



**Cabinet**  
15 July 2019

**Report of the Interim Finance  
Director**

**Outturn Financial Report 2018/19**

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	None
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	<p>Minesh Patel Interim Director of Finance 020 8937 4043 <a href="mailto:Minesh.Patel@brent.gov.uk">Minesh.Patel@brent.gov.uk</a></p> <p>Ben Ainsworth, Head of Finance 020 8937 1731 <a href="mailto:Ben.Ainsworth@brent.gov.uk">Ben.Ainsworth@brent.gov.uk</a></p>

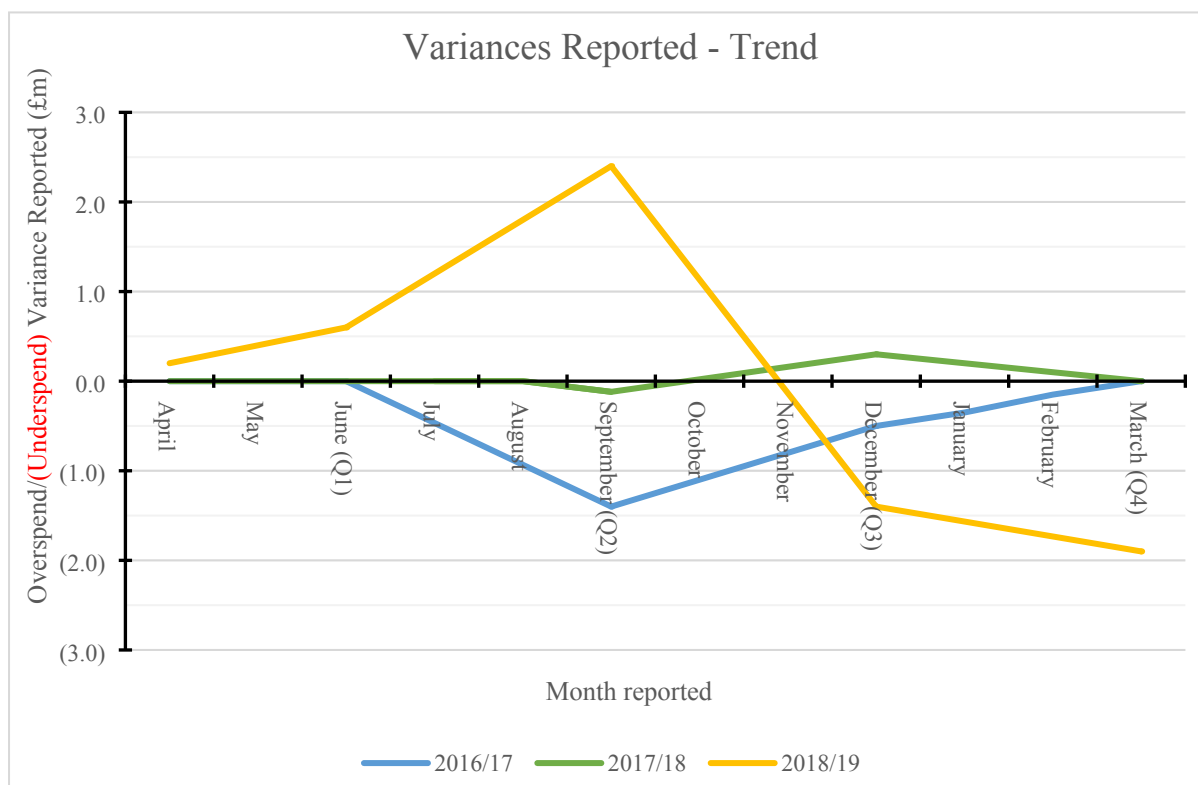
**1.0. Summary**

- 1.1. This report sets out the 2018/19 outturn position against the revenue budget.
- 1.2. Overall the Council underspend against the main general fund revenue budget by £2.0m. There is an overspend of £1.7m in Children & Young People (CYP), however this will be met by contingency funds within the CYP reserves as detailed in paragraph 3.2. There is also a small overspend of £0.2m within Community Wellbeing as set out in paragraph 3.12. Offsetting these are an underspend of £3.8m in Regeneration and Environment, of which £2.7m is proposed to be set aside the 2019/20 projects as set out in paragraph 3.18 of the 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**

