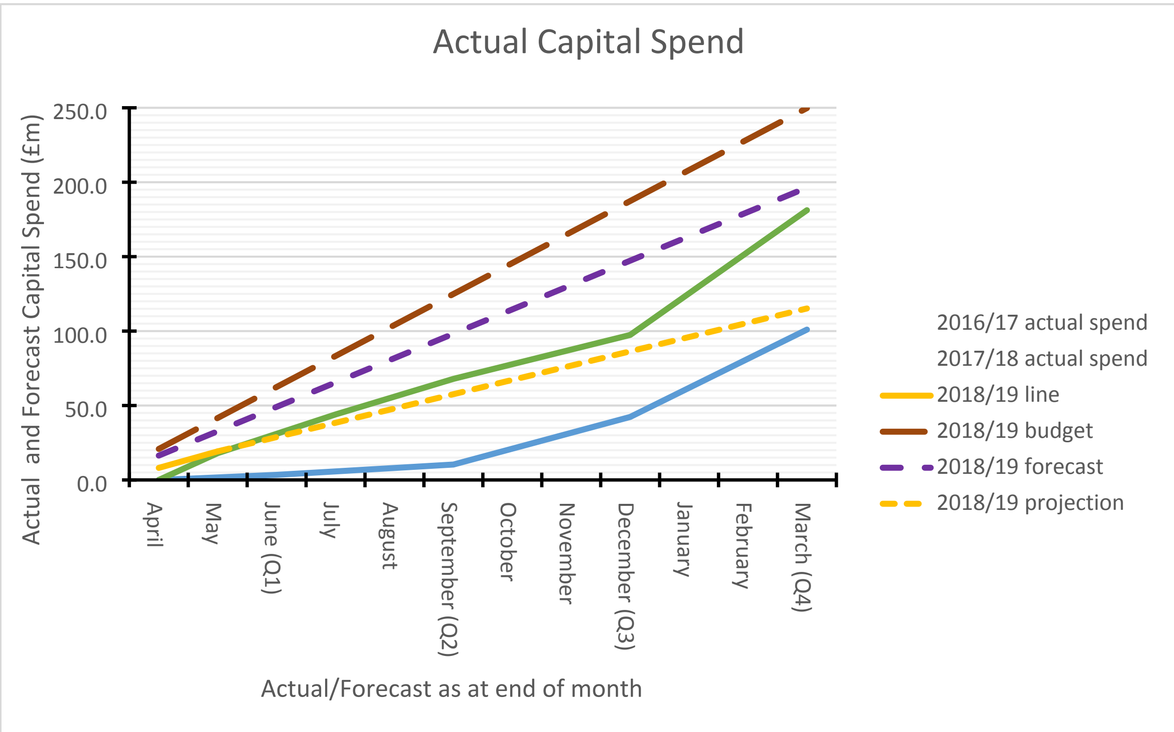
1.5 This report assumes that the changes proposed in the July Finance review are agreed by Cabinet, and presents figures against the revised budget detailed in the July Finance review.

1.6 The Capital Programme is currently forecast to underspend by £53.4m, principally on Housing projects, but with underspends also on Public Realm and the Schools as shown in table 2 below. The reasons for the underspends are detailed in section 3 below.

Table Two: Overall capital programme position 2018/19
Net revenue spend is forecast to be contained within the agreed budget

2018/19	Revised Budget as per July Finance Review	Forecast outturn	Variance
	£m	£m	£m
Corporate Landlord	**6.9**	6.8	(0.1)
Regeneration	**9.6**	9.4	(0.2)
South Kilburn	**13.4**	14.8	1.4
Public Realm	**19.5**	17.2	(2.3)
Schools	**24.4**	24.5	0.1
Housing	**142.9**	90.6	(52.3)
Pipeline	**33.1**	33.1	0.0
Grand Total	**249.8**	**196.4**	**(53.4)**

1.7 In previous years the council has underspent on its capital budget, as shown in the chart below. Expenditure in 2018/19 to date has started slowly, so there are some risks around deliverability of the year's capital programme and the reliability of the forecast



2 Recommendation

2.1 To note the overall financial position and the actions being taken to manage the issues arising.

3 Detail

Children and Young People (General Fund)

3.1 The Children and Young People department is forecast to overspend slightly, by £0.1m. This compares to a broadly balanced budget position in 2017/18. In summary, overspends are forecast due to higher numbers of cases in the Localities service, and high levels of spend by front line social work teams on supporting children and care leavers in need. The overspend can mostly be contained through management action and by drawing on budgets held centrally by CYP against growth pressures and cost inflation.

