

CABINET

15 February 2021

Title: Revenue Budget Monitoring 2020/21 (Period 9, December 2020)	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Katherine Heffernan, Head of Service Finance	Contact Details: E-mail: katherine.heffernan@lbbd.gov.uk
Accountable Director: Philip Gregory, Finance Director	
Summary	
<p>This report sets out at a high level the Council's budget monitoring position and the likely challenges this year.</p>	
<p>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 £5.934m 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 £28.175m 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 £189.951m. This would be an overall expenditure variance of £29.972m. This is an increased estimate since last month as a result of additional costs incurred in December following the worsening infection rates and stricter lockdown.</p>	
<p>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. In addition by the end of December £9.791m of specific Covid related grants had been received which have been netted off in the forecasts. The Council has also received £0.6m of other non-ringfenced grants and a business rates pooling benefit of £0.5m. Taking into account this funding the expected outturn for the Council is an overspend of £3.131m. However, this is the position as at the end of December before the impact of increased infection rates and restrictions after Christmas. This means that the position for the Council is more risky than usual. The estimated pessimistic case for the Council is a further risk of £10.869m.</p>	
<p>The potential range of outturn variance therefore is between £3.131m at the more optimistic end to £14m at the more pessimistic (although still entirely possible) end. This is a narrowing of the range since last month as we approach the end of the financial year. However, this narrowing in part represents a shift of risk and costs into the next financial year rather than an absolute reduction in increased costs. In practice the final outturn is likely to fall between those extremes with a likely overall variance of £8.504m. This is the</p>	

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 of the report;
- (iv) Approve the loan of £308,828 (including capitalised interest) to Barking and Dagenham Reside Ltd to smooth the financial return to the Council, as set out in section 9 of the report;
- (v) Approve the working capital loan to Barking and Dagenham Reside Regeneration Ltd, at 3% interest with a maximum loan facility of £371,000, as set out in section 9 of the report; and
- (vi) Approve the budget amendments / virement totalling £1.32m, as set out in section 10 of the report.

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 (to cover additional work) 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 £5.934m which includes £4.1m of savings not delivered or delayed as a result of COVID-19. This is offset by £1.137m income above budget. In addition, there are £28.175m net of COVID-19 costs or income losses that have already been incurred or seem unavoidable at this stage. This includes 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 £3.131m. This is a slight improvement since last month reflecting the minor improvements in Enforcement. 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.

	MAR-21			COVID ISSUES	
DEPARTMENT	ADJUSTED BUDGET	OUTTURN	VARIANCE	CoVid Costs	VARIANCE
SDI COMMISSIONING	8,940	8,934	(6)	2,000	1,994
CORE	5,004	7,061	2,057	598	2,655
CENTRAL MINUS F30080	35,629	33,064	(2,566)	2,619	53
EDUCATION, YOUTH & CHILDCARE	4,057	4,447	390	742	1,132
LAW, GOVERNANCE & HR	(1,416)	(2,653)	(1,237)	1,499	262
POLICY & PARTICIPATION	1,758	2,557	799	3,355	4,154
CARE & SUPPORT	83,222	87,086	3,864	5,350	9,214
INCLUSIVE GROWTH	1,001	1,047	0	46	46
COMMUNITY SOLUTIONS	12,471	13,395	924	1,769	2,693
MY PLACE	5,267	6,976	1,709	1,200	2,909
CONTRACTED SERVICES	(136)	(136)	0	1,000	1,000
COMMERCIAL INCOME	0	0	0	2,275	2,275
SAVINGS DELAYED	0	0	(4,137)	5,723	1,586
TOTAL GENERAL FUND BUDGET	155,796	161,777	1,797	28,175	29,972
CORPORATE FUNDING	(155,796)	(156,934)	(1,138)	(25,703)	(26,841)
NET GENERAL FUND POSITION	0	4,842	659	2,472	3,131

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 £102.6m which would result in an overall budget pressure of £9.2m – 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	22,493	20,803	-1,690	0	912
Adults Commissioning	5,599	5,464	-134	0	1,335
Disabilities Service	24,229	29,026	4,797	-73	4,395
Children's Care & Support	37,762	43,869	6,107	591	4,627
Children's Commissioning	3,882	3,882	0	100	-293
Public Health	(537)	(409)	128	40	128
Group Total	93,428	102,635	9,208	658	11,104

