CABINET

19 January 2021

Title: Revenue Budget Monitoring 2020/21 (Period 8, November 2020)	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	**For Decision** Yes
Wards Affected: All	**Key Decision:** Yes
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Summary

This report sets out at a high level the Council's budget monitoring position and the likely challenges this year.

The Council's General Fund budget for 2020-21 is £155.796m. As a result of underlying financial pressures including increased costs, demographic and other demand growth, savings not yet delivered and other risks there is an underlying budget variance of £5.743m largely in Care and Support and My Place. In addition, as a result of the COVID-19 epidemic, the lockdown, and subsequent economic impacts the Council has experienced a high level of additional costs and pressures including loss of service income from fees and charges. The minimum impact from this is assessed to be £27.665 including delayed or reversed savings which are also in the main forecast. Including these Covid costs, the Council's final net expenditure for the year is expected to be at least £189.204m. This would be an overall expenditure variance of £29.271m. This is an increased estimate since last month as it incorporates some of the Covid associated losses incurred by one of the Council's subsidiary companies.

Another tranche of unringfenced grant support funding for Local Government was announced in mid-October taking the total allocation for LBBD to £22.560m, plus £1.363m has been received and a further £1.7m claimed as compensation for loss of income. Taking into account this funding the expected outturn for the Council is an overspend of £3.568m. However, this is the position as at the end of November before the impact of increased infection rates and restrictions over Christmas. The report is written mid-December and so it is too early to assess properly the impact of the second lock down and the subsequent restrictions over the rest of the Winter period. This means that the position for the Council is more risky than usual. The estimated pessimistic case for the Council is a net further risk of £12.7m.

The potential range of outturn variance therefore is between £3.568m at the more optimistic end to £16.281m at the more pessimistic (although still entirely possible) end. This is a widening of the range since last month reflecting the increased uncertainty of the position. In practice it is likely to fall between those extremes with a likely overall variance of £9.926m. This is the main estimate and a sensible basis on which to plan. This could be funded from the budget support reserve and some draw from the general fund – although the higher estimate would also mean more drawdown from the general fund

reserve was required. It is therefore important that all possible action should be taken to reduce the overspend by identification and implementation of efficiency savings, short term cost reductions (such as delaying recruitment or non-urgent projects) or maximisation of income where possible given anti COVID-19 constraints.

Recommendation(s)

Cabinet is recommended to:

(i) Note the projected revenue outturn forecast for the 2020/21 financial year as set out in sections 2 to 4 and Appendix A of the report and the potential impact on the reserves position as set out in section 7 of the report;

(ii) Note the update on key savings programmes, as set out in section 5 of the report;

(iii) Note the update on the impact of COVID-19 and the lockdown, as set out in section 6 and 7 of the report; and

(iv) Approve an additional capital loan facility of up to £2.769m to B&D Energy to bridge the funding gap in relation to Energy tenders as set out in section 9 of the report and, subject to the condition that any third party funding secured reduces the loan amount required by the full funding amount.

Reason(s)

As a matter of good financial practice, the Cabinet should be informed about the Council's financial risks, spending performance and budgetary position. This will assist in holding officers to account and inform further financial decisions.

1. Introduction and Background

1.1 This is the fifth budget monitoring report of the 2020/21 Financial Year. At this stage of the year the main financial trends are usually established but there is still a substantial part of the year to go so it is possible that new risks may emerge. In addition, this year there are complications arising from the COVID-19 pandemic and the response which creates further uncertainty. For this reason, a range of potential outcomes is being reported. The Council should plan on the basis of the main forecast but should seek to be assured that the pessimistic/worst case scenario can be managed within its resources.

1.2 It is clear that this will be a difficult financial year. The final outturn for 2019/20 was an overall overspend of £4.930m with £11m of overspent expenditure being offset by additional income. Most of this overspend was driven by long term budgetary pressures including demographic/demand pressures in Social Care and other frontline services. Considerable growth funding was provided in the MTFS including the use of additional government grant, but this was not sufficient to cover the level of pressure.

2. The 2020-21 Budget Monitoring Position - Summary

2.1. The 2020-21 budget was approved by the Cabinet in February and is £155.796m – a net increase of £6.976m from last year. Growth funding was supplied for Care and Support (to meet demographic and cost pressures), ComSol (for Temporary Accommodation), Public Realm (to cover additional work from housing growth), Legal and Policy and Participation (for the Community Engagement Strategy.) It also includes £12.696m of new savings plans.

2.2. In response to the Covid situation the Government has made available to Local Authorities a range of grants. Where these are ring fenced grants for specific activities these have generally been netted off within the forecasts. However, the main support is in the form of a large unringfenced grant which has been treated as corporate income (like Revenue Support Grant.) Services that have incurred additional costs as a result of this epidemic have been identified in the financial systems with a project code. These additional costs are shown as an overspend against the original budget, offset by additional corporate income.

2.3. As shown in the table below there is an underlying pressure of £5.743m which includes £4.1m of savings not delivered or delayed as a result of COVID-19. In addition, there are £27.665m net of COVID-19 costs or income losses that have already been incurred or seem unavoidable at this stage. This has been increased this month to include an increased bad debt provision. This is offset by £25.703m, of general COVID-19 funding and income compensation. A new claim for income compensation has been submitted in December for £1.75m. This results in a net variance of £3.568m. This is a slight improvement since last month reflecting the new income compensation claim and some minor improvements in My Place and Care and Support. However, it should be noted that there are further risks that are discussed further down in this report. A fuller table can be found in Appendix A showing the underlying pre COVID variances, the additional costs that are clearly attributable to COVID and the further level of COVID cost risk that the Council is facing.

