



**Cabinet**  
15 July 2019

**Report from the Interim Finance  
Director**

**Quarter 1 Financial Report 2019/20**

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

**1.0. Summary**

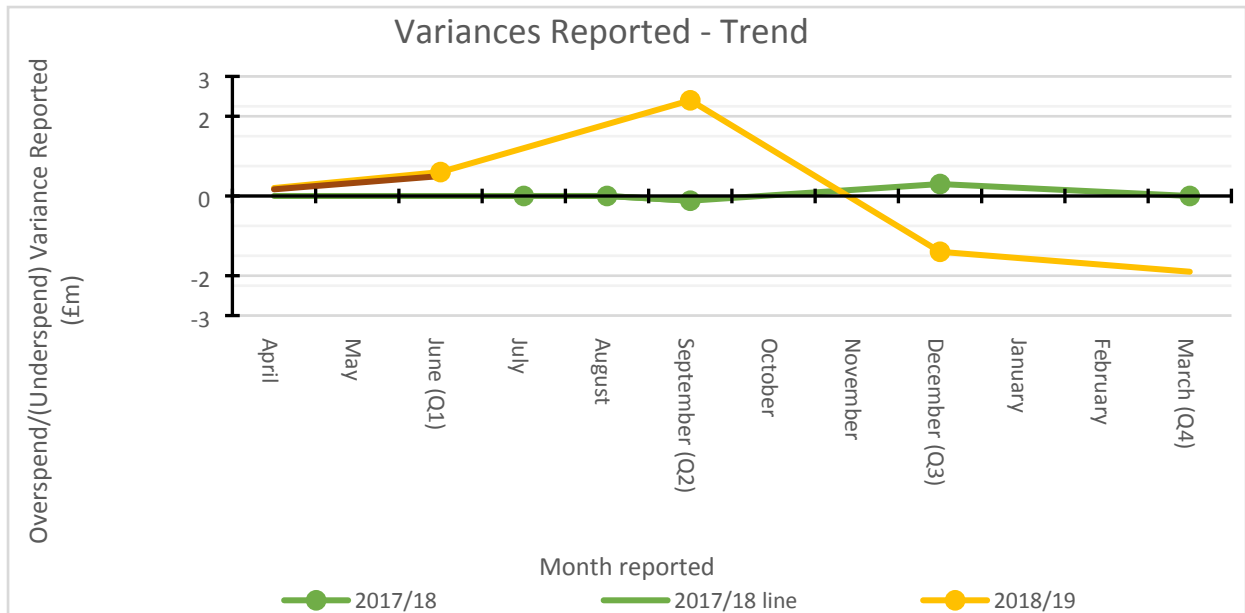
- 1.1. This report sets out the current forecasts of income and expenditure against the budget for 2019/20 and other key financial data.
- 1.2. Overall the Council is expecting to overspend against the main general fund revenue budget by £0.2m. The £0.2m overspend relates to historic care costs within Adult Social Services as set out in paragraph 3.2.3. All other departments within the General Fund are forecasting to spend to budget.
- 1.3. Overspend of £0.4m is forecasted within the Housing Revenue Account (HRA) relating to delays in implementing the CRM system as set out in paragraph 3.9.1.

- 1.4. Additionally, Children and Young People (DSG) is forecasted to overspend by £2m relating to increase demand within High Needs Education as set out in paragraph 3.8.1.
- 1.5. Table One summarises the overall revenue position. The report then sets out more detail on a department by department basis.