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	4,754	-3,290	-293
Adult teams	3,557	3,502	-55	-55
Adult homes and centres	2,119	2,419	300	198
Mental Health	7,413	8,839	1,426	221
Adults Other (Support Service)	1,360	1,290	-71	-71
Directorate Total	22,493	20,803	-1,690	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 £3.290m, an improvement of £293k from reported period 8 position, this can be attributed to the following;

- £1.069 overspend on Homecare this has been caused by COVID and the greater need to provide care at home with outbreaks in care homes. An increment of £40k from period 8 reported position.
- £883k 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. A reduction of £447k, this is partly due to £180k refund after finally obtaining the information to complete his financial assessment. Secondly, Residential forecast has been adjusted to reflect the payment runs by the assessment team in Oracle.
- £630k underspend on Direct Payment as more clients are opting for Managed personal budgets. An increment of £630k from last month's reported position.
- £263k overspend on Supported Living attributable to demand led for spot placements. A reduction of £11k from last month's reported position.
- £33k overspend on Transport and Day Care service.
- The above is offset by the winter pressures money, which is now part of the iBCF, this 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 £1.426m, an increase of £221k from last month reported position, this is broken down below;

- £1.031m overspend on Home Care attributable to increases in Dementia cases, a reduction of £20k from last month's reported position.
- £356k 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. This service has seen an increment of £186k from last month's position, as forecast has been adjusted to align with assessment team payment runs in Oracle.

- £236k overspend on Direct Payments due to increases in Dementia cases. This represents £21k increment from last month's position.
- £299k underspend on Residential and Nursing due to COVID impact on death rate. An increment of £28k from last month's position as forecast has been adjusted to align with assessment team payment runs.
- £19k underspend on Day Care and transport. This is largely attributable to fear of Covid infection.
- £105k overspend on Additional staffing costs as per Mental Health PID

3.3.6 There is an estimated £300k pressure in the Adults Homes and Centres service, this is predominantly due to Relish café and Grays Court which have not been able to earn any income this year due to COVID.

3.3.7 Finally Adults Teams and Other Services are showing a combined underspend of £126k due to staff vacancies and adjusting of forecasts across the services to better reflect current levels of spend which are lower than initially predicted.

3.3.8 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.

3.3.9 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	Forecast	Variance	Period Movement
	£0	£0	£0	£'000
Adults Care Packages	13,733	15,623	1,890	(67)
Children's Care Costs	1,946	2,564	618	(18)
SEND transport	2,892	4,196	1,304	0
Centres and Care Provision	1,960	2,360	400	0
Staffing/Management	3,698	4,284	586	12
Directorate Total	24,229	29,026	4,797	(73)

3.4.2 The forecast for Disability Services is an overspend of £4.8m. A small improvement of £73k this month due to the capitalisation of some COVID-19 related equipment for hospital discharges.

3.4.3 Packages and Placements total overspend of £3.812m, the breakdown of this is reported below:

- **£1.890m** overspend on Learning Disabilities Adults – There has been a favourable movement of £67k from P8. The reduction is due to the cost of hoists and other adaptation expenditure being transferred against the Disabled Facilities Grant. The current forecast of LD packages is based on clients recorded on Controcc as at end of December. The direct payment forecast has been adjusted 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.
- **£618k** budget pressure on the Children with disabilities social care provision. The small reduction from the forecast at P8 is due to the budget for the BSO post transferred to Commissioning being taken from the team's budget rather than the packages.

3.4.4 Teams and Centres total overspend is forecast at **£986k** which is an increase of £12k from the previous month. The increase is the net of the budget transfer of £19k to Commissioning and a reduction of £7k on other team related expenditure.