3.2 The total number of reported cases of individual children supported by the Localities team in April 2018 is 1,590. Following the social work realignment which committed to safe social work case-loads the budgeted establishment can support 1,480 cases. Consequently the service is currently over-established by approx.10 FTE, and one third of case holding staff are agency workers. Should this continue throughout the year the overspend will be £0.5m.

3.3 Spending by the LAC and Permanency service on supporting children and care leavers in need is currently on course to match last year's spend of approximately £1m and this will result in an over spend. Some of this spending is discretionary or emergency by its nature and management are analysing spending patterns to see where better value for money or preventative steps will reduce the overall cost. The total cases held within the LAC and Permanency service are being managed below the safe thresholds recommended by Ofsted and so it may be possible to reallocate social work resources to mitigate other overspends. The net forecast for LAC and Permanency is £0.5m overspent.

3.4 The number of Looked After Children (LAC) is below the 320 used as the basis of the placements budget, but the mix of placements currently includes more in secure accommodation settings than last year, with 6 placements in April against an average of 2.5 per month in 2017/18. There is therefore a risk of an overspend of approximately £0.1m, but this is a volatile budget that will continue to be monitored closely.

3.5 In mitigation against these pressures CYP management hold contingency budgets, which were allocated by Council to manage these known risks. Some of these may be reallocated once emerging financial growth pressures are fully tested and evidenced. Together with other known underspends it is forecast that this can largely offset the overspends listed above.

Community Well-Being (General Fund)

3.6 The Adult Social Care net budget is £104.5m. Included within this is £7.6m of non-recurrent iBCF funding, and a further £7.3m of recurrent BCF funding. As at the end of May Adult Social Care is forecasting to spend within budget. Adult Social Care is expected to make £2.4m of savings in 2018/19.

3.7 Most (£1.9m) of these savings are expected to be delivered through the New Accommodation for Independent Living (NAIL) programme. This will be a challenging saving to achieve due to delays in the private market delivering NAIL schemes which has consequently led to further delays to the Council to mobilise these schemes. The total planned NAIL savings are still expected to be delivered, but later in the programme life. Therefore, it is likely that at least some of the planned NAIL savings for this financial year will need to be funded through the iBCF grant in this financial year only.

3.8 The other planned saving of £0.4m of additional Continuing Healthcare Funding is at present forecast to be achieved. However, is also proving to be challenging to sustain as there has recently been a reduction in funding for jointly funded packages following recent reviews where it has been determined that these packages no longer have the same level of ongoing health requirements as when the packages were previously assessed. The department is continuing to robustly challenge the CCG decisions, but joint funding remains a key risk.

3.9 The 2018/19 non HRA housing net budget is £7.3m and is forecast to overspend by £0.5m.

3.10 The continuation of the Housing Association Lease Scheme (HALS) for Temporary Accommodation (TA) is at risk due to providers reporting that the current fee of £15pw is unsustainable. HALS are seen to be one of the most cost effective TA schemes and currently make up 49% of TA usage (1226 families of the 2486). On average HALS schemes cost £15 pw compared to an average of £60 pw across the other types of TA scheme, so any changes will have a significant impact on the budget and planned savings in this area. Two of the main HALS providers (make up 90% of HALS) have requested an additional £20pw to continue the service. Cost increases are expected at the renewal of leases, and are estimated at an overall effect of £1.2m. However, this total pressure would be staggered over a 3 year period as the leases come due for renewal. The estimated additional part year cost for 2018/19 is £0.5m.

3.11 The previous Temporary Accommodation Management Fee (TAMF), used to manage private sector temporary accommodation, has been replaced by the Flexible Homelessness Support Grant (FHSG), giving councils the freedom to support a full range homelessness prevention support services. Brent has been allocated £7.8m in 2018/19 and this has been incorporated within the budgets set for Housing Needs.

Performance, Policy and Partnerships

3.12 Performance, Policy and Partnerships is forecast to break even. No issues are identified at this point.

Regeneration & Environment

3.13 At this early stage of the financial year Regeneration and Environment are currently reporting a break-even position. There are a number of key issues which will be monitored closely throughout the year in order to maintain an accurate forecast.