**Table One: Overall revenue financial position 2019/20**

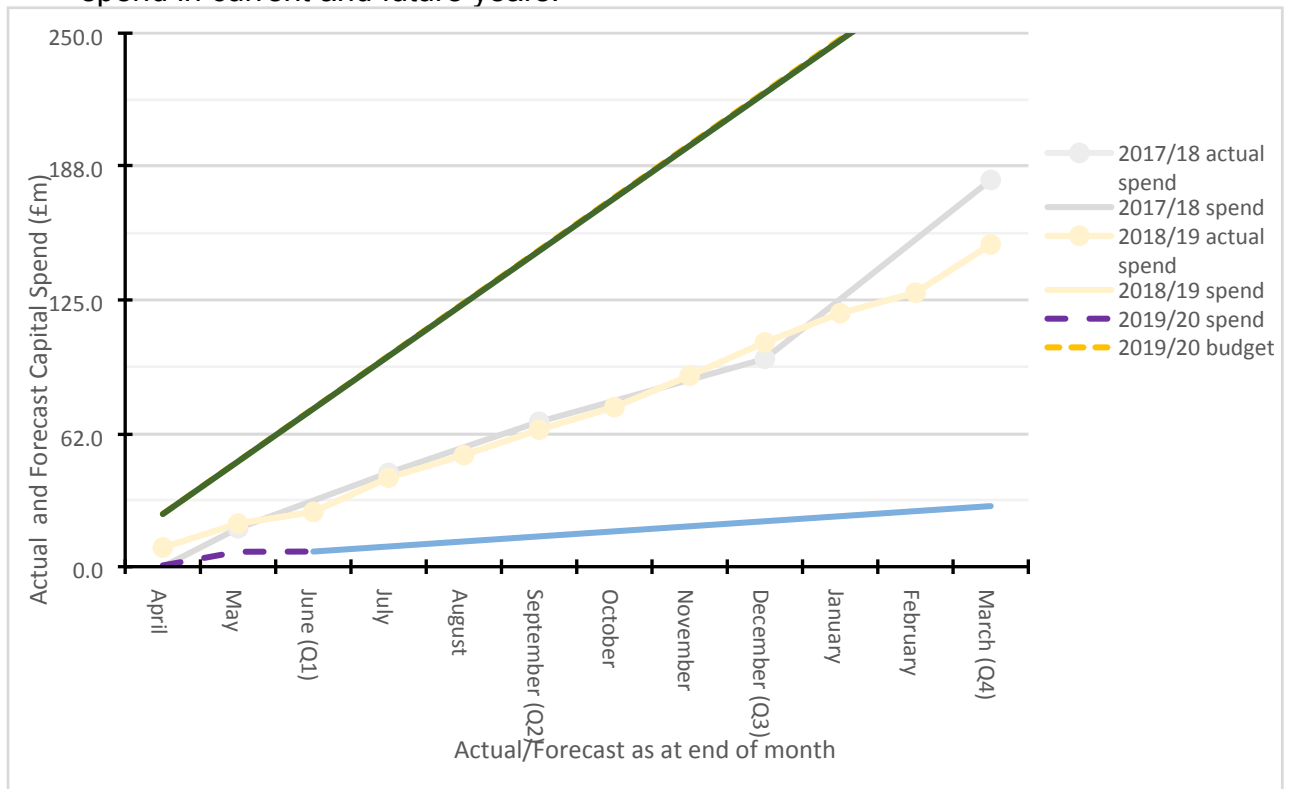
|   | <b>Budget (£m)</b> | <b>Forecast (£m)</b> | <b>Forecast Overspend/ (Underspend) £m</b> |
|---|--------------------|----------------------|--|
| Children and Young People                       | 43.4               | 43.4                 | 0.0  |
| Community and Well-Being                        | 133.6              | 133.8                | 0.2  |
| Performance, Policy & Partnerships              | 9.8                | 9.8                  | 0.0  |
| Regeneration & Environment                      | 32.9               | 32.9                 | 0.0  |
| Resources                                       | 38.8               | 38.8                 | 0.0  |
| <b>Subtotal Service Area Budgets</b>            | <b>258.5</b>       | <b>258.7</b>         | <b>0.2</b>                                 |
| Other Expenditure                               | 6.4                | 6.4                  | 0.0  |
| Business Rates, Council Tax and Specific Grants | (264.9)            | (264.9)              | 0.0  |
| <b>Total General Fund</b>                       | <b>0.0</b>         | <b>0.2</b>           | <b>0.2</b>                                 |
| DSG Funded Activity                             | 0.0                | 2.0                  | 2.0  |
| Housing Revenue Account (HRA)                   | 0.0                | 0.4                  | 0.4  |
| <b>Overall Position</b>                         | <b>0.0</b>         | <b>2.6</b>           | <b>2.6</b>                                 |

- 1.6. Any reserve movements or virements to budget are set out in Appendix 1.
- 1.7. The graph below shows the General Fund Qtr1 forecast in comparison to previous years. This is a slightly more favorable position than Qtr1 in 2018/19.