- **£400k** overspend across the centres is 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.
- **£241k** 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	28,151	6,082	591
Family Support & Safeguarding	5,640	5,693	53	0
Assessment & Intervention Team	4,004	3,984	-20	0
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	0
Directorate Total	37,762	43,869	6,107	591

- 3.5.2 Children's Care and Support is forecast to spend £43.869m and would result in a budget overspend of £6.1m. The position has worsened by £591k this month, this can be attributed to additional costs in the placements budgets as we have had more children in care.
- 3.5.3 The projected overspend is £6,084m is due to packages and the breakdown is as follows:
- £2.722m overspend on Residential Homes.
 - £2.034m overspend on Leaving care services.
 - £713k overspend Family Assessment Units
 - £582k overspend on Specialist Agency Fostering
 - £355k overspend on Adoption Placements.
 - £240k overspend in Asylum Seeker
 - The overspending above is mitigated by underspends of £562k across inhouse foster care provision, secure placements, and team budgets.
- 3.5.4 The Adolescence and Youth Offending Service is forecast to underspend by £259k this is because of vacant posts within the establishment. The position is the same as reported at P8.
- 3.5.5 Family Support & Safeguarding Team is reporting an overspend of £53k, the same as in the previous month. The overspend on staffing costs has been mitigated by a reduction in legal and court costs. There has been a reduction in the cost of counsel and associated court applications, a direct impact of COVID-19.
- 3.5.6 Assessment and Intervention team including the MASH service is projecting an underspend of £20k. There has been no change to the position of this Service area. 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 adverse variance of £591k is related in its entirety to placement costs. The has been an increase of 6 new LAC cases in the month of December at a projected cost of £226k. There has also been an increase of £165k in the family assessment cases due to extensions of current placements and additional client to start in February. There are also new clients that have been recorded just outside of the close of P9 which account for £200k worth of costs.
- 3.5.8 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.

3.5.9 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.

2020/21	PERIOD 9			
REPORT LEVEL	BUDGET	FORECAST	VARIANCE	CHANGE
	£000	£000	£000	£000
MY PLACE	8,359	9,913	1,554	472
PUBLIC REALM	8,344	9,699	1,355	(179)
TOTAL MY PLACE	16,703	19,612	2,909	293

3.6.2 The Directorate is reporting a forecast outturn of £19.612m at Period 9, representing a projected overspend of £2.909m. This represents an adverse movement of £293,000 on P8. It is estimated that COVID-19 related costs and income loss account for £1.2m of the overspend.

3.6.3 My Place (excluding Public Realm) is reporting a £1.554m overspend on the 2020/21 Budget of £8.359m. This is an adverse movement of £472k on the position reported in P8.

	PERIOD 9			
REPORT LEVEL	BUDGET	FORECAST	VARIANCE	P8 to P9
	£000	£000	£000	£000
BUSINESS DEVELOPMENT	2,798	2,811	14	0
CONTRACTS MGMT	13,158	12,969	(189)	(3)
LANDLORD SERVICES	4,034	3,992	(42)	0
LEASEHOLD & COMMERCIAL	(4,361)	(4,359)	2	181
MNGMT CENTRAL	(21,553)	(19,638)	1,916	386
PROPERTY ASSETS	14,283	14,137	(146)	(92)
TOTAL	8,359	9,913	1,554	472

3.6.4 There has been an adverse movement of £181k on Leasehold and Commercial although the service is forecast to break-even. This represents a reduction in admin fee income on Right to Buy sales.

3.6.5 Management Central is reporting an adverse movement of £386k. This comprises:

- An income budget of £174k where no income has been received but which had previously been reported to be met in full.
- An increase of £150k in the forecast for employer liability premiums to £600k. These costs are unbudgeted and to date only the first quarter has been recharged.
- A £62k net decrease in the recharge from My Place to the HRA.

3.6.6 Property Assets are reporting a favourable movement of £92k. This represents a £62k reduction in expenditure on gas and a £30k over-achievement on rental income.

3.6.7 Expenditure on Repairs and Maintenance is difficult to forecast as invoicing is not up-to-date. For example, of a total R&M budget of £2.7m across My Place, to date only £314k has been invoiced. The service is forecasting expenditure of £2.5m against these budgets, but this is subject to uncertainty, given the limited information.

3.6.8 The overspend on Public Realm has reduced by £179k to £1,355k. This is due to additional income of £390k from arboricultural works offset by additional staffing costs, mainly due to the impact of coronavirus.