3.14 SEN demand remains a concern to the department. The Brent Transport Service typically experienced average passenger number increases between 5% and 7.5%.However, unprecedented increases in 2016/17 of 11.4% and in 2017/18 a further increase of 22% causing a budget overspend of £1.3m, has placed both operational and financial pressure on the service. Further demand increase is forecast to impact 2018/19 resulting in a projected budget pressure of £3.8m which will be met through specific reserves.

3.15 R&E also hosts a large number of services that are responsible for volatile income budgets where actual demand may turn out to be different to that modelled, such as in Parking and Planning.

Resources

3.16 The Resources department is forecast to breakeven overall. However, there are emerging risks within the Property budget in relation to the timing of delivery of planned savings. Mitigating actions are being planned to offset these risks, so at present the overall forecast remains on budget

Central items - Collection Fund

3.17 The budgeted net collectible amount for Council Tax (after exemptions, discounts and Council Tax support) is £143.2m. The actual net collectible amount as at May 2018 is £140.5m. This is expected to increase during the year as more properties are built and recorded with the Valuation Office Agency. For context, the budgeted net collectible amount in 2017/18 was £132.9m and the actual amount at the end of the year was £132.5m. As at the end of May 2018 the amount collected was 0.4% lower than the in-year target, as well being 0.2% lower than at the same point last year. In cash terms, £30.8m was expected to be collected and £30.2m was actually collected, leaving a shortfall of £0.6m. However, collection of this income will continue during the year and beyond if necessary. Last year the outer London average collection rate was 97% and Brent collected 95.6%. Officers are monitoring performance closely to ensure every effort is being made to increase collection rates.

3.18 The budgeted net collectible amounts for Business Rates (after exemptions, reliefs and discounts) is £133.7m. The actual net collectible amount as at May 2018 is £134.3m. This figure can vary during the year as new assessments are made, which may be entitled to certain reliefs, and assessments are deleted, if businesses either leave the borough or go into administration. As at the end of May 2018 the amount collected was 0.1% lower than the target. In cash terms, £26.2m was expected to be collected and £26.1m was actually collected, leaving a shortfall of £0.1m. Unlike Council Tax, this is not a cause for concern and performance is expected to improve during the year. Last year the outer London average collection rate was 98.6% and Brent collected 98.6%.

Central items - Corporate Savings targets

3.19 At present two corporate savings targets are held centrally, Procurement and Civic Enterprise savings.

3.20 Procurement savings of £8m were committed between 2017/18 and 2018/19. The target for 2018/19 is £4.5m and a balance £2.2m remains as at quarter 1. Further work is being undertaken to manage this as the pipeline of contracts is regularly reviewed and so far an estimated £1m of further savings have been identified to go against this target over the course of the year. This work will continue and it is expected that in the medium term this target will be achieved.

3.21 Civic Enterprise savings of £2.5m were committed between 2017/18 and 2018/19. £1.3m of savings have been delivered, leaving a balance of £1.2m (£0.7m carried forward from 2017/18 and £0.5m remaining for 2018/19. Further work is being undertaken to identify additional income streams to be badged against this target and it is expected that this target will be achieved in the medium term.

Central items - Capital financing and other central items

3.22 The capital financing budget for 2018/19 is £23.0m, this is currently forecast to be spent as below. Zero variance on this is being forecast whilst capital expenditure is being reviewed as explained in the section on Capital.

	£m
Interest Payable	23.5
Interest Receivable	(14.1)
Capital Financing and Minimum Revenue Provision	13.6
Total	**23.0**

Dedicated Schools Grant

3.23 The Dedicated Schools Grant (DSG) expenditure budget totals £315m which is supported by £312m of grant income and £3m of DSG reserves released in consultation with Schools Forum. The £315m represents the total cost of funding education to early years and school age pupils in the borough before recoupment of funds by the Department for Education to fund the borough's Academies.

3.24 The DSG forecast is currently in line with the budget set. There should be little volatility in the net position of the schools block with the funding formula already set for 2018/19 and to which in-year academy conversions will have little impact. The Early Years Block and Central Block are forecast to spend to budget at this stage. The main risks of variance to budget are in the High Needs Block ,which has underspent in recent years but is now experiencing growing demand led pressures, and there is a risk of underspend against the growth contingency budgets which are prudently set aside for localised primary growth and for the demographic bulge in Secondary phase pupil numbers. The blocks will continue to be monitored and reported to Schools Forum in addition to Cabinet.

