Brent	**Cabinet** 14 October 2019
	Report of the Finance Director

Quarter 2 Financial Report 2019/20

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
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Director of Finance 020 8937 4043 Minesh.Patel@brent.gov.uk Ben Ainsworth, Head of Finance 020 8937 1731 Benjamin.Ainsworth@brent.gov.uk

1. 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 underspend against the main general fund revenue budget by £1.1m. This primarily relates to a net underspend of £1.8m in Regeneration and Environment pertaining to several areas of underspend in Environmental services, (as set out in paragraph 3.6.2). Offsetting this is a £0.2m overspend relating to historic care costs within Adult Social Services (as set out in paragraph 3.4.3). There is a further net overspend of £0.5m within Children and Young People (GF) relating to an overspend in Partnership, Planning and Performance and Localities (as set out in paragraph 3.3). All other departments within the General Fund are forecasting to spend to budget.

1.3. The Housing Revenue Account (HRA) is forecast to overspend by £0.5m (as set out in paragraph 3.10.1).

1.4. Additionally, Children and Young People (DSG) is forecast to overspend by £2.8m relating to increase demand within High Needs Education, (as set out in paragraph 3.9.1).

1.5. The Corporate Restructuring was completed during this quarter and this has resulted in the virements detailed in Table One.

Table One: Corporate restructuring virement

Directorate	Original Budget (£m)	Corporate Restructure Virement (£m)	Total Budget (£m)
Resource Department	35.8	(35.8)	0.0
Performance, Policy & Partnership	9.5	(9.5)	0.0
Assistant Chief Executive	0.0	7.2	7.2
Chief Executive Department	0.0	12.9	12.9
Customer & Digital Services	0.0	18.3	18.3
Regeneration & Environment	32.9	6.9	39.8
Total	**78.2**	**0.0**	**78.2**

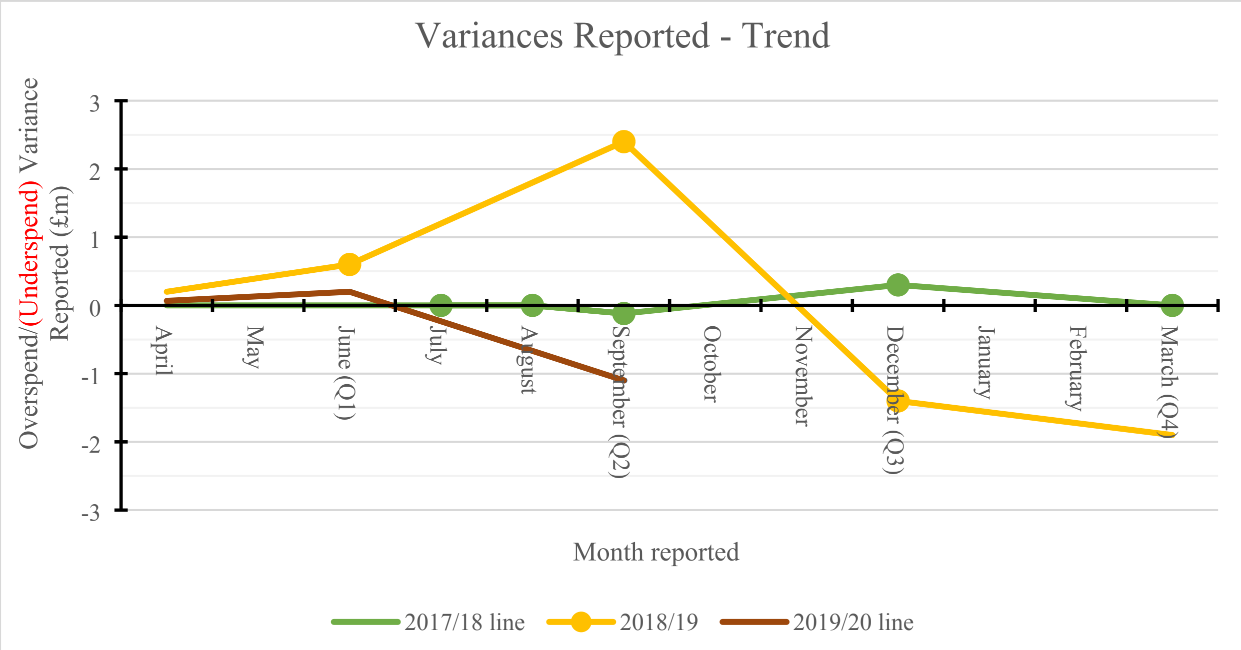
1.6.Table Two summarises the overall revenue position.