<b>Operational Directorate</b>	<b>Budget</b>	<b>Outturn</b>	<b>Overspend/ (Underspend)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Children & Young People	41.4	43.1	1.7
Community Wellbeing	127.1	127.3	0.2
Performance, Policy & Partnerships	10.2	10.3	0.1
Regeneration & Environment	37.6	33.8	(3.8)
Resources	38.7	38.5	(0.2)
<b>Total General Fund</b>	<b>255.0</b>	<b>253.1</b>	<b>(2.0)</b>
DSG funded activity	3.3	3.3	0.0
HRA funded activity	2.5	2.3	(0.2)
<b>Overall position</b>	<b>260.8</b>	<b>258.7</b>	<b>(2.2)</b>

- 1.4. The graph below shows the outturn position of £2.0m on the general fund underspend which is an improvement on the position forecasted in previous periods and the position in previous years. This outturn highlights the effective management action taken to address the pressures throughout the year.



**Table Two: Overall capital programme position 2018/19**  
*Net capital outturn is over 90% of the budget.*

Portfolio/Programme	Budget £m	Outturn £m	Overspend/ (Underspend) £m
Corporate Landlord	6.5	5.7	(0.8)
Regeneration	9.8	8.0	(1.8)
Housing Care Investment	82.3	85.9	3.6
Schools	24.3	22.7	(1.6)
South Kilburn	18.9	10.2	(8.7)
Public Realm	21.5	18.5	(3.0)
<b>Total</b>	<b>163.3</b>	<b>151.1</b>	<b>(12.2)</b>

1.5. The Capital Programme underspent by £12.2m, the main reason for this is due to delays in the South Kilburn programme caused by the GLA requirement for a ballot on estate regeneration schemes. Further details on the underspend can be found in paragraph 3.35. The capital outturn is over 92% of the budget, this is an improvement to the 2017/18 position of 86%.

## 2.0. Recommendation

2.1. To note the overall financial outturn.

## 3.0. Detail

### ***Children and Young People (General Fund)***

## 3.1

<b>Service Area</b>	<b>Budget (£m)</b>	<b>Expected Outturn (£m)</b>	<b>Overspend/ (Underspend) (£m)</b>
Central Management	(0.9)	(0.9)	0.0
Early Help	5.7	5.1	(0.6)
Inclusion	2.3	1.8	(0.5)
Localities	10.3	11.5	1.2
LAC and Permanency	5.8	6.9	1.1
Partnership, Planning and Performance (CYP PPP)	16.2	17.1	0.9
Safeguarding, Quality Assurance	1.8	1.5	(0.3)
Settings and School Effectiveness	0.2	0.1	(0.1)
<b>Total</b>	<b>41.4</b>	<b>43.1</b>	<b>1.7</b>

- 3.2 The Children and Young People department overspent by £1.7m, which was in line with previous forecasts. This compares to a broadly balanced budget position in 2017/18. The overspend was mainly caused by a spike in demand for Children's Social Care in the first half of the year. There are three main demand led areas of overspend in 2018/19; higher numbers of cases in the Localities service, higher spending on supporting children in care and care leavers in need, and increased numbers of placements for non-UASC children and young people. These three areas of demand all caused a pressure of approx. £1m each, with the department able to mitigate over £1m of the underlying overspend. The remaining overspend of £1.7m has been covered by drawing down on CYP reserves previously earmarked as contingency funds.
- 3.3 The total number of cases of individual children referred to and supported by the Localities teams, excluding Children with Disabilities (CWD), rose from 1,250 in October 2017 to a peak of 1,600 in the summer of 2018. The Ofsted inspection report 2018 stated that the service 'makes good decisions about level of risk and need', but it recognised that partner agencies should be completing more early help assessments. CYP have since worked with partners to reduce the number of statutory assessments taking place. In addition, work has been undertaken at the Brent Family Front door to improve processes to make sure only appropriate cases progress through to assessment and statutory intervention. As a result, case numbers have fallen in the second half of the year and are now at a level which can be supported by the budgeted staffing establishment. Following the social work realignment which committed to safe social work case-loads, the budgeted establishment can support 1,350 cases (excluding CWD).
- 3.4. In the second half of the year the Localities Service did take some action to safely reduce the number of agency social workers whilst maintaining the commitment to safe caseloads. However, at times this year the service has had to run at up to 20 FTE over establishment, with up to a third of case holding staff being agency workers. The full year impact of 20 additional FTE equates