DEPARTMENT	ADJUSTED BUDGET	OUTTURN	VARIANCE	CoVid Costs	FINAL VARIANCE
SDI COMMISSIONING	8,903	8,750	(153)	1,900	1,747
CORE	5,962	7,895	1,933	601	2,534
CENTRAL MINUS F30080	34,655	32,088	(2,566)	2,618	51
EDUCATION, YOUTH & CHILDCARE	4,057	4,447	390	742	1,132
LAW, GOVERNANCE & HR	(1,404)	(2,088)	(684)	1,514	830
POLICY & PARTICIPATION	1,758	2,555	797	3,355	4,152
CARE & SUPPORT	83,260	86,808	3,548	5,150	8,698
INCLUSIVE GROWTH	1,001	1,001	0	0	0
COMMUNITY SOLUTIONS	12,471	13,355	884	1,801	2,685
MY PLACE	6,230	7,860	1,630	987	2,617
REVENUES AND BENEFITS	(1,094)	(1,130)	(36)	1,000	964
COMMERCIAL INCOME RISK	0	0	0	2,275	2,275
SAVINGS DELAYED	0	0	(4,137)	5,723	1,586
TOTAL GENERAL FUND BUDGET	**155,796**	**161,539**	**1,606**	**27,665**	**29,271**
CORPORATE FUNDING	**(155,796)**	**(155,796)**	**0**	**(25,703)**	**(25,703)**
NET GENERAL FUND POSITION	**0**	**5,743**	**1,606**	**1,962**	**3,568**

3. Budget Monitoring

3.1 This section sets out the main service variances in this financial year. In some areas there are underlying pressures and also there are known COVID-19 costs or income losses. As far as possible we have tried to distinguish between these but in some areas the relationship is complicated.

3.2 Care and Support

3.2.1 The total expenditure forecast for 2020/21 is £102m which would result in an overall budget pressure of £8.55m – around £5m of which is attributable to COVID.

3.2.2 The table below summarises the overall position for each service.

People & Resilience Group	20/21 Budget £000	20/21 Forecast £000	Variance £000	Period Movement £000	Change since 2019/20 £000
Adults Care & Support	22,511	20,823	-1,689	0	912
Adults Commissioning	5,580	5,448	-132	0	1,335
Disabilities Service	24,248	29,119	4,872	0	4,468
Children’s Care & Support	37,762	43,278	5,515	-213	4,036
Children’s Commissioning	3,864	3,764	-100	-100	-393
Public Health	(537)	(458)	79	0	79
Group Total	**93,428**	**101,973**	**8,545**	**-313**	**10,437**

3.3 Adults’ Care & Support

3.3.1 Adults’ Care and Support (ACS) detailed summary table below;

Service Area	20/21 Budget £'000	20/21 Forecast £'000	Variance £'000	Period Movement £’000
Adult packages	8,044	5,053	-2,991	0
Adult teams	3,557	3,557	0	0
Adult homes and centres	2,119	2,219	100	0
Mental Health	7,431	8,634	1,202	0
Adults Other (Support Service)	1,360	1,360	0	0
Directorate Total	**22,511**	**20,823**	**-1,689**	**0**

3.3.2 The net forecast for Adults Care and Support (ACS) is £20.8m, which has resulted in a budget underspend of £1.69m. There has been no change to the forecasted position this month.

3.3.3 Significant work has been undertaken by finance to re-align budgets to reflect a more realistic and current picture of our spend and income, the result is a much clearer picture of where our pressures or underspends are. However, there may be further realignments required this year in line with some changes in responsibility as set out in the Adults, Disabilities and MH PIDs.

3.3.4 Adults packages is forecasted to underspend by £2.991m this is attributable to the following:

- £1.031 overspend on Homecare this has been caused by COVID and the greater need to provide care at home with outbreaks in care homes.
- £1.331m underspend on Residential and Nursing clients, this reduction is attributable to the fact the CCG has been funding and allocating placements for the first 6 months of the year due to COVID and the need to free up hospital beds quickly.
- Direct Payment is forecasted to achieve a break-even position

- £274k overspend on Supported Living attributable to demand led for spot placements
- The above is offset by the winter pressures money, which is now part of the iBCF, and equates to £913k
- £1.2m of unallocated BCF funding
- The remainder of the growth pot which has not yet been allocated to budgets which is approx. £789k

3.3.5 Mental Health (MH) is reporting a total overspend of £1.202m, this is broken down below.

- £1.051m overspend on Home Care attributable to increases in Dementia cases
- £196k overspend on Supported Living due to lack of Housing options for young people with MH and transitional cases. Additionally, the Complexity and chronicity in needs had also pushed costs up.
- £215k overspend on Direct Payments due to in increases in Dementia cases
- £326k underspend on Residential and Nursing due to COVID impact on death rate
- £15k underspend on Day Care and transport
- £105k overspend on Additional staffing costs as per Mental Health PID

3.3.6 Finally there is an estimated £100k pressure in the Adults Homes and Centres service, this is predominantly due to Relish café which has been closed the entire year due to COVID.

3.3.7 Included in this position is approx. £2m of additional spend due to COVID-19. Half of this has been interim uplifts to providers, the other half has seen a very sharp increase in numbers of residents requiring both medical/NHS and social care support for Mental Health issues.