Table Two: Overall revenue financial position 2019/20

	Budget (£m)	Forecast (£m)	Forecast Overspend/ (Underspend) £m
Assistant Chief Executive	7.6	7.6	0.0
Chief Executive Department	15.7	15.7	0.0
Children and Young People	48.0	48.5	0.5
Community and Well-Being	129.0	129.2	0.2
Customer & Digital Services	21.1	21.1	0.0
Regeneration & Environment	39.5	37.7	(1.8)
Subtotal Service Area Budgets	**260.9**	**259.8**	**(1.1)**
Central items (including Business Rates, Council Tax and Specific Grants)	(260.9)	(260.9)	0.0

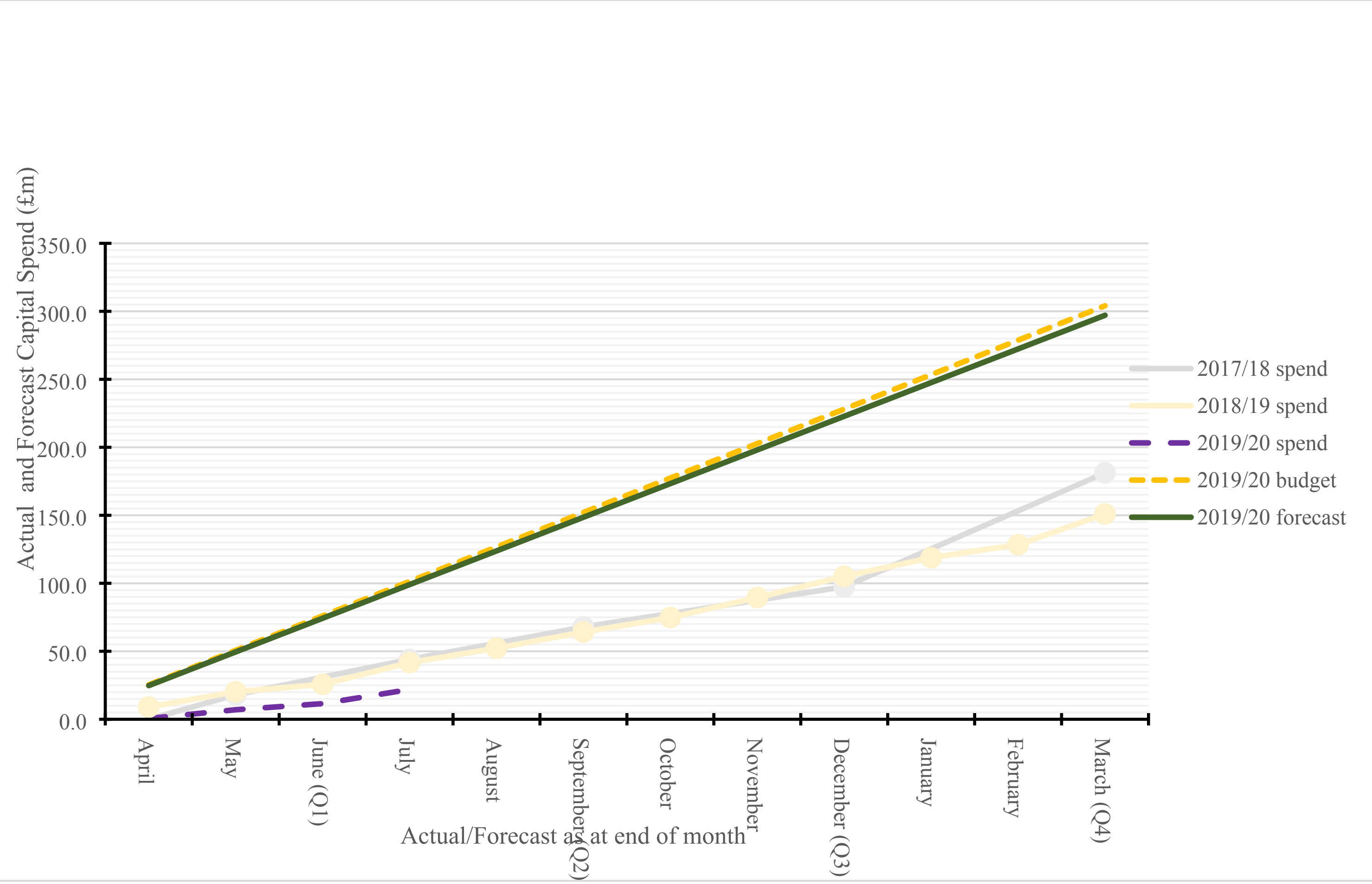
Total General Fund	**0.0**	**(1.1)**	**(1.1)**
DSG Funded Activity	0.0	2.8	2.8
Housing Revenue Account (HRA)	0.0	0.5	0.5
Overall Position	**0.0**	**2.2**	**2.2**