to the majority of the £1.3m overspend. In the second half of the year the number of additional agency social workers has been reduced down to 14 by year end. The service is planning to operate within budget in 2019/20. This plan requires careful and flexible case load management, a continued lower referral rate than that experienced in the first half of 2018/19, and the allocation of additional resources from the social care grant allocated by central government in response to the increased levels of demand nationwide.

- 3.5. The proportion of social workers employed via agency contract was 29% at quarter three in 2018/19 compared to 32% in 2017/18. The proportion of front line agency social workers in the Localities service is higher than this at 42% at the end of February 2019. Use of agency staff elsewhere also contributed to financial pressures across CYP. Management monitored this and took action to contain costs by ensuring that Agency staff took holidays, limited the length of handover periods, and ensured rates paid are within approved levels. From October all requests for recruitment required Operational Director approval in order to proceed.
- 3.6. Spending by the LAC and Permanency service on supporting children in care and care leavers in the first half of 2018/19 increased compared to the same period last year and this resulted in an over spend. Some of this is emergency spending on supporting clients, but other support is discretionary. An in-year review of entitlements for LAC and Care leavers resulted in reduced spend on client support from October onwards, averaging at £85k per month. The budget has therefore been rebased at this realistic yet challenging level of £85k per month which will assist service managers in managing spending in 2019/20. For context the review showed that these budgets supported an average of 288 clients each month from April to December 2018.
- 3.7. The total number of cases held within the LAC and Permanency service is now within the safe thresholds recommended by Ofsted which meant the service ran under establishment in the last quarter of the year to mitigate other pressures. In the medium term the number of care leavers is forecast to rise, as 80 of the current LAC population will turn 18 before 31<sup>st</sup> March 2020. This budget will remain under review in 2019/20, and the service will make use of specific demographic budget increases and section 31 grants. The overall position for the LAC and Permanency service in 2018/19 is £1.2m overspent.
- 3.8. The CYP PPP budget is mainly made up of placements costs. Whilst LAC numbers remain low at approximately 300, (42 per 10,000 compared to a national average of 60 per 10,000), the placements budget also covers adoption allowances and care leavers in semi-independent or staying put placements. The Brent LAC population has an older age profile than the national average, and older children frequently have more complex needs that require specialist placements. The total number of placements supported mid-year was 640, rising to 650 by year end. This compares to an average of 635 in 2017/18, meaning that despite the low numbers of LAC the number of placements has increased. An increase in costs of £0.5m compared to 2017/18 has arisen as a result of accommodating increasing numbers of care leavers in semi-independent placements (from an average of 55 placements to 80 placements). In 2018/19, a small number of placements in very high cost semi-independent units has resulted in an increase of £350k. The very high cost

residential home placements and residential school placements have shown increase in costs of £300k. The costs of children placed on remand has reduced by £300k compared to 2017/18.

- 3.9. The most significant change to the previous year's placement budget is that there were fewer UASC children within the LAC cohort, which means that fewer of the placements were supported by the government's UASC grant, which reduced by £0.7m compared to the previous year. The overspend on placements for 2018/19 is £0.9m.
- 3.10. In the medium term it is expected that suppliers on the West London Alliance framework will hold their prices over the next two years, and there is evidence which shows that placements procured through this framework are cheaper than those which are spot purchased. Adhering to the framework is therefore important to achieving a balanced budget on placements in 2019/20.
- 3.11. Mitigating underspends were found across all other service areas following management action. The underspend on Early Help resulted from an enhanced public health contribution to reflect the contribution the Early Help service makes towards 0-19 public health targets.