3.3.8 There has been a significant rise in demand within mental health, this is a culmination of increasing numbers but also the full year impact of the dementia cases that moved over to MH in the last financial year. Due to this unforeseen pressure, our contingencies for COVID-19 have been swallowed up leading to the movement in the position mentioned above.

3.4 Disabilities Care and Support

3.4.1 The Disabilities service detailed summary table is below:

Service Area	20/21 Budget £0	Forecast £0	Variance £0	Period Movement £'000
Adults Care Packages	13,733	15,690	1,957	(60)
Children's Care Costs	1,946	2,582	636	70
SEND transport	2,892	4,196	1,304	0
Centres and Care Provision	1,960	2,360	400	(14)
Staffing/Management	3,717	4,291	574	3
Directorate Total	**24,248**	**29,119**	**4,871**	**(0)**

3.4.2 The forecast for Disability Services is an overspend of £4.871m. The bottom line variance has not changed this period, although there has been some shifts within the service areas explained below.

3.4.3 Packages and Placements total overspend of £3.897m, the breakdown of this is reported below:

- **£1.957m** overspend on Learning Disabilities Adults – There has been a favourable movement of £60k from P7. £50k of this reduction is due to a change in the forecast of clients placed in residential settings and an additional £10k reduction on equipment and adaptations due to orders being reassigned to capital projects. The current forecast is based on clients recorded on Controcc as at end of November, but the direct payment costs is based on the actual postings on Oracle. The trend based on actuals on oracle exceeds the Controcc forecast so the higher figure has been applied.

- **£1.304m** Out of Borough School Transport overspend -This is due to the redesign of the school routes taking in the light of COVID and social distancing requirements. This means vehicles covering the school routes for the protection of the children. There has been no change to the position at P7.

- **£636k** budget pressure on the Children with disabilities social care provision. There continues to be an increase in the cost of support packages put in place for the children. The increase of 70k from the previous month is due to increases in direct payments, respite packages, legal and transport costs.

3.4.4 Teams and Centres total overspend is forecast at £974k which is a decrease of £10k from the previous month. The reduction is due to savings on Heathway centre expenditure forecasts because of it being relocated at Becontree Children's centre. The areas of significant variances are highlighted below:

- **£400k** overspend across the centres is mainly due to the loss of income due to the pandemic (£333k) and other unbudgeted but essential expenditure items at 80 Gascoigne (£94k). The overspends are being mitigated by an underspend of £27k at the Heathway centre.

- **£345k** Overspend on School Psychological Services due to loss of income due to school closures over the pandemic and schools only purchasing the statutory minimum for the new school year.

- **£229k** overspend against the other Teams budget. This is due to the need to recruit agency staff in both Life planning teams due to the increase in caseloads as a direct result of the pandemic. Included in the overspend also is the staff pay awards and unbudgeted employers liability insurance.

3.4.5 Included in this forecast is the estimated COVID-19 related expenditure of £1.075m. £648k on additional vehicles for home to school transport, £128k one off direct payment support, £197k of equipment and minor adaptation following hospital discharges and £90k for additional agency staff to cover the increased case workload.

3.5 Children's Care & Support

3.5.1 Children's Care and Support detailed summary table below:

Service Area	20/21 Budget £'000	20/21 Forecast £'000	Variance £'000	Period Movement £'000
Corporate Parenting & Permanence	22,069	27,560	5,491	76
Family Support & Safeguarding	5,640	5,693	53	-129
Assessment &Intervention Team	4,004	3,984	-21	-121
Snr Leadership Team &Service Dev.	2,193	2,444	251	0
Specialist Intervention Service	2,143	2,143	0	0
Adolescence & YOS	1,713	1,454	-259	-39
Directorate Total	**37,762**	**43,278**	**5,515**	**-213**

3.5.2 Children's Care and Support is forecast to spend £43.278m and would result in a budget overspend of £5.5m. There has been an improvement in the position of £213k from period 7.

3.5.3 The most significant variance is in Corporate Parenting & Permanence, which is due to the placement costs for Looked After Children service. There has been an increase in the forecast of £76k from the previous month. The projected overspend is £5.491m is due to packages and the breakdown is as follows:

- £2.876m overspend on Residential Homes, decrease of £61k from P7
- £1.678m overspend on Leaving care services, an increase of £65k
- £547k overspend Family Assessment Units, an increase of £61k from last month.
- £443k overspend on Specialist Agency Fostering, an increase of £40k from P7.
- £343k overspend on Adoption Placements, no change from P7.
- £300k overspend in Asylum Seekers.
- This is being mitigated by underspending across the teams' budget, secure placements & In-house fostering of £696k

3.5.4 The Adolescence and Youth Offending Service is forecast to underspend by £259k this is because of vacant posts within the establishment. There has been a further reduction in the staff cost projection of £39k at P8.

3.5.5 Family Support & Safeguarding Team is reporting an overspend of £53k, but a reduction of £129k from the previous period. This improvement is due to the review of the use of agency staff to cover the additional caseloads and relying more on permanent social workers and newly qualified social workers.

3.5.6 Assessment and Intervention team including the MASH service is projecting an underspend of £21k, an improvement of £121k. The service has held some posts vacant and has also reviewed the use of use of agency staff in both teams.

3.5.7 The budget pressure on residential placements is in part due to the impact of the COVID-19 pandemic and the availability of providers to meet the increased demand

and complexity of cases. There are 15 children with disabilities in this cohort with a projected expenditure of £3.493m.