1.7. The graph below shows the General Fund quarter two forecast in comparison to previous years. Overall, this is a more favorable position in quarter two compared to previous years.



1.8. The Capital programme is currently forecast to underspend by £7.0m against a budget of £304.1m. The main variance to budget includes £8.7m underspend in Housing Care investment relating to the reduction in target properties in I4B as set out in paragraph 4.4. Minor variances to budget are forecasted across the other programmes, further details are set out in section 4 below.

1.9. The graph below shows the quarter two position for Capital. This shows a sizeable gap between spend and the budget and forecast lines, however this is due to budget and forecast being presented as linear movement whereas spend is not linear as the previous years' spend shows.
Furthermore, as in previous years the capital programmes will be re-profiled to reflect the expected spend in current and future years.



2.0 Recommendation

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

3. Revenue Detail

3.1. Assistant Chief Executive (ACE)

ACE Department	Budget (£m)	Forecast (£m)	Forecast Overspend/ (Underspend) (£m)
Chief Executive Office	0.5	0.5	0.0
Communications	0.4	0.4	0.0
Executive and Member Services	3.5	3.5	0.0
ACE Director	0.2	0.2	0.0
Strategy and Partnership	3.0	3.0	0.0
Total	**7.6**	**7.6**	**0.0**

3.1.1. In summary, while there are spending pressures reported in some Departments, it is expected that mitigating actions will be taken to bring the overall position to breakeven. These overspend and mitigating actions are detailed below:

- Communications are forecasting to breakeven. In the absence of mitigating actions, there would be an overspend of £0.2m as it is expected that there will be an underachievement of income within Digital Advertising due to the general ‘cooling’ of the market for film location enquiries. The JCDecaux advertising contract is due to start in January 2020 will help mitigate this pressure in the long term through the generation of additional income. In addition, a review of the Conference and Events budget is to take place shortly, which is also expected to reduce the overspend through the generation of additional income.

- Executive and Member Services are forecasting to breakeven.

- Strategy and Partnerships are expecting to breakeven overall by the end of the year. There is a spending pressure of £0.2m due to a backlog of various payments relating to the previous financial year. Mitigating actions are being explored to manage this pressure.