#### **Community Well-Being (General Fund)**

<b>Department</b>	<b>Budget (£m)</b>	<b>Outturn (£m)</b>	<b>Overspend/ (Underspend) (£m)</b>
Housing General Fund	2.6	2.7	0.1
Public Health	21.7	21.7	0.0
Culture	5.2	5.2	0.0
Adult Social Care	97.5	97.6	0.1
<b>Total</b>	<b>127.1</b>	<b>127.3</b>	<b>0.2</b>

- 3.12. The Flexible Homelessness Support Grant (FHSG) of £7.8m was able to cover ongoing needs within the year, with £4.8m of this grant moving into reserves. There was a modest overspend on Housing Partnerships (PFI), however action was taken during the year to convert many of these properties from Temporary Accommodation to Affordable Rent/Discounted Market Rent which generates higher income. Increased financial pressures are anticipated in future years. The FHSG is being reduced to £5.2m in 2019/20 and there is no guarantee funding will continue in subsequent years.
- 3.13. Public Health spend was in-line with budget. The core grant from Public Health England has been reduced from £21.4m to £20.8m in 2019/20 which is expected to lead to increased budgetary pressures in future years.
- 3.14. Culture spend was in-line with budget. This relates to the core spending on libraries and sports centre. The London Borough of Culture is being managed separately.

- 3.15. The Adult Social Care outturn for 2018/19 was £0.1m over budget. Adult Social Care was expected to make £2.4m of savings in 2018/19. Most of these savings (£1.9m) were expected to be delivered through the New Accommodation for Independent Living (NAIL) programme. There were delays in 18/19 in the private market delivering NAIL schemes which led to further delays to the Council to mobilise these schemes but these schemes started to be mobilised during the latter period of 18-19 and this will continue in this financial year. The total planned NAIL savings are still expected to be delivered, but later in the programme life. The NAIL programme is being monitored through monthly meetings encompassing senior officers from Finance, Housing and Adult Social Care.
- 3.16. The other planned saving of £0.4m of additional Continuing Healthcare (CHC) Funding was not fully achieved and is the main contributor of the overspend in 2018/19. There has been a reduction in funding for jointly funded packages 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. There is a further planned £0.4m saving of additional CHC Funding to be achieved in 19/20 which will be highly challenging to achieve and ASC DMT are considering other savings proposals as mitigation should it not be possible to deliver this saving.

### ***Performance, Policy and Partnerships***

- 3.17. Overall the Performance, Policy and Partnerships department has broadly spent to budget.

### ***Regeneration & Environment***

<b>Services</b>	<b>Budget (£m)</b>	<b>Outturn (£m)</b>	<b>Overspend/ (Underspend) (£m)</b>
Environmental Services & Directorate	35.2	33.2	(2.0)
Regeneration Services	2.4	0.6	(1.8)
<b>Total</b>	<b>37.6</b>	<b>33.8</b>	<b>(3.8)</b>

- 3.18. The Regeneration and Environment department underspent by £3.8m of which £2m is within the Environment and the Directorate Services and Regeneration Services has underspent by £1.8m. As well as additional income generated by the service to achieve this position, this underspend has also arisen as a result of staffing efficiencies, streamlining of processes and team realignments to deliver services in line with corporate priorities. £2.7m of this underspend has been transferred to the departmental reserve to fund a contribution to the planned investment in improving the condition of the roads and pavements and transformational project work to improve the department's ability to generate future income.
- 3.19. Of the £3.8m underspend: £1.6m of the underspend is as a result of in-year staff vacancies across the department and additional income generated within services such as Planning and Licensing, Environmental Health and Estate Regeneration. £1.2m has arisen from the early delivery of the 2019-20 agreed

savings which include the impact of additional planning income generated as a result of a 20% increase in planning application fees which came into effect in January 2018, Parks Maintenance savings, Employment and Skills efficiencies, staffing efficiencies and income generated from Enforcement. £1.0m underspend also occurred due to monies earmarked for works on potholes not being utilised as additional government funds were received and one off items, such as a rebate from the West London Waste Authority following an adjustment to its accounts.