3.5.8 There has also been an increase in the forecast spend on agency foster care placements of £40k. 4 new clients were placed with agency foster carers in November.

3.5.9 There is approx. £1.9m of spend within the forecast that can be directly attributed to the COVID Pandemic.

3.6 My Place

3.6.1 The My Place summary table is below.

PERIOD 7		2020/21	PERIOD 8			
FORECAST	VARIANCE	REPORT LEVEL	BUDGET	FORECAST	VARIANCE	CHANGE
£000	£000		£000	£000	£000	£000
9,694	1,336	MY PLACE	8,359	9,441	1,082	(254)
10,837	1,535	PUBLIC REALM	9,302	10,837	1,535	0
20,531	2,871	TOTAL MY PLACE	17,661	20,278	2,617	(254)

3.6.2 The Directorate is reporting a forecast outturn of £20.278m at Period 8, representing a projected overspend of £2.617m. This represents an improvement of £254,000 on P7. It is estimated that COVID-19 related costs and income loss account for £987k of the overspend.

3.6.3 My Place (excluding Public Realm) is reporting a £1.082m overspend on the 2020/21 Budget of £8.359m. This is an improvement of £254k on the position reported in P7.

PERIOD 7			PERIOD 8			
FORECAST	VARIANCE	REPORT LEVEL	BUDGET	FORECAST	VARIANCE	CHANGE
£000	£000		£000	£000	£000	£000
2,733	(64)	BUSINESS DEVELOPMENT	2,798	2,811	14	78
13,149	(8)	CONTRACTS MGMT	13,158	12,971	(187)	(179)
3,743	(292)	LANDLORD SERVICES	4,034	3,992	(42)	250
(4,658)	(46)	LEASEHOLD & COMMERCIAL	(4,612)	(4,470)	142	188
(20,023)	1,530	MNGMT CENTRAL	(21,553)	(20,023)	1,530	0
14,750	216	PROPERTY ASSETS	14,534	14,160	(375)	(591)
9,694	1,336	TOTAL	8,359	9,441	1,082	(254)

3.6.4 The adverse movement of £78k in Business Development is caused by a £155k increase in consultancy and agency fees in relation to positions within Leasehold and Landlord Services offset by a £77k reduction in the salary forecast.

3.6.5 The reduction of £179k in Contracts Management is due to a reduction of £145k in salaries costs plus additional schools buy backs income.

3.6.6 The £250k increase in Landlord Services costs is related to an increase in salaries and consultancy of £107k plus £170k of premises security costs (Gascoigne decanted properties) offset by reduced legal and compensation costs.

3.6.7 The forecast for Leasehold and Commercial has increased by £188k which is made up of an increase in the forecast cost across a range of Private Contractors. The income forecast for Right to Buy fees is to be reviewed and will be updated next month.

3.6.8 The forecast for Property Assets is forecast to reduce by £591k largely due to a reduction of £260k in the salaries forecast and a reduction of £189k in business rates now that it has been confirmed that Coventry University will be paying business rates on their Dagenham campus. There has also been an increase in forecast income on the Acquisitions portfolio.

3.6.9 The forecast for Public Realm is unchanged at £1,535k forecast overspend.

2020/21	PERIOD 8			
REPORT LEVEL	BUDGET	FORECAST	VARIANCE	CHANGE
	£000	£000	£000	£000
OPERATIONS	7,856	9,391	1,534	0
PARKS & ENVIRONMENT	2,240	2,413	173	0
FLEET MANAGEMENT	(76)	(95)	(18)	0
COMPLIANCE	(718)	(871)	(154)	0
ELWA	(30)	(30)	0	0
TOTAL	**9,302**	**10,837**	**1,535**	**0**

3.6.10 The overspend is due to agency and transport costs, in particular repayment of the capital investment in new fleet. Expenditure on vehicle hire costs and other transport-related costs has not reduced sufficiently to meet the budget reductions necessary to make the repayments.

3.7 Policy and Participation

3.7.1 The Policy and Participation summary table is below:

	Budget	Forecast	Variance M8	Change
	£'000	£'000	£'000	£'000
Director	118	142	24	0
Culture	1,328	1,373	45	-3
Leisure, Parks and Heritage	-889	2,995	3,884	0
Communications and Policy	112	106	-6	2
Participation and Engagement	1,329	1,380	51	2
Insight and Innovation	460	497	37	5
Advertising	-158	-42	116	0
Transformation	508	508	0	0
PMO	140	140	0	0
Total Policy & Participation	2,947	7,098	4,152	6

3.7.2 Policy and Participation is forecast to overspend by £4.1m of which £3.4m is due to the impact of COVID-19 on income from the leisure centres concession and loss of income from museums and parks. There has been an increase of £6k in the overspend forecast.

3.7.3 Leisure, Parks and Heritage are forecast to overspend by £3,884k. Approximately £3m of this is attributable to the support package provided to SLM. The £2,057k concession fee for 2020/21 has been waived and funding of up to £965k is to be provided. Cashflow support of £241k to cover payroll costs has been repaid to the Council.

3.7.4 Parks Commissioning are forecasting to overspend by £793k due to non-achievement of MTFS savings for 2020/21. It was planned to meet the savings target through income from soil importation to Central Park, but the timescale for this has slipped.

3.7.5 Heritage services are forecast to overspend by £240k which is partly due to income loss whilst Valence and Eastbury are closed.