3.2. **Chief Executive Department (CE)**

CE Department	**Budget (£m)**	**Forecast (£m)**	**Forecast Overspend/ (Underspend) (£m)**
Legal, HR and Audit	8.5	8.5	0.0
Finance	7.2	7.2	0.0
Total	**15.7**	**15.7**	**0.0**

3.2.1. The CE department is expected to spend to budget.

3.2.2. The budget includes an addition of £1.4m budget relating to centralisation of the energy budget from across other councils department budgets.

3.3. **Children and Young People (GF)**

CYP Department	Budget (£m)	Forecast (£m)	Forecast Overspend/ (Underspend) (£m)
Central Management	0.8	0.8	0.0
Central Management Contingency	0.8	0.0	(0.8)
Early Help	5.7	5.7	0.0
Inclusion	1.6	1.6	0.0
Localities	14.4	14.8	0.4
LAC & Permanency	6.2	6.2	0.0
Partnership Planning and Performance	16.6	17.5	0.9
Safeguarding and Quality Assurance	1.7	1.7	0.0
Settings and School Effectiveness	0.2	0.2	0.0
Total General Fund	**48.0**	**48.5**	**0.5**

3.3.1. The CYP department is managing to keep the numbers of children and young people taken into care at comparatively low levels, but those children that are in care are older and have more complex needs and are being placed in higher cost placements. It is likely this will cause an overspend in the Partnership, Planning and Performance service. There is also a forecast overspend on the Localities service due to staffing costs. The department forecasts using contingency budgets held in Central management and other mitigating actions to achieve a balanced budget.

3.3.2. Brent's cohort of Looked After Children (LAC) contains an increasing number of adolescents and there is an increasing number of care leavers. There are signs of rising unit costs for semi-independent placements for care leavers, particularly for more complex cases. Unit costs are an average of £725 for a LAC in semi-independent, and £560 for a care leaver in semi-independent settings. This compares to £410 for a Brent Foster care placement. The mix of placements is changing with fewer in-house foster placements, and more semi-independent placements. CYP management are looking to reduce placement costs in the medium term through commissioning strategies, this has been factored into the forecast, but there is a risk of an overspend of approximately £1m if this and other mitigations are not successful.

3.3.3. Caseloads for teams in the Localities and Looked after Children service are mostly under the levels budgeted for, but the staffing levels are creating pressure on budgets as is the use of agency social workers to cover vacancies. CYP management are mitigating this pressure through increased scrutiny of staffing, seeking to be flexible in use of budget resources across the services. The client support budgets within the LAC and Permanency service are being closely monitored to avoid additional pressures.

3.3.4. The planned transfer of the Transitions team budget of £4.6m from CWB to CYP has taken place. The team commissions care for children and young people with disabilities and is now part of the Localities service. The Inclusion service budget has also increased this year with £0.3m of the SEND reform grant reserve being drawn down to help meet the demand for Education Health Care plans in 2019/20.

3.3.5. It is reported that there is a growing number of caseloads in the Early Help service, and so a risk of additional overspends. The challenge will be whether these can be accommodated flexibly from staffing resource budgets from across CYP, or if this will force additional spend.

3.3.6. There are a number of risks to the forecasts above, these are described below and key assumptions detailed in the table that follows.

3.3.7. There is a clear risk of spending more on agency social workers to cover any increase 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 additional 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.

3.3.8. The other main risk is the volatility of demand for social care placements for Looked after Children and Care Leavers (Partnership Planning and Performance service budget). Despite the recent trend of low number of Looked After Children, currently at 300 in Brent compared to 400 for our statistical neighbours, new placements may have to be found at short notice and can be extremely expensive when a secure accommodation or residential placement is needed.

3.3.9. Other service areas which contain financial risks are those with delays to savings. This includes the delay to the Youth Service Roundwood Centre saving, and the reduction of non-case holding staff. Together the delays on these savings create a pressure of £0.2m. Services are identifying compensating underspend actions for this year until savings are fully implemented.