1.8. The Capital programme is currently forecasted to underspend by £0.8m. Key variances to budget include £2.0m underspend in Public Realm due to delays in delivery as set out in paragraph 4.1 and £2.2m overspend in Schools due to contractual issues as set out in paragraph 4.5. Minor variances to budget are forecasted across the other programmes, further details are set out in section 4 below.

1.9. As shown in the graph below, expenditure in to date has started slowly, however in the coming weeks the capital programmes will be re-profiled to reflect the expected spend in current and future years.



## 2. Recommendation

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

## 3. Revenue Detail

### 3.1. Children and Young People (GF)

| CYP Department                       | Budget (£m) | Forecast (£m) | Forecast Overspend/(Under spend) (£m) |
|--------------------------------------|-------------|---------------|---------------------------------------|
| Central Management                   | 1.6         | 1.6           | 0                                     |
| Early Help                           | 5.7         | 5.7           | 0                                     |
| Inclusion                            | 1.6         | 1.6           | 0                                     |
| Localities                           | 9.8         | 9.8           | 0                                     |
| LAC & Permanency                     | 6.2         | 6.2           | 0                                     |
| Partnership Planning and Performance | 16.6        | 16.6          | 0                                     |
| Safeguarding and Quality Assurance   | 1.7         | 1.7           | 0                                     |
| Settings and School Effectiveness    | 0.2         | 0.2           | 0                                     |
| <b>Total General Fund</b>            | <b>43.4</b> | <b>43.4</b>   | <b>0</b>                              |

- 3.1.1. The Children and Young People department is forecasting a break even position on the General Fund following a £1.7m overspend in 2018/19. £1.4m of additional social care funding has been added to the budget for 2019/20, and management action is being taken to control spending on agency social workers and client support spending.
- 3.1.2. There are a number of pressures within the budget which present a financial risk. There is a clear risk of spending more on agency social workers to cover increases in the total number of cases. The council is committed to maintaining safe case-loads per social worker, so a sharp increase in cases as experienced in the first half of 2018/19, will cause an overspend on the Localities' budget. To mitigate this the Early Help service works with partner organisations to prevent cases unnecessarily escalating to the Localities service. Management will also monitor use of agency workers and continue to recruit permanent staff.
- 3.1.3. The other main risk is the volatility of demand for social care placements for Looked after Children and Care Leavers (CYP Partnership Planning and Performance service budget). New placements may have to be found at short

notice and can be extremely expensive when a secure accommodation or residential placement is needed. The risk is mitigated if the rate of LAC in Brent can be kept at comparatively low levels, though this in turn may create a pressure from higher case-loads in the Early Help service. Also at risk is the cost of placements. Brent's cohort of LAC contains an increasing number of adolescents and there is an increasing number of care leavers. There are signs of increased unit costs for semi-independent placements for care leavers particularly for more complex cases. CYP management are using the West London Alliance commissioning arrangements to limit increases to these costs and ensure value for money.

3.1.4. Other service areas which contain financial risks are the Inclusion service which will not be able to complete the Council budget saving on the Roundwood Centre in full in 2019/20, and the Early Help service where a balanced budget is reliant on an increased number of successful claims for the Troubled Families reward payments. Services are monitoring their positions and will seek to find compensating underspends as appropriate.

3.1.5. The forecasts include some key assumptions and the table below highlights a number of these assumptions.

| <b>Key Assumption</b>   | <b>Downside if worse</b>  | <b>Upside if better</b>  | <b>Mitigations</b>  |
|---|---|--|---|
| That total case-loads in the Localities and LAC & Permanency service remain within budgeted levels of c. 2,500              | The commitment to safe case-loads per caseholder means that if the total number of cases increased by 15% for the majority of the year, there would be up to £1m additional spend on social work staff.   | Up to one third of caseholding staff in front line teams are agency. If caseloads reduced spend could be brought down. | Caseloads are being monitored across the service to allow management of social work resources.  |
| The current mix of 600 LAC and Care Leaver placements remains broadly stable throughout the year. Unit costs remain stable. | This is potentially a volatile budget. Any new individual high cost residential/secure placement can cost up to £0.3m per annum. A net increase of 10 placements with Independent Foster Agency (IFA) carers at a cost of £850 per week would cost an additional £0.4m. | If demand drops then spending will fall in line with this. i.e. 10 fewer IFA placements saves £0.4m per annum.         | Brent has a track record of maintaining stable and relatively low numbers of LAC. WLA commissioning function is being used to control unit costs. |