2020/21	PERIOD 9			
REPORT LEVEL	BUDGET	FORECAST	VARIANCE	CHANGE
	£000	£000	£000	£000
OPERATIONS	7,255	8,980	1,725	191
PARKS & ENVIRON	2,198	2,076	(122)	(295)
FLEET MANAGEME	(391)	(401)	(10)	9
COMPLIANCE	(718)	(955)	(237)	(84)
ELWA	(30)	(30)	0	0
TOTAL	8,344	9,699	1,355	(179)

3.6.9 The forecast takes into account a budget reduction of £958k to finance MRP and interest payments on capital investment in new fleet throughout 2019/20. Further fleet purchases in 2020/21 will result in higher MRP and interest payments in 2021/22, and the service will need to identify how these costs will be funded.

3.6.10 The forecast overspend on Operations has increased by £191k. This is attributable to additional staffing costs within Street Cleansing and Caretaking due to staffing issues caused by the third lockdown.

3.7 Policy and Participation

3.7.1 The Policy and Participation summary table is below:

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

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.

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 A bid has been made to the National Leisure Recovery Fund and it is anticipated the outcome will be known in the next couple of weeks.
- 3.7.5 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.
- 3.7.6 Heritage services are forecast to overspend by £240k which is partly due to income loss whilst Valence and Eastbury are closed.
- 3.7.7 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	Forecast	Variance	Change
	£'000	£'000	£'000	£'000
Finance	2,314	2,202	(112)	0
IT	1,266	1,838	572	0
Commercial	(36)	539	574	(7)
Investment Strategy	(4,673)	(4,674)	(1)	0
Customer Services	7,129	8,655	1,526	200
Strategic Leadership	63	159	95	(72)
Total Core	6,064	8,719	2,655	122

- 3.8.2 Core Services are forecast to overspend by £2.655m, of which £600k is attributable to COVID-19. This is an increase of £122k from P9.
- 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 £574k, 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 £1.5m 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 £95k which comprises salary budget underspends of £98k offset by £194k 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	Change £'000
Enforcement	(2,808)	(2,449)	359	0	359	(514)
Democratic Services	1,010	814	(196)	0	(196)	(54)
HR	38	107	69	0	69	0
Leader and Cabinet Office	(7)	22	29	0	29	0
Legal	619	674	55	(55)	0	0
	(1,148)	(832)	317	(55)	262	(567)

3.9.2 Law Governance and HR are forecast to overspend by £262k after drawing down £55k from the legal reserve. This represents a reduction of £567k from P8. This is mainly due to a reduction in staffing expenditure within Enforcement due to the impact of vacancies.

3.9.3 Enforcement are forecast to overspend by £359k. This broadly comprises an overspend in Parking of £906k and East Street Market of £516k, offset by salary underspends across a range of services. Several restructures have taken place over the last year, e.g. Regulatory Services and Community Safety and a number of posts remain vacant.

3.9.5 Parking income fell to £642k in December after achieving £935k in November. This is due to the impact of lockdown and also the refund of staff permit costs. Delays to the rollout of the CPZ programme has also resulted in a reduction in income levels.

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	1,194	807	645
Triage Lifecycle	2,192	1,753	(434)	(453)
Support Lifecycle	4,110	3,498	(612)	(651)
Universal Lifecycle	4,558	4,271	(287)	(287)
Service Dev. & Dir of Comsol	1,194	2,260	1,066	1,099
Works & Skills Lifecycle	523	734	211	282
Revs & Bens Lifecycle	3,331	3,503	172	250
Directorate Total	16,295	17,180	923	885

3.10.2 Community Solutions is forecast to overspend by £923k, a slight increase of £38k 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 which has resulted in the reduction of the reported overspend from £1.094m to £923k overspend 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 £172k 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.

3.12 Inclusive Growth

3.12.1 Inclusive Growth is forecasting a £46k overspend which is attributable to a downturn in CIL income from admin fees. The service has a significant income target which is currently under review as it is unachievable.