Housing Revenue Account

3.25 Overall the HRA is forecasting to spend in line with net budget of £2.5m as at the end of May 2018.

3.26 The review to decide whether to bring housing management back into the council identified the need to achieve £3.6m savings by 2019/20. In 2018/19 £1.3m of this saving is profiled to be achieved through the transformation programme, this saving is on track to be delivered.

Capital – Overall

3.27 The programme as a whole currently stands at £249.8m. £221.2m of this sum was approved in March 18 by full Council. Since then the original budget has been revised to take account of 2017/18 carry forwards and budget virements. The programme is currently forecast to spend £196.4m or 79% of target, however this position is expected to change as several projects are scheduled for re-profiling to account for timing revisions within the overall programme.

Regeneration

3.28 The programme is currently forecasting to spend £9.4m or 98% of budget for 2018/19. However there are potential underlying project and the legal challenges associated with the both the Bridge Park regeneration scheme and the Olympic Way Pedestrian Improvements project which could result in a revised forecast position. Officers will be in a position to provide a fuller update later in the year as more information becomes available.

South Kilburn

3.29 South Kilburn Regeneration scheme is projected to spend £14.8m which includes an acceleration of c£1m Queens Parks JV programme works from the £20m approved for 2020/21.

3.30 The Energy centre scheme (£0.9m) has been transferred from Corporate Landlord into South Kilburn, as operationally this aligns better with the works being undertaken at South Kilburn.

Public Realm

3.31 The main variance relates to Street lighting which is forecast to spend £3.7m against a budget of £4.4m due to contract savings / efficiencies.

3.32 The remaining underspends sit mainly within the Highways and Infrastructure programme driven largely by the 2017/18 carry forward sums. The majority of carry forward is for s106 budgets which are not dependent on in year spend and manual accruals related to the additional road surfacing works for the additional £2.3m investment. The schemes were completed but subject to final measurement before payment made to the contractor. Further detailed analysis is required to establish the expected 2018/19 outturn for Highways and Infrastructure elements of the programme.

Schools

3.33 Schools capital programme is forecast to budget at this stage.

3.34 Phase 3 Permanent Primary School Expansion Programme has a £15.6m budget and comprises most of the £24.4m overall schools programme. Although there are some minor delays across other areas of the programme (mainly caused by inclement weather) they are all being managed and remain on track for delivery in 2018/19.

3.35 The programme includes a School Improvement budget of £4.2m made up of a School Asset Management Programme, Devolved Formula Capital and Early Years. These are part of a rolling cycle within the programme and are on track to spend to budget.

3.36 The PSBP Phase 2 Secondary is due to complete in June 2018 and is also expected to spend to budget.

Housing Care Investment

3.37 The Council's strategy to improve outcomes for affordable housing and social care accommodation continues at pace. The first tranche of funding has been released to I4B (c£45m) and enabled the acquisition of 138 properties during 2017/18, which can now be used to alleviate temporary accommodation pressures.

3.38 The total Housing budget for 2018/19 is £142.9m, including £32.3m carry forwards (related to property acquisition and turnaround delays). There has also been a £5m transfer from the pipeline to Housing for the previously agreed Honeypot lane scheme.

3.39 The Housing capital programme is currently forecasted to be underspend by £52.3m mainly due to the need for consultation on the major works schemes, a number of which are also dependent on extensive surveys which are scheduled to begin this autumn. However, fire safety works have been prioritised.

3.40 As previously noted, given the scale of the 2017/18 carry forwards a major re-profiling of Housing budgets will be necessary to reflect the updated position, so the forecasts are likely to change by the time of the next update.

Conclusion

3.41 Currently, the forecast shows that the revenue financial position for the council in 2018/19 is on target, and no structural issues causing forecast overspends in 2018/19. There are some risks identified that could develop into overspends if the council is unsuccessful at addressing them. Subject to new major cost pressures emerging, and the savings agreed by full council being delivered, the council should spend within its budget in 2018-19.

3.42 Further work is necessary on profiling the capital budget, especially for Housing, and the work undertaken so far to ensure that capital expenditure occurs on time needs to be sustained if the council is to continue improving its performance on delivering capital projects on time.

4 Financial Implications

4.1 This report is about the council's financial position in 2018/19, but there are no direct financial implications in agreeing the report.

5 Legal Implications

5.1 Managing public money responsibly is a key legal duty, but there are no direct legal implications in agreeing the report.

6 Equality Implications

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

Report sign off:

CONRAD HALL
Chief Finance Officer