### 3.2. Community Well-Being (General Fund)

| Community Well-Being (General Fund) | Budget (£m)  | Forecast (£m) | Forecast Overspend/ (Underspend) (£m) |
|-------------------------------------|--------------|---------------|---------------------------------------|
| Housing (GF)                        | 8.8          | 8.8           | 0.0                                   |
| Public Health                       | 21.4         | 21.4          | 0.0                                   |
| Culture                             | 5.1          | 5.1           | 0.0                                   |
| Adult Social Care                   | 98.3         | 98.5          | 0.2                                   |
| <b>Total</b>                        | <b>133.6</b> | <b>133.8</b>  | <b>0.2</b>                            |

- 3.2.1. Key risks to the Housing GF relate to reduced grant funding (with grant income reduced by £2.9m from 2018/19 levels) and increased cost pressures. Additional costs have arisen on the Housing Association Leasing Scheme, with Notting Hill Group requiring an additional £260k payment on existing leases and a further £503k on leases renewing before February 2020 (in addition to the £70/week/household fee currently paid). This is an additional cost of around £20/week/household. Work is ongoing to compare the cost of renewing the leases compared to expanding other forms of Temporary Accommodation such as Annexes, to identify the most cost effective solution.
- 3.2.2. Recent steps taken to mitigate risks include the conversion of PFI properties from Temporary Accommodation to Discounted Market Rent/Affordable Rent is generating higher income and the utilisation of council assets awaiting redevelopment such as Honeypot Lane and Prout Grove are being used to provide additional Temporary Accommodation.
- 3.2.3. It is projected that Adult Social Care will overspend by £0.3m in 2019/20. This forecasted overspend is due to two Ordinarily Resident cases where there has been a disagreement regarding which authority is responsible for funding the social care costs. For both of these cases, the Secretary of State has determined that Brent Council is responsible for the paying the care costs for these clients including backdated historic costs at a cost of £0.5m. Part of the overspend (£0.3m) will be funded out of reserves resulting in a net overspend within Adult Social Care of £0.2m.
- 3.2.4. There is a significant risk that the £0.4m Continuing Health Care (CHC) saving will not be achieved. However, in order to be able to challenge health more robustly when the Council considers that social care packages should be jointly funded a dedicated CHC social worker has been recruited.
- 3.2.5. There has been a delay in the Homecare and Day Care tenders which means that £650k of savings may not be achieved until next year. To offset against this non-delivery, it is expected that the supporting people savings will exceed the savings target, there is a programme in place to claw back excess direct payment

balances and all high value social care packages will need to be signed off by the Operational Director for Adult Social Care.

3.2.6. The Better Care Fund is a recurrent grant which is part of the base Adult Social Care budget whereas the improved Better Care Fund is a three year grant which is currently only in place until this financial year. There has been a delay in finalising the Better Care Fund allocation for 19-20. Although the planning guidance was published by DoH and MHCLG in April 2019, the allocation to Brent has still yet to be confirmed. The Adult Social Care budget has been set based upon an assumption that the Better Care Fund allocation will be the same as last year with an inflationary uplift of £150k, and there is a risk that this uplift will not be provided.

3.2.7. The forecasts include a key assumption and the table below highlights this.

| <b>Key Assumption</b>  | <b>Downside if worse</b>   | <b>Upside if better</b>   | <b>Mitigations</b>  |
|--|--|---|---|
| New Nominations agreement reached with Registered providers, allowing properties procured using a Reasonable Rent to end the main homelessness duty              | Higher management fees. Dependent on a favourable decision from the Rent Officer.                  | Potential saving of £1.8m per annum.  | Using additional locations for Temporary Accommodation to reduce reliance on B&B/annexes  |
| The current mix of 1,750 community based packages grows in line with the demographic growth provided of an additional 50 packages. Unit costs remain stable.     | Every ten packages above the budgeted growth would result in a cost pressure of £120k per annum.   | If the actual growth in placements is below budget then not all of the budgeted growth would be required. | The Commissioning function is reviewing the most expensive community packages to see if they can be reduced as well as looking at the smallest homecare packages to ascertain if these packages are actually needed.                          |
| The current mix of 1,170 accommodation based packages grows in line with the demographic growth provided of an additional 40 packages. Unit costs remain stable. | Every ten placements above the budgeted growth would result in a cost pressure of £0.4m per annum. | If the actual growth in placements is below budget then not all of the budgeted growth would be required. | There is a social work team embedded within the Commissioning function which is looking to make savings on accommodation based placements by moving clients from high cost residential and nursing packages to supported living NAIL schemes. |