3.3.10. There is also a risk in the Early Help service where a balanced budget is reliant on an increased number of successful claims for the Troubled Families reward payments. With 250 successful claims, the service was slightly below the target number of claims for Q1, but is planning to increase claims in Q2 and Q3.
A planned drawdown of £0.2m from the Troubled Families reserve has been added to this budget to support the final year of the current programme.

3.3.11. The forecasts include key assumptions, the table below highlights this.

Key Assumption	Downside if worse	Upside if better	Mitigations
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. Increased scrutiny from senior management on placement costs.
Troubled Families achieves the targeted 1,192 successful claims.	Each claim is worth £800, so a shortfall of 50 claims creates a £40,000 budget pressure.	Over achievement results in an additional £800 of income per claim.	Putting additional resources into the claims process.

3.4. Community Well-Being (GF)

Community Well-Being (GF)	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	93.7	93.9	0.2
Total	**129.0**	**129.2**	**0.2**

3.4.1. 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 £0.3m payment on existing leases and a further £0.5m on leases renewing before February 2020 (in addition to the £70 per week per household fee currently paid). This is an additional cost of around £20 per week per 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. If this work is unsuccessful then there will be an overspend on Temporary Accommodation.

3.4.2. 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.

3.4.3. It is projected that Adult Social Care will overspend by £0.2m in 2019/20. This forecast 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.

3.4.4. 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.

3.4.5. There has been a delay in the Homecare and Day Care retenders which means that £0.7m of savings may not be achieved until next year. To offset against this non-delivery several mitigations are planned: 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; all high residential placements will be signed off by the Operational Director for Adult Social Care; and all other packages (irrespective of its costs) will be signed off by QAM (Quality Assurance Meeting). However, if these mitigations do not succeed, there is a risk for Adult Social Care overspend increasing beyond the reported level of £0.2m.

3.4.6. There has been a delay in the delivery of the NAIL savings programme due to challenges faced by the private market delivering NAIL schemes. This 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. It will be mitigated by a greater scrutiny of the costs of new packages and enhanced focus of existing packages to ascertain where savings can be made. The delay in delivering NAIL savings has been offset through the IBCF grant funding for 2019-20.

3.4.7. The forecasts include key assumptions, the table below highlights this.

Key Assumption	Downside if worse	Upside if better	Mitigations
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 £0.1m 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. There will also be renewed focus on cost control of new packages which will be vetted by senior management.

3.5. **Customer & Digital Services**

Operational Directorate	Budget (£m)	Forecast (£m)	Forecast Overspend/ (Underspend) (£m)
Customer And Digital Services Director	0.6	0.6	0.0
Customer Services	11.4	11.4	0.0
Shared ICT Service	0.0	0.0	0.0
ICT Client And Applications Support	5.4	5.4	0.0
Procurement	1.0	1.0	0.0
Transformation	2.7	2.7	0.0
Total	**21.1**	**21.1**	**0.0**

3.5.1. The Customer & Digital Services department is expected to spend to budget.

3.5.2. The budget includes the addition of £1.6m mainly relating to Customer Services from centralising Housing Benefit Overpayments to replace central recharges. Additionally the budget includes the planned drawdown from the reserve of £1.2m, relating to funding for the assessment team in Customer Services.

3.6. **Regeneration & Environment (R&E)**

R&E	Budget (£m)	Forecast (£m)	Forecast Overspend/ (Underspend) (£m)
Environmental Services & Directorate	33.5	31.5	(2.0)
Regeneration Services	1.0	1.0	0.0
Property Services	5.0	5.2	0.2
Total	**39.5**	**37.7**	**(1.8)**

3.6.1. The table above reflects the budgets and the projected outturn for each of the services within R&E. The budget includes drawdowns from R&E reserves totaling £0.8m to fund activities planned to be undertaken in 2019/20 and these drawdowns include; funding for transportation projects, DWP funds for the Living room team and South Kilburn trust funds. Overall, the department is currently forecasting a net £1.8m underspend based on current trends.