3.7.6 The advertising budget is forecast to overspend by £116k. This is largely due to a £91k shortfall in advertising income resulting from delays in the current contractor removing advertising hardware from sites. NNDR costs of £22k are unfunded.

3.8 **Core**

3.8.1 The Core service summary table is below:

	Budget £'000	Forecast £'000	Variance £'000
Finance	2,314	2,202	(112)
IT	1,266	1,838	572
Commercial	(36)	546	581
Investment Strategy	(4,673)	(4,674)	(1)
Customer Services	7,129	8,455	1,326
Strategic Leadership	63	231	167
Total Core	6,064	8,597	2,533

3.8.2 Core Services are forecast to overspend by £2.5m, of which £600k is attributable to COVID-19. This is unchanged from P7.

3.8.3 IT are forecast to overspend by £572k. Further detailed work needs to be undertaken to reconcile actual and planned expenditure on IT contracts with all IT funding streams, including capital and the IT reserve.

3.8.4 Commercial Services are forecasting a pressure of £581k, which is largely due to the impact of COVID-19 on commercial income. This comprises £263k on the Film Unit and £240k on the CR27 Travelodge investment. There is also a pressure on Procurement of £131k due to non-achievement of income targets.

3.8.5 Customer Services are forecast to overspend by £1.3m of which £122k is due to a shortfall in Registrars income due to COVID-19. The balance is due to the shortfall on the cost of services transferred from Elevate.

3.8.6 Strategic Leadership are forecasting a pressure of £167k which is the balance of Core Savings which were not deducted from service budgets.

3.9 **Law and Governance and HR**

3.9.1 The Law and Governance and HR service summary table is below:

	Budget £'000	Forecast £'000	Variance £'000	Reserves £'000	Net Variance £'000
Enforcement	(2,797)	(1,924)	873	0	873
Democratic Services	1,010	868	(142)	0	(142)
HR	38	107	69	0	69
Leader and Cabinet Office	(7)	22	29	0	29
Legal	619	674	55	(55)	0
	(1,137)	(252)	885	(55)	830

3.9.2 Law Governance and HR are forecast to overspend by £830k after drawing down £55k from the legal reserve. The forecast is unchanged from P7.

3.9.3 Enforcement are forecast to overspend by £873k. The main areas of overspend are Parking and East Street Market. This is due to an income shortfall over the lockdown period. Both services were making a good recovery and income levels had improved improvement prior to the current lockdown. Given the current uncertainties it is difficult to forecast future income streams.

3.9.4 If it were not for the impact of COVID on income levels, Enforcement would be forecasting an underlying underspend of approx. £500k largely due to underspends on salaries budgets as vacancies remain unfilled.

3.9.5 Within Enforcement, the Parking service is forecast to overspend by £935k. Parking income to the end of October is £4.9m and the annual income target is approx. £10m. Income in October was £844k compared to £923k for September and £935k for November. An additional 10 CEOs have been recruited which will boost income levels between now and year-end. Further traffic enforcement cameras are due to come on-stream and this will generate further income.

3.9.6 Parking fees and charges are being amended from January 2021. This will impact upon income levels but not to a significant level for 2020/21, as the bulk of the income is from residents' permits and these fees are unchanged.

3.9.7 Also within Enforcement, East Street Market is forecast to overspend by £515k. This is due to reduced income from the impact of COVID. Income to the end of November is £255k against an annual target of £900k.

3.10 Community Solutions

3.10.1 The Community Solutions service detailed summary table is below:

Service Area	20/21 Budget £000	Forecast £000	Variance £000	Period Movement £'000
Intervention Lifecycle	387	1,032	645	(1,190)
Triage Lifecycle	2,192	1,739	(453)	2,861
Support Lifecycle	4,110	3,459	(651)	(1,836)
Universal Lifecycle	4,558	4,271	(287)	0
Service Dev. & Dir of Comsol	1,194	2,293	1,099	768
Works & Skills Lifecycle	523	805	282	493
Revs & Bens Lifecycle	3,331	3,581	250	0
Directorate Total	**16,295**	**17,180**	**885**	**1,096**

3.10.2 Community Solutions is forecast to overspend by £885k, a reduction of £211k from previous months. The overspend is due to combination of factors including the loss of grant income for the Works and Skills lifecycle and the brought forward budget gap for staffing costs within the service. There are also risks to the MTFS savings plan for reducing the cost of homelessness. The service has worked on budget realignment to ensure that the Oracle budget matches the respective budgets for each area. The improved forecast position is due to the effectiveness of management actions developed to mitigate the overspend which includes, vacancy freeze, moratorium on consultancy budget, reattribution of costs to grants, savings on print & posts etc.

3.10.3 The management actions being delivered by the service has been effective in achieving savings and in most cases are resulting in the downward trend in overall outturn forecast, however because the service costs are volatile and sensitive to unpredictable demands, we are gatekeeping a strict monitoring regime to avoid reporting monthly fluctuating outturn position. The reported figures for Comsol include circa £250,000 pro-rata of pension costs for Revenues and Benefits Service that has recently joined Comsol from September.

3.11 **Revenues and Benefits**

3.11.1 Revenues and Benefits is forecast to overspend by £1m due to a loss of courts income as a result of COVID-19. The Court service has been suspended, and courts remain closed for all cases with the exception of those deemed priority. This means that it is not possible to obtain a liability order which allows further action by enforcement agents.