### 3.3. Performance, Policy and Partnerships

3.3.1. Performance, Policy and Partnerships is forecast to breakeven overall.

### 3.4. Regeneration & Environment

| <b>Regeneration and Environment</b>  | <b>Budget (£m)</b> | <b>Forecast (£m)</b> | <b>Forecast Overspend/ (Underspend) (£m)</b> |
|--------------------------------------|--------------------|----------------------|--|
| Environmental Services & Directorate | 32.7               | 32.7                 | 0.0  |
| Regeneration Services                | 0.2                | 0.2                  | 0.0  |
| <b>Total</b>                         | <b>32.9</b>        | <b>32.9</b>          | <b>0.0</b>                                   |

3.4.1. The table above reflects the budgets and the projected outturn for each of the services within R&E. At this stage in the financial year, the department is currently reflecting a breakeven position.

3.4.2. Although the department is reflecting an overall breakeven position, there is a potential pressure to be monitored in the Parking and Street lighting service, based on the service's prior year's outturn position of a £0.7m shortfall in income, and initial forecasts indicate that there could be a shortfall in income against residential permits which assumes no growth in the number of sales. However the service would continue to undertake management action to mitigate the shortfall which would include enhancing debt recovery processes, installation of additional moving traffic enforcement cameras etc.

3.4.3. Brent Transport service (BTS) has anticipated growth of 10%-15% for 2019/20. The service has accordingly been allocated growth funding in this financial year to mitigate this assumed increase in passenger numbers. This area will be monitored closely throughout the year to maintain accurate forecasts.

3.4.4. There are a number of services within the department funded by income generation which can be volatile such as Parking, Building Control, Planning etc. There are models in place to support the forecasts but demand may vary from the forecasts. These would also continue to be monitored closely.

3.4.5. The forecasts include some key assumptions and the table below highlights a number of these assumptions.



| <b>Key Assumption</b>   | <b>Downside if worse</b>  | <b>Upside if better</b>   | <b>Mitigations</b>  |
|---|---|---|---|
| Parking Service – Diesel surcharge on residential permits commencing June 2019 assumes sales to 10,000 vehicles and generating income of £0.5m                    | If the forecast diesel permit sales are not achieved. This would lead to a shortfall in income.   | Increased income generated if more than 10,000 diesel vehicles require a permit.  | Improved income collection for outstanding debt by improving appeal outcomes, enhancing the debt recovery processes and sustaining PCN cases at tribunals.                |
| The growth in parking permit sales will be sufficient to achieve the break-even position in 2019/20.  | If parking enforcement activity does not meet expectations, for example due to adverse winter weather, the growth in parking permit sales will be less than anticipated and could cause a shortfall in income of up to £0.7m. | If parking contraventions increase and are successfully enforced, the growth in parking permit income could be higher than anticipated. | As above <i>and</i> Continue installation of additional moving traffic enforcement cameras <i>and</i> Work with SERCO to increase Civil Enforcement Officer productivity. |
| BTS - net passenger growth during 2019/20 will be similar to 18/19, at 90 passengers per year, and the average cost per passenger will remain at £7.3k per annum. | Net passenger growth could fluctuate adversely and result in up to £0.250m additional spend.  | Spend could potentially be reduced by £0.150m if the net passenger growth is less than anticipated.                                     | Savings benefits from newly negotiated Harrow vehicle hire contract.  |
| Income generating services to achieve income targets built into the 2019/20 budgets.  | Shortfalls in income would create overspends which would need to be contained.  | Some income generated over and above the target could be applied as a mitigating factor to pressures which could arise in the service.  | Management action to ensure that any outstanding income is pursued.   |

### 3.5. Resources

3.5.1. Resources is forecast to breakeven overall.

### 3.6. Central items - Collection Fund

3.6.1. The budgeted net collectible amount for Council Tax (after exemptions, discounts and Council Tax support) is £153.0m. The actual net collectible amount as at April 2019 was £151.2m. This is expected to increase further during the year as more properties are built in the borough and recorded with the Valuation Office Agency. This is being closely monitored, and the shortfall is forecast to be eliminated over the timeframe of the medium term financial plan. For context, the tax base would need to increase by 1,135 Band D equivalent properties during the year in order to reach the budgeted net collectible debit. This is considered reasonable following an analysis of data from the council's planning department that 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. As at the end of April 2019 the amount collected was 0.5% higher than the in-year target, an improvement compared to the previous year by 0.5%.