3.6.2. The forecast underspend within Environmental services & directorate is the net impact of a £2.7m underspend offset by £0.7m forecast pressures. The underspend has arisen in a number of areas, which include:

- £0.9m additional income assumed within the Cemeteries & Bereavement areas based on current volumes and historic trends and £0.2m relates to additional enforcement income assumed within Neighbourhood Management based on current trends.
- £0.7m of the underspend is attributable to previous projections made against waste tonnages being less than initially anticipated based on current property numbers and a reduction in the expected cost of the re-basing of recyclate revenues built into the waste contract.
- £0.5m underspend relates to efficiencies made across the directorate to fund projects within the department which would not be utilised.
- £0.4m of the underspend is due to a number of vacancies currently held across the service.

3.6.3. The £0.7m forecast pressure in the Environmental Service has arisen within Parking and Street lighting due to income shortfalls. £0.5m of this shortfall has mainly arisen from permit sales which has reflected a small reduction in volumes based on prior years rather than growth in volumes. There is also a £0.2m shortfall against the diesel surcharge as previous forecasts assumed sales to 10,000 vehicles generating income of £0.5m and as a result of the scheme commencing in June and a reduction in the assumed number of vehicles to 7,500 the forecast has been revised to generate income of £0.3m. However, the impact of the reduced number of diesel vehicles has wider air quality benefits. 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.

3.6.4. The Brent Transport Service (BTS) is currently maintaining a forecast breakeven position with anticipated growth in numbers of 10%-15%. The service has been allocated growth funding in this financial year to mitigate an assumed increase in passenger numbers. This area would be monitored closely throughout the year to maintain accurate forecasts.

3.6.5. Property Services is currently reflecting a forecast pressure of £0.2m mainly within Commercial Properties due to the risk of a shortfall in income following some premises being vacated and there is a possibility these may remain vacant for a few months. There are also pressures within health and safety to cover the costs of audit and assurance procedures and the cost of a systems upgrade for the accident reporting system.

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

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

Key Assumption	Downside if worse	Upside if better	Mitigations
Parking Service – Diesel surcharge on residential permits which commenced June 2019 has revised assumptions from sales expected from 10,000 vehicles, to 7,500 vehicles, based on current trends, generating income of £0.3m.	The forecast for the diesel permit sales has now been revised to reflect a reduction in income expected. If the forecast reduces further, this would lead to an additional shortfall in income.	Increased income generated if more than 7,500 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.
Forecast Parking permit sales assumes similar volumes to 18/19 averaging c28,000 sales per month.	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 further shortfall in income.	If parking contraventions increase and are successfully enforced, the growth in parking permit income could be higher than anticipated.	As above *and* Continue installation of additional moving traffic enforcement cameras *and* 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.
The Commercial property portfolio would be able to manage voids effectively	The service would need to cover the costs of any void properties creating a pressure and	There would be no pressures to be mitigated and required income would be generated.	Regular reviews of the portfolio, management of long standing debtors etc.,

	there would also be a shortfall against the income target while the properties remains vacant.		
Income generating services to achieve income targets built into the 2019/20 budgets. Any potential impact arising from Brexit has not been factored in to the forecast and this can affect income generation across various areas in this department such as planning, building control, parking etc.	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.

3.7. **Central items - Collection Fund**

3.7.1. 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 July 2019 was £151.1m, which has been relatively stable since April 2019. This is expected to increase further during the year as more properties are built in the borough and recorded with the Valuation Office Agency, but is likely to achieve a small shortfall on the budget set this year. This is being closely monitored, and the shortfall is forecast to be eliminated over the timeframe of the medium term financial plan. As at the end of July 2019 the amount collected was 0.2% lower than the in-year target, compared to 0.2% above target in the previous year at the same point in time.