4. Housing Revenue Account

4.1 The HRA is forecast to overspend by £3.1m on Revenue. This is am improvement of £129k from P7.

	PERIOD 8			
REPORT LEVEL	BUDGET	FORECAST	VARIANCE	CHANGE
	£000	£000	£000	£000
SUPERVISION & MANAGEMENT	45,054	44,722	-332	-1,917
REPAIRS & MAINTENANCE	14,219	18,745	4,526	2,153
RENTS, RATES ETC	357	139	-218	-237
INTEREST PAYABLE	10,742	10,742	0	0
DEPRECIATION	15,860	15,860	0	0
BAD DEBT PROVISION	3,309	3,309	0	0
CDC RECHARGE	685	685	0	0
TOTAL EXPENDITURE	**90,226**	**94,202**	**3,976**	**-1**
CHARGES FOR SERVICES & FACILITIES	-20,497	-19,846	651	-51
DWELLING RENTS	-85,755	-85,318	437	237
INTEREST & INVESTMENT INCOME	-350	-50	300	300
TOTAL INCOME	**-106,602**	**-105,214**	**1,388**	**486**
TRANSFER TO MRR	**16,376**	**14,118**	**-2,258**	**-614**
	0	**3,106**	**3,106**	**-129**

4.2 The expenditure forecast is unchanged at £3.976m overspent and is attributable to an overspend on Repairs and Maintenance.

4.3 There is a forecast shortfall of £1.388m on income which is an increase of £486k on P7. This is offset by a £614k reduction in the financing of the HRA capital programme.

4.4 There has been an impact of Covid on rent collection with a forecast shortfall in income collection of up to £4m. Currently this can be covered from within the budget for the bad debt provision but there is a risk if arrears increase further.

5. Key Savings Programmes

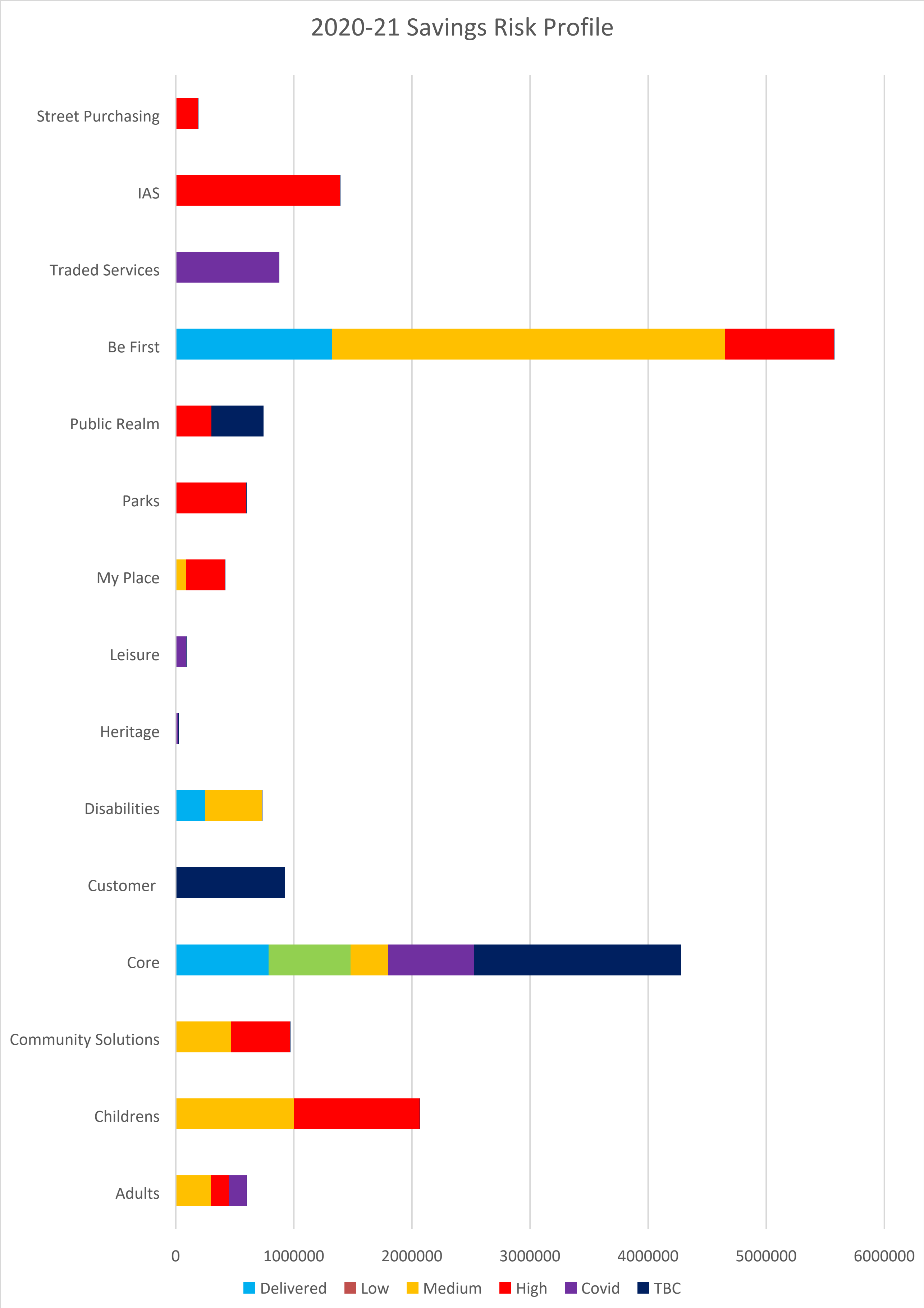
5.1 2020/21 is the fourth and final year of the original Ambition 2020 savings and transformation programme. The total savings for the target is £48.8m of which £36.129m was originally profiled as to be delivered by the end of 2019/20 and £12.696m is due in 2020/21. As at the end of 2019/20 the total delivered was £29.314m leaving £6.788m so far undelivered. This includes contributions from Be First (which would normally come a year in arrears following audit of accounts), and undelivered savings in Care and Support, My Place/Public Realm, Customer Services and the first tranche of income from the Central Park re-landscaping. The chart below shows performance to date against the total target for the MTFS.