3.6.2. The budgeted net collectible amounts for Business Rates (after exemptions, reliefs and discounts) is £135.0m. The actual net collectible amount as at April 2019 is £134.9m. This figure can vary 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. As at the end of April 2019 the amount collected was 0.5% higher than the in-year target, which is 1.6% higher compared to the previous year.

### 3.7. Central items - Capital financing and other central items

3.7.1. The capital financing budget for 2019/20 is £23.3m, this is currently forecast to be spend as below. Zero variance on this is being forecast.

|   | £m          |
|---|-------------|
| Interest Payable                                | 23.5        |
| Interest Receivable                             | (13.3)      |
| Capital Financing and Minimum Revenue Provision | 13.1        |
| <b>Total</b>                                    | <b>23.3</b> |

### 3.8 Children and Young People (DSG)

| Funding Blocks    | DSG Funding (£m) | Forecast (£m) | Forecast Overspend/(Underspend) (£m) |
|-------------------|------------------|---------------|--------------------------------------|
| Schools Block     | 234.5            | 233.4         | (1.1)                                |
| High Needs Block  | 56.1             | 59.3          | 3.2                                  |
| Early Years Block | 23.4             | 23.4          | 0                                    |
| Central Block     | 2.4              | 2.3           | (0.1)                                |
| <b>Total DSG</b>  | <b>316.4</b>     | <b>318.4</b>  | <b>2.0</b>                           |

- 3.8.1. It is likely that the DSG will overspend by £2m against grant funding due to demand for High Needs education support for the increasing number of children with EHCPs (Education Health Care Plans), and increasing numbers of young people with EHCPs staying in post-16 education.
- 3.8.2 The EHCPs specify the amount and type of support an SEND pupil requires and so dictates the cost. There is a national trend whereby the number of children assessed as meeting the threshold for support has increased sharply since the introduction of EHCPs in 2016. The rate of increase for High Needs exceeds the growth in overall pupil numbers, but High Needs funding has not increased in line with this, creating financial pressures. In Brent the number of EHCPs increased by 200 in 2018/19 starting at 2,000 and increasing to 2,200, equating to a 10% increase, despite no real change to the total pupil population for 4 to 16 year olds. It is noted that there is particular growth in the numbers of young people remaining in education in post-16 who have EHCPs and are supported from the High Needs block. The average cost of funding the services required by an EHCP is £20k, and can range from £11k for support in a mainstream school, to £63k in more specialist out of borough settings. These unit costs are under inflationary pressure from increase in staffing costs.
- 3.8.3. The High Needs forecast of £59.3m is indicative, based on a 5% increase in the number of EHCPs. Detailed forecasts will be more accurate at the start of the academic year. This overspend is partially offset by a £1m contribution from the Schools block agreed during budget setting by the Schools Forum. The remaining forecast overspend will nearly deplete the DSG reserve of £2.5m.

### 3.9. HRA

| HRA          | Budget (£m) | Forecast (£m) | Forecast Overspend/ (Underspend) (£m) |
|--------------|-------------|---------------|---------------------------------------|
| HRA          | 0.0         | 0.4           | 0.4                                   |
| <b>Total</b> | <b>0.0</b>  | <b>0.4</b>    | <b>0.4</b>                            |

3.9.1. The HRA has a balanced budget set for 2019-20. There is currently an unbudgeted pressure of £400k in relation to CRM system implementation. This is as a result of four months delay incurred to complete the programme due to external dependencies. The Council has obtained a capped price from Infosys to complete the development for Housing Management in July 2019, by doubling the size of the Infosys team. The department will be considering options to mitigate this one off budget pressure.