3.7.2. The budgeted net collectible amounts for Business Rates (after exemptions, reliefs and discounts) is £132.3m. The actual net collectible amount as at July 2019 is £130.4m, a decrease of £1.9m since April 2019. 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. The primary reason for the movement this year is due to higher levels of reliefs being granted to businesses. As at the end of July 2019 the amount collected was 0.58% above the in-year target and 0.5% above the percentage collected at the same period in the previous year.

3.8. **Central items - Capital financing and other central items**

3.8.1. The capital financing budget for 2019/20 is £23.3m and is currently forecast to be spend to budget, as set out below.

	£m
Interest Payable	23.5
Interest Receivable	(13.3)
Capital Financing and Minimum Revenue Provision	13.1
Total	**23.3**

3.9. **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	60.1	4.0
Early Years Block	23.4	23.4	0.0
Central Block	2.4	2.3	(0.1)
Total DSG	**316.4**	**319.2**	**2.8**

3.9.1. It is likely that the DSG will overspend by £2.8m 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. The number of EHCPs has risen from 2176 at the end of 2018/19 to 2256 in June 2019. This quarterly growth is broadly consistent with the increase of 10% experienced across the 2018/19 financial year, so the growth remains constant and is not yet abating.

3.9.2. The EHCPs specify the amount and type of support an SEND pupil requires and so dictates the cost. The growth is a London and 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. 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 increases in staffing costs.

3.9.3. It is noted that there is particular growth in the numbers of young people remaining in education in post-16 who have EHCPs and who may be supported from the High Needs block until the age of twenty-five.

3.9.4. The High Needs forecast of £60.1m is indicative, based on the number of EHCPs to date. 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 deplete the DSG reserve of £2.5m, and cause a year end deficit of £0.5m. This will be a relatively small deficit compared to other London Boroughs most of which will finish the year in deficit.

3.9.5. There is also a risk of overspend in the pupil growth fund which is part of the Schools Block. This budget has underspent in previous years, and the DSG was consequently top-sliced by the DfE for 2019/20. The current budget has been set in line with prior year spend, but £0.7m is committed to the school based 'CAFAI' provisions for secondary age pupils who are new entrants to the English school system. This leaves £0.7m for the rising rolls growth funding. The rising rolls funding calculations are completed in December, and the risk of overspend mainly depends upon the year on year increase in the year 7 intake. The growth fund will be reviewed by Schools Forum for the 2020/21 financial year; it is funded by the Schools block, so the budgeted level impacts upon the amount available for the mainstream funding formula.

3.9.6. The growth in demand on the High Needs block is forecast to continue in future years, so it is unlikely that a deficit on the DSG will be recoverable in the following year without sustained additional funding. The DfE position is that deficits can be recovered from subsequent year's DSG funding as part of a multi-year recovery plan, but any plan will require additional year on year increases in funding. Without this funding the Schools Forum will need to agree a recovery plan which will have to require funding cuts to schools to balance the DSG position.

3.9.7. Some additional funding has recently been announced for 2020/21 with the government outlining new funding for SEN of £700m. It is not yet known if this is a one off grant or how the funds will be allocated or targeted, but, if it were to be split proportionately between local authorities on the basis of the 2-18 year old population, the Council could be allocated 0.6% of the total, which works out as £4m. This would be enough to cover the 2019/20 overspend on the High Needs block, but demand modelling indicates further increases in spending of £3.5m in 2020/21.

3.10. **HRA**

HRA	**Budget (£m)**	**Forecast (£m)**	**Forecast Overspend/ (Underspend) (£m)**
HRA	0.0	0.5	0.5
Total	**0.0**	**0.5**	**0.5**

3.10.1. The £0.5m overspend relates to the estate cleaning service provided by Wettons. This service will be brought in-house from the 15th 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. The estimated in year budget pressure of committing to London living Wage is £0.5m if all staff TUPE over to LBB. The service is currently reviewing the service charges, and other options to mitigate this overspend.