- 3.20. The department however mitigated pressures which include; £0.7m in the Parking and Street lighting service which is an increase compared to the quarter 3 forecast's position of a £0.3m pressure. The pressure in this service area is due to a shortfall in income from parking permit sales, pay & display usage and the delay in approving the introduction of the diesel car permit surcharge. The Brent Transport service is also overspent by £0.2m mainly due to the impact of SEN demand increases as well as the impact of the National Minimum Wage having not been factored into the 2018/19 growth bid.

### **Resources**

- 3.21. Overall the Resources department has broadly spent to budget.

### **Central items - Collection Fund**

- 3.22. The budgeted net collectible amount for Council Tax for 2018/19 (after exemptions, discounts and Council Tax support) was £143.2m (of which £115m is attributable to Brent and £28.2m attributable to the GLA). The actual net collectible amount as at 31 March 2019 was £140.6m. After allowing for accounting adjustments, this has resulted in an in-year deficit of £2.4m on the Collection Fund for Council Tax. This shortfall is contained within the Collection Fund is forecast to be eliminated over the timeframe of the medium term financial plan. The main driver of this shortfall is the growth in number of properties becoming liable for Council Tax being lower than that which was forecast as part of the 2018/19 budget setting process. However, the data from the council's planning department shows a large number of consented schemes likely to complete in 2019/20, and this general trend is also supported by new council tax registrations that are currently awaiting banding by the Valuation Office Agency. This will be reviewed during 2019/20 and if the new properties have at that time come on stream at a slower rate than expected then it may be prudent to adopt a lower rate of growth for 2020/21 to keep the collection fund in balance. The in-year collection rate for Council Tax was 96.1%, compared to 95.74% in 2017/18.
- 3.23. The budgeted net collectible amount for Business Rates (after exemptions, reliefs, discounts and business rates supplement) was £130.6m. The actual net collectible amount as at 31 March 2018 was £134.0m. After allowing for accounting adjustments, this has resulted in an in-year surplus of £3.5m on the Collection Fund for Business Rates. This position has fluctuated considerably during the year due to amendments to the rateable values of properties (including new and deleted properties) as well as ratepayers being entitled to reliefs such as charity and small business relief. The in-year collection rate for Business Rates was 99.1%, compared to 98.57% in 2017/18.



### **Central items - Capital financing and other central items**

- 3.24. The capital financing budget for 2018/19 is £23.0m, the outturn is as per below. There is zero variance to the budget.

	£m
Interest Payable	23.5
Interest Receivable	(13.3)
Capital Financing and Minimum Revenue Provision	12.8
<b>Total</b>	<b>23.0</b>

### **Dedicated Schools Grant**

- 3.25. 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 as one off funding. 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. In addition, £3.5m of sixth form funding is received and passed onto maintained schools which have sixth form provision. Overall the DSG overspent by £1.3m but within this there were large variations on the High Needs block and the pupil growth fund. The overspend can be met from DSG reserves in 2018/19, but the growing cost of High Needs provision is a serious concern for future years, and may deplete reserves by the end of 2019/20.
- 3.26. There was little variance in the net position of the funds allocated to schools (£229m), as the funding formula was set to budget for 2018/19 and in-year academy conversions have had little net impact.
- 3.27. The Early Years Block budget is £24m. The position of the block's income and expenditure is broadly balanced as 95% of funding received for each child is passed on to fund providers, with 5% (£1.2m) funding centralised early years support. The number of children in provision has again fallen in line with demographic trends, so the income and expenditure outturn is marginally lower than the £24m budgeted.
- 3.28. The Central Block of the DSG (£2.4m) funds central services for schools and spent to budget.
- 3.29. There are variances to budget in the High Needs Block (£54m), and the growth budget which is funded from the main schools' block. The High Needs block underspent in recent years but is now experiencing growing demand led pressures. The block supports high needs pupils in specialist provision, in mainstream settings, and provides specialist support services. Although there has been an increase in the amount of in-borough places, which are less costly than places out of borough, the increase in number of High Needs children and

increased severity of need means there is a forecast overspend of £3m on the total cost of these placements.