5.2 The total savings yet to be delivered in 2020/21 were already high risk even before the COVID-19 situation arose and the pandemic and the response has considerably worsened the situation. A small number of savings have been assessed as impossible to deliver in the current year but may be possible to reinstate in future years. These are the Leisure Concession Fee which will not be payable in 2020/21, increased Heritage income, a further change to the Adults Charging Policy and the Council Tax Support Scheme (part of the Core programme) where the impact of the epidemic has reversed the previous reduction in this scheme.

5.3 In addition there are a large number of savings where the original plans have been delayed (My Place restructure) or are much more difficult/high risk (Debt collection in Core, Homelessness reductions in COMSOL.) In addition, it is now expected that the additional income from BDTP will not be achieved this year as a direct result of COVID.

5.4 As part of a detailed review of Care and Support for the MTFS, these services have identified new plans to deliver their remaining savings gap through increased income collection, small service efficiencies and commissioning savings. These are expected to come into effect over this financial year and next. The savings have been rated high risk and will be monitored to ensure they are being delivered.

5.5 The table below shows the risk breakdown of savings in the current financial year. £5.7m of non-delivered savings has been included as a COVID-19 cost on the MHCLG return (broadly those shown as COVID-19 or tbc below.)



2020-21 Savings Risk Profile
Street Purchasing
IAS
Traded Services
Be First
Public Realm
Parks
My Place
Leisure
Heritage
Disabilities
Customer
Core
Community Solutions
Childrens
Adults
0
1000000
2000000
3000000
4000000
5000000
6000000
Delivered
Low
Medium
High
Covid
TBC

6 COVID-19 Risks

6.1 The known pressures associated with COVID-19 have been shown separately in the table in section two. The Council has experienced both cost increases and loss of income. Cost pressures are made up of additional demand for services and additional costs of providing services including the costs of PPE for front line works and new IT equipment for those working from home.

6.2 Income losses were incurred across the Council with the almost total suspension of a range of normal activities during the initial period of lockdown. Almost all services experienced some degree of loss, but Enforcement was particularly affected from the reduction in parking, licensing and market income. In addition, the Council's leisure centres were closed and return to normal activity is expected to be slow resulting in the loss of the concession income from the managing partner company. Since the easing of the lockdown income levels for Enforcement have begun to increase again but whether this can be sustained will depend on whether further restrictions are introduced.

6.3 Details of the Income Loss Compensation scheme have now been announced. This provides 75% compensation for income losses after the first five percent reduction. The Council has now submitted two claims for the April to November period and claimed £3.127m in total. Further income losses are expected to be compensated at similar levels.

6.4 The level of costs that has been experienced already or that appear to be unavoidable at this stage is £27.6m. However, this is based on the assumption that there is no increase in costs from increased infection or the introduction of further restrictions. Given the increase infection rates and new restrictions over the Christmas period this may not be likely.

6.5 Central Government has announced four tranches of non-ringfenced grants to support Local Government in this situation. The LBBD allocation is £22.559m. Together with the income compensation funding this means that the net cost to the Council for known definite costs is just under £2m.

6.6 In addition, there have been £8.7m of specific grants for Test and Trace, Infection Control, Contain Outbreak Management and Welfare Support and Food Assistance and some NHS funding is available to support discharges from hospital to social care. These have been netted where they are being allocated directly to services.

6.7 However, there are further risks to the Council from the second lockdown and any further impacts. The total pessimistic case estimate is a total pressure in the region of £40.378 – a further £12.7m of further costs.

6.8 The further risks are chiefly a further £5m potential commercial income risk and up to £7m risks in Care and Support and Community Solutions (especially Homelessness) if activity increases sharply. There are also risks around loss of Parking income and income from Culture, Heritage and Leisure.

7. Impact on Reserves

7.1 The potential range of outturn variance therefore is between £3.568m at the most optimistic end to £16.281m at the more pessimistic (although still entirely possible) end. In practice it is likely to fall between those extremes with a likely overall variance of £9.925m (ie assuming that half of the future risks come to pass.)

7.2 There are several reserves that would be available to meet this level of pressure. As at the end of 2019/20 there was £6.349m in the budget support reserve and £0.735 in the restructuring reserve. This is sufficient to cover the lower range of scenarios.

7.3 The worst case scenario of £16.281m would fully deplete both these reserves and reduce the General Fund reserve from £17.031m to £7.834m which is below the minimum level set in our reserves policy. The midcase estimate of £9.925m would leave £14.190m in the General Reserve. This means that even the worst case estimate is containable within Council resources but could have a detrimental effect on our future financial resilience.

7.4 Alternatively if we wish to preserve the General Fund or if further call on reserves is required there are a number of reserves held for longer term investment such as the Capital Investment reserve and the Corporate Infrastructure reserve that could be used in the short term. They would require repayment in future years in order to deliver against the Council's longer-term plans and strategies.