3.9.2. The estate cleaning service provided by Wettons will be brought in-house from the 15th of September 2019. There is a short term risk that the uplift on service charges for 2019-20 may not be sufficient to fully cover the initial transition costs from staffing transfers and mobilisation in year. Once quantified, the service charges for future years will be profiled to recover this cost over the next three years.

### Capital Detail

The table below summarises the overall capital position. The report then sets out more detail on a programme by programme basis.

| Portfolio/ Programme             | Budget (£m)  | Forecast (£m) | Forecast Overspend / (Underspend) £m |
|----------------------------------|--------------|---------------|--------------------------------------|
| Public Realm                     | 20.6         | 18.6          | (2.0)                                |
| South Kilburn                    | 9.9          | 10.4          | 0.5                                  |
| St Raphael's Estate Regeneration | 1.0          | 1.0           | 0.0                                  |
| Regeneration                     | 7.0          | 6.4           | (0.6)                                |
| Housing Care Investment          | 194.7        | 194.6         | (0.1)                                |
| Schools                          | 9.6          | 11.8          | 2.2                                  |
| Corporate Landlord               | 53.9         | 53.1          | (0.8)                                |
| <b>Total</b>                     | <b>296.7</b> | <b>295.9</b>  | <b>(0.8)</b>                         |

- 2.1. The Public Realm budget reflects the 19/20 provision for Highways improvements and includes an additional contribution for major investment towards footways works across the borough. There is a predicted underspend of £2.0m overall which is the cumulative effect of a number of small underspends across the programme, in particular in relation to expected delays in implementing S106 funded schemes.
- 2.2. At South Kilburn the uncertainty caused by implications of the GLA funding conditions and mandatory ballot is impacting on the programme overall. Despite this the team continue to progress schemes in design and expect to be able to progress up to four projects to planning by the Autumn of 2019. The formal council decision on triggering the Ballot process as well as adoption of a new Housing Allocation Scheme (confirming the offer to households in TA) will allow progress to be maintained on the programme.
- 2.3. The Regeneration programme is predicting a small under spend for the year of £0.6m mainly due to delays in the project resulting from the ongoing litigation on the Bridge Park Regeneration scheme.
- 2.4. The Housing Care Investment budget for 2019-20 includes a new provision for in borough acquisitions (partly prompted by the new GLA ballot stipulations) recently promoted from the capital pipeline. At this stage the programme is expected to come in on budget.
- 2.5. The schools programme is currently forecasting an over spend of £2.2m due to contractual issues at a couple of schools. At Uxendon Manor the contractor failed to complete works and has gone into administration. The council is seeking to recover costs through a parent company guarantee (and appoint an alternative contractor) although the estimated costs may exceed the proposed settlement figure. Whilst officers have made best efforts to estimate the likely additional costs due to complete the works, there is a risk that additional items may have been overlooked as they are currently unknown. The works have been stopped mid-way through the contract and not at an obvious sectional completion point. Hence, there is a considerable task to clarify exactly what works have been done and not done, the extent of remedial works and the usual assessment of any defects that may occur
- 2.6. The Corporate Landlord budget includes a new provision for a number of strategic property/asset acquisition initiatives, including a DMS (Discounted Market Sale) scheme and a proposed capital contribution to the College of North West London education quarter (new Wembley campus).
- 2.7. The ICT Laptop/Thin Client/Mobile Phone Refresh exceed budget by approximately £0.3m as the scope of the programme has increased in response to changing business needs, however this has been offset by underspends elsewhere in the programme. The Corporate Landlord programme is currently reporting a £0.8m underspend for the year.
- 2.8. The overall forecast of £0.8m under budget, includes a number of spend positions that still need to be confirmed for 19/20. In the coming weeks these schemes will

need to be re-profiled to reflect the expected spend in current and future years and to set the revised baseline for 19/20.

## **5. Conclusion**

- 5.1. Currently, the forecast shows that the revenue financial position for the Council in 2019/20 is of a forecast £250k overspend relating to one off historical cost.
- 5.2. Capital forecast shows a position of £0.8m underspend, however the schemes are due to be re-profiled to reflect expected spend shortly.

## **Financial Implications**

- 6.1. This report is about the Council's financial position in 2019/20, but there are no direct financial implications in agreeing the report.

## **Legal Implications**

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

## **Equality Implications**

- 8.1. There are no direct equality implications in agreeing the report.

**Report sign off:**

***Minesh Patel***

Interim Director of Finance