- 3.30. The rise in demand includes increased numbers of post 16 places where approx. 180 young people are now supported compared to 150 in the previous year, a rise of 20% which is well in excess of demographic growth. The number of Education Health and Care Plans (EHCPs) is approximately 2,200, compared to 1,600 statements 3 years ago. Many of these plans are for children in mainstream settings, and additional funding is allocated to the schools according to need. This is an additional pressure on the High Needs Block. Work is continuing with a Schools Forum sub-group on addressing the pressures for the 2019/20 budget and beyond.
- 3.31. There were compensating underspends against the growth contingency budgets. These budgets are prudently set aside for localised primary growth, for the demographic bulge in secondary phase pupil numbers, and for supporting the CAFAI projects supporting newly arrived pupils from overseas. The budget underspend by £1.3m in 2018/19, and has been rebased for 2019/20.
- 3.32. The underspend on growth budgets partially compensates for the overspend on high needs, with DSG reserves meeting the balance of the High Needs pressures. This leaves DSG reserves of £2.5m to carry forward into the next year, but £1.5m has been allocated to support the High Needs budget in 2019/20 and the remainder will need to be held against the risk of a repeated overspend in 2019/20. The blocks will continue to be monitored and reported to Schools Forum in addition to Cabinet.

### **Housing Revenue Account**

- 3.33. The 2018-19 outturn was £2.3m, a slight underspend of £0.2m against a net budget of £2.5m. The outturn includes an accrual of £0.4m for redundancies. Budgetary pressures in year have been mitigated by a combination of debt financing being lower than budgeted and repair costs being below budgeted figures. The reduction in debt financing was due to borrowing being lower than anticipated in regards to meeting the Right to Buy (RTB) spend target, this is because the council has successfully started to utilise RTB receipts in the form of grant funding to Registered Providers within the borough to deliver affordable housing.

### **Capital – Overall**

- 3.34. The Brent capital program spent £151m for 2018/2019 and was under budget by £12.2m or 7%.

<b>Portfolio/Programme</b>	<b>Budget £m</b>	<b>Outturn £m</b>	<b>Variance £m</b>
Corporate Landlord	6.5	5.7	(0.8)
Regeneration	9.8	8.0	(1.8)
Housing Care Investment	82.3	85.9	3.6
Schools	24.3	22.7	(1.6)
South Kilburn	18.9	10.2	(8.7)
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<b>Total</b>	<b>163.3</b>	<b>151.1</b>	<b>(12.2)</b>

- 3.35. The South Kilburn Programme accounts for the majority of this underspend at c£9m. This is due to a number of outstanding conditions precedent in relation to the Queens Park joint venture contract. In addition to this, the GLA requirement for a ballot on estate regeneration schemes has delayed the progress of projects through cabinet.
- 3.36. Public Realm is also projecting to be underspent by £3 million, primarily due to delays in S106 Schemes in Highways & Infrastructure and South Kilburn. There will also be slippage in the landscaping and park schemes, as expected work is yet to be undertaken.
- 3.37. The Housing Care Investment board has spent to budget for the year. The £3.6m reflected above relates to a grant to Peabody for the acquisition of Alperton House to support the provision of Affordable Housing. In Aug 2015 Cabinet agreed that a minimum of £11m should be committed to provide new affordable housing with the support of Right to Buy receipts during the period 2016-19.
- 3.38. This commitment was accelerated towards the end of FY 18-19 in order to ensure the Council would continue to meet the stringent rules that accompany the use of Right to Buy receipts. This grant spend has therefore effectively been brought forward from 2019-20, hence next year's budget will be reduced accordingly. The adjustment could not be reflected in March 19 as virements and other budget changes were prohibited in period 12.

## **Conclusion**

- 3.39. The outturn shows that the revenue financial position for the Council general fund in 2018/19 was £2.0m under spend to budget.
- 3.40. The capital outturn is £12.2m underspend against a budget of £163.3m

## **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**

***Minesh Patel***

Interim Director of Finance