4. Capital Detail

4.1 The table below shows the Capital budget including the in-year movements.

Capital Budget movement

	Original budget (£m)	Carry forward (£m)	Budget Additions/ Removal (£m)	Virement (£m)	Reprofiling (£m)	Revised Budget (£m)
Corporate Landlord	52.2	0.8	0.5	0.0	1.6	55.1
Regeneration	1.7	1.8	3.9	(0.5)	0.0	6.9
St Raphael's	0.9	0.1	0.0	0.0	0.0	1.0
HCIB	179.5	(3.7)	23.8	0.5	0.8	200.9
Schools	7.2	1.6	1.5	0.0	0.0	10.3
South Kilburn	3.9	8.6	0.4	0.0	(2.4)	10.5
Public Realm	12.3	3.0	2.6	0.0	1.5	19.4
Total	**257.7**	**12.2**	**32.7**	**0.0**	**1.5**	**304.1**

4.2 The significant movements relate to:

Corporate Landlord

- Digital strategy bringing forward £1.6m from 2020/21.

Regeneration

- £3.9m budget increase mainly relating to the addition of Wembley transport improvement programme.

Housing Care investment panel (HCIB)

- The budget increased primarily due to £6.8m uplift in I4B budget, £4.2m for DFG grant and £11.5m to provide new affordable housing with the support of Right to Buy.

Schools

- Additions mainly relate to the Woodfield school expansion which has been allocated £0.9m of new budget.

South Kilburn

- Delays caused from the ballot and QPJV have resulted in budgets of £2.4 m being moved forward and significant carry forward from 18/19 of £8.6m.

Public Realm

- The £1.5m budget brought forward is related to the £20m footways programme.
- The majority of the additional budget is for S106 and TFL schemes, including £1.0m for the TfL bus priority scheme.

4.3 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	19.4	18.7	(0.7)
South Kilburn	10.5	10.5	0.0
St Raphael's Estate Regeneration	1.0	0.7	(0.3)
Regeneration	6.9	6.3	(0.6)
Housing Care Investment	200.9	192.2	(8.7)
Schools	10.3	13.0	2.7
Corporate Landlord	55.1	55.7	0.6
Total	**304.1**	**297.1**	**(7.0)**

4.4 The slight underspend of £0.7m in public realm is due to a section of Section 106 (S106) projects in highways and parks that are currently expecting to delay completion and slip budget into future years.

4.5 The £0.3m underspend in St Raphael's is due to the expectation that the design budget will not be fully spent in 19/20, and works will continue into 2020/21.

4.6 The delays to the Bridge Park project stem from ongoing legal issues causing the £0.6m underspend in regeneration.

4.7 The Housing Care Investment budget is underspending by £8.7m mainly due to the reduction in target properties for I4B. There are several work streams implemented to reach target level which includes, targeting council house lease holders, re-engaging with past vendors and reducing the overall refurb costs to allow for higher initial purchases to be made.

4.8 The schools programme is currently forecasting an overspend of £2.7m due to the original contractor at Uxendon manor being unable to complete the work, although the Council is seeking redress by recovering these costs.

4.9 Additional laptops and an increase in anticipated spend on LEDs are the main reasons for the projected £0.6m overspend in Corporate Landlord.

4.10 The overall forecast of £297.1m, includes a number of spend positions that still need to be confirmed for 19/20. As in previous year officers will be given the opportunity to re-profile capital budgets (to reflect the expected spend in current and future years) and to set the revised baseline for 19/20.

Conclusion

Currently, the forecast shows that the General Fund revenue financial position for the Council in 2019/20 is an underspend of £1.1m.

5.2 The capital forecast shows an underspend of £7.0m, however the schemes are due to be re-profiled to reflect expected spend.

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
Director of Finance