4. Housing Revenue Account

4.1 The HRA is forecast to overspend by £5.3m which is an increase of £2.2m on P9.

PERIOD 8		PERIOD 9			
FORECAST	REPORT LEVEL	BUDGET	FORECAST	VARIANCE	CHANGE
		£000	£000	£000	£000
44,722	SUPERVISION & MANAGEMENT	45,054	45,248	194	526
18,745	REPAIRS & MAINTENANCE	14,219	18,579	4,360	(166)
139	RENTS, RATES ETC	357	438	81	299
10,742	INTEREST PAYABLE	10,742	10,742	0	0
15,860	DEPRECIATION	15,860	15,860	0	0
0	DISREPAIR PROVISION	0	2,200	2,200	2,200
3,309	BAD DEBT PROVISION	3,309	3,309	0	0
685	CDC RECHARGE	685	685	0	0
94,202	TOTAL EXPENDITURE	90,226	97,061	6,835	2,859
(19,846)	CHARGES FOR SERVICES & FACILITIES	(20,497)	(20,517)	(20)	(671)
(85,318)	DWELLING & NON-DWELLING RENTS	(85,755)	(85,288)	467	30
(50)	INTEREST & INVESTMENT INCOME	(350)	(50)	300	0
(105,214)	TOTAL INCOME	(106,602)	(105,855)	747	(641)
14,118	TRANSFER TO MRR	16,376	14,118	(2,258)	0
3,106		0	5,324	5,324	2,218

4.2 Supervision and Management is forecast to overspend by £194k which is largely due to an increase in the insurance premium for leasehold properties.

4.3 Repairs and Maintenance is forecast to overspend by £4.36m. This comprises:

- DLO salaries, agency and overtime costs of £908k.
- Forecast expenditure of £1.982m on Voids and Mechanical and Electrical compliance maintenance expenditure, made up of certified expenditure of 982k plus an estimate of £1m for the remainder of the year.
- Other costs of £1.611m.

4.4 A provision of £2.2m has been made for the legal costs of disrepair cases. Legal Services have provided an estimated cost in relation to 100 disrepair claims that are underway against LBBD as the landlord. 16 disrepair cases have been settled to date.

4.5 Rents income is £467k less than budgeted (0.54%) and is within acceptable tolerances. The level of rent arrears has risen as a result of covid but this is currently expected to be covered by the bad debt provision budget.

4.6 Investment income is forecast to under-achieve by £300k. The income budget will be adjusted as part of 2021/22 budget-setting.

5. Key Savings Programmes

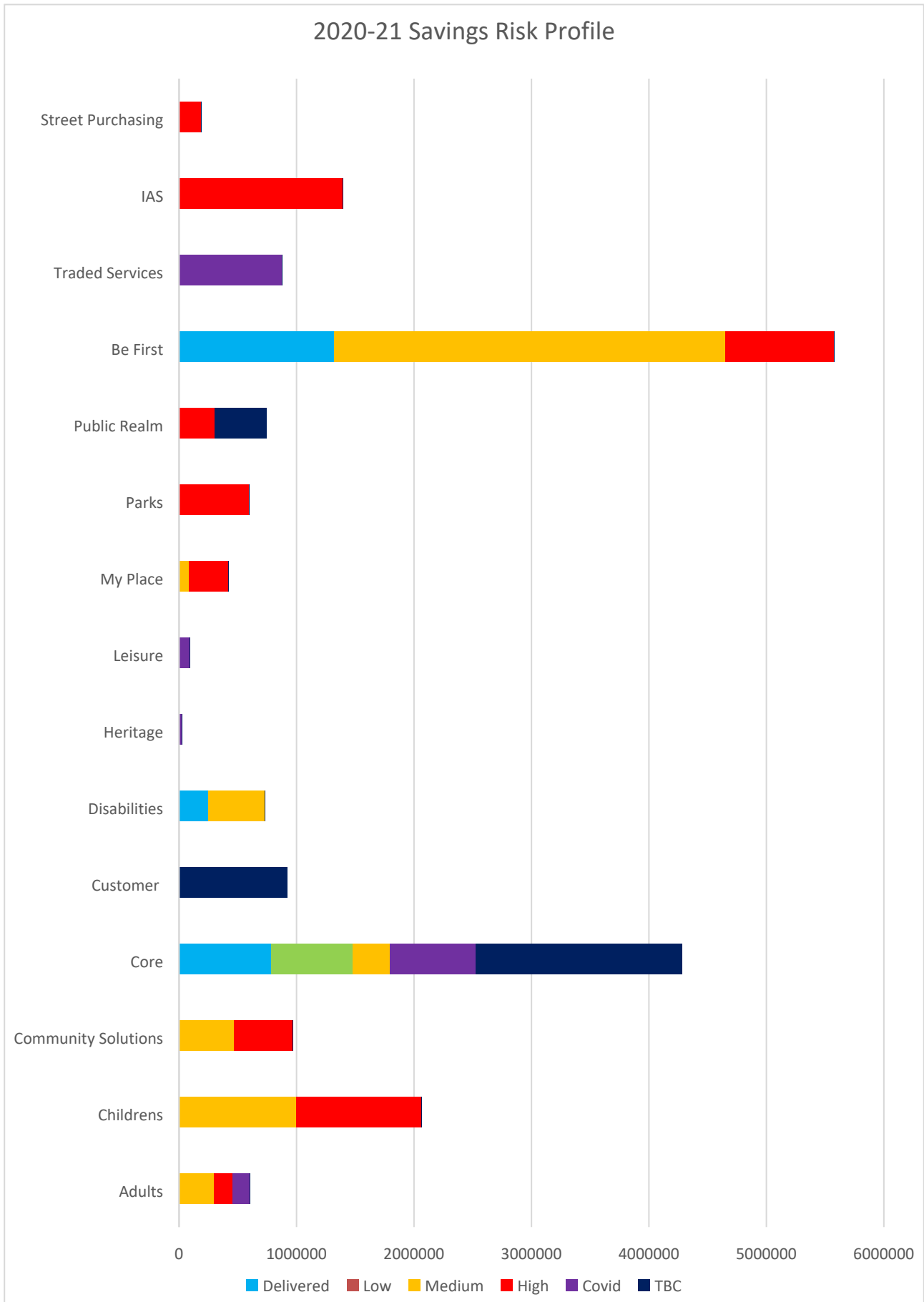
5.1 2020/21 is the fourth and final year of the original Ambition 2020 savings and transformation programme. The total savings for the target is £48.8m of which £36.129m was originally profiled as to be delivered by the end of 2019/20 and £12.696m is due in 2020/21. As at the end of 2019/20 the total 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.)