8 Council Companies

8.1 The accounts for the 2019/20 are being finalised and will be subject to audit. Following this there will be a formal process to agree any returns or dividends to the Council. It must be remembered that although the dividends will be based on the previous financial year, the company boards will need to consider the current financial and trading position before agreeing release of funds and so the COVID-19 risks could result in a lower return than expected in 2021/22. For this reason, there is now a high expectation that it may not be possible for BDTP to make a full payment of dividend in this financial year. The company did return a profit in 2019/20 but some of their trading in this year has been affected by the Covid lockdown. It would not therefore be prudent for them to diminish their cash reserves by returning a payment this year. This has created a £2.273m in year financial risk. It is expected that this is a short term impact and dividends will be payable in future years. The other companies are less exposed to the lockdown effect and we are still forecasting returns from them. The process for the respective boards to meet and approve dividends will take place in the next few months.

9. Loan Facility to B&D Energy

9.1 In March 2019 Cabinet approved B&D Energy's business plan for developing the Barking Town Centre (BTC) District Energy Network (DEN). Currently, the funding is made up of a £5m grant from BEIS through their HNIP fund and £27.2m from LBBD, as a capital loan to the business.

9.2 The construction of the BTC infrastructure was tendered in two lots. Lot 1 covers the underground pipework and substations, whilst Lot 2 covers the building of a large energy centre, near the Town Centre. The cheapest Lot 1 tender was £3.036m higher than the original budget. B&D Energy can contribute £267k from its operational budget, but it still leaves a funding gap of £2.769m to be found in order for the project to continue.

9.3 B&D Energy is exploring further options for potential Government funding to help bridge the gap, but our experience is that this can take months to secure. If any applications for such further funding was successful, B&D Energy shall seek to borrow only the balance.

9.4 The reason for the high tenders is mainly due to the small number of suppliers in the market that can do the work of this type and at this scale, compounded by the "risk pricing" as contractors could not gain physical access to the existing sites during the first Covid-19 lockdowns. The risk of the Lot 2 tenders also being significantly over budget are believed to be relatively low. This is due to the following:

- a more competitive market of contractors, able to build energy centres of this size
- Lot 2 has inherently less unknowns than Lot 1 which makes risk pricing by contractors less relevant
- Lot 2 is not logistically as complex as Lot 1 which means the tenders are less likely to vary as much from budget

9.5 If the Scheme is not progressed each of the new build developments that B&D Energy is proposing to connect will, as a result of planning obligations, have to install their own on-site low carbon heat generation plant feeding their individual on site heat network. This would be a huge, missed opportunity to decarbonise the heat source over time, to provide a high-quality energy services offer to residents, and to generate a long-term return to the Council.

9.6 There are multiple schemes that omitted on-site generation infrastructure as their developers expect and have committed to connect onto the BTC network. If the project were to be cancelled, there would be significant losses to developers, including Be First, as they would need to make alternative heating arrangements. B&D Energy would lose credibility in the market which would make developing further District Energy Networks more difficult in the future as developers would be hesitant to connect.

9.7 The project therefore requires an additional £2.769m loan facility from LBBD in order to continue. A detailed analysis of the investment opportunity for BTC demonstrates that it can deliver a target IRR (Internal Rate of Return which is a measure of the return on the investment made by the Council in the project) of 7.81% despite having to loan the additional capital. This is 1.97% higher than the original 5.84% IRR as per the business plan approved in 2019. This is largely due to additional schemes with a total of 1,345 units being added to B&D Energy's forecast since the approval of the 2019 business plan.

10. Financial Implications

Implications completed by Katherine Heffernan, Head of Service Finance

10.1 This report details the financial position of the Council. It also requests an extension to the loan facility to B&D Energy of an additional £2.769m due to increased procurement costs. As described in section 9 above analysis shows that the project is still expected to generate a good overall return on investment, but it must be remembered that any loan does always carry some risk of non-repayment.

11. **Legal Implications**

Implications completed by Dr Paul Feild, Senior Governance Lawyer

11.1 Local authorities are required by law to set a balanced budget for each financial year. During the year, there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This does mean as a legal requirement there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met.

11.2 In this current Covid 19 emergency, the general laws still apply unless there are special legislative measures to take account of the factors which may or will have an effect on the Council and its duties, powers and obligations. The key provision at time of writing being the Coronavirus Act 2020 which addresses specific issues connected with the challenges that the pandemic presents rather than matters of finance and procurement.

11.3 Nevertheless, the unique situation presents the prospect of the need to purchase additional supplies and services with heavy competition. Value for money and best value duties still apply. There is also the issue of the Councils existing suppliers and service providers also facing issues of pressure on supply chains and staffing matters of availability. As a result, these pressures will inevitably create extra costs which will have to be paid to ensure statutory services and care standards for the vulnerable are maintained. Careful tracking of theses cost will facilitate grounds for seeking Covid 19 support funds.

11.4 Loan to B&D Energy – Any support the Council gives B&D Energy (such as use or supply of its property, assets, staff or services) must be provided at arms' length and on market normative terms/cost. This includes loans as if B&D Energy were any other arm's length private undertaking to ensure compliance with state aid rules. The Council cannot subsidise the Company, which must operate on a level playing field.

Public Background Papers Used in the Preparation of the Report: None

List of Appendices

Appendix A – General Fund Revenue budgets (period 8)