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 £28.175m. This has risen in the last month reflecting increased costs for children's services and the impact of increased infection rates and restrictions on front line services such as Public Realm.
- 6.5 Central Government has announced four tranches of non-ringfenced grants to support Local Government in this situation. The LBBB 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 £9.7m 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 a further £10.9m of further costs. This figure is reducing as we near the end of the financial year but we are now expecting some costs to continue into the next year.
- 6.8 The further risks are chiefly a further £5m potential commercial income risk and up to £5m risks in Care and Support and Community Solutions (especially Homelessness) if activity increases sharply. There are also risks around loss of Parking income and additional costs in Enforcement and Policy and Participation.

7. Impact on Reserves

- 7.1 The potential range of outturn variance therefore is between £3.131m at the most optimistic end to £14. m 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 £8.5m (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 sufficient funding across the budget support and restructuring reserves to cover the lower range of scenarios.
- 7.3 The worst-case scenario of £14m would fully deplete the budget support reserve and reduce the General Fund reserve from £17.031m to £10.8m which is below the minimum level set in our reserves policy. The mid-case estimate of £8.504m would leave £16.611m 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. Other matters – RESIDE LOANS

Private Rented Sector Landlord Licensing Costs

- 9.1 The London Brough of Barking and Dagenham has selective licensing in place for private rented properties. All Reside's homes fall within this scheme as the various Reside vehicles are not Registered Providers. The fee for 477 properties was paid of £326,745 (£685 per home) covering a 5-year period starting from 1 September 2019.
- 9.2 As selective licensing was not in place when the legal agreements for Barking and Dagenham Reside Ltd were entered into, these fees do not form part of the original waterfall of payments under the various 2012 legal agreements. In line with the financial forecasts and to smooth costs and returns, the Council have treated this on an accruals basis when calculating the return from Barking and Dagenham Reside

Ltd to the Council. Barking and Dagenham Reside Ltd paid £38,120.25 of the costs last financial year from profits, which was equivalent to the seven month charge applicable to the 2019/20 financial year.

- 9.3 The balance of £288,624.75 has been accounted for as a loan from the Council in the Financial Statements. This loan now needs formalising. The loan proposed is an unsecured loan at 3.5%, with interest being payable from 1st April 2020. Under normal circumstances the Council would seek to make the loan repayable on an annuity basis over the remaining 4 years, 5 months.
- 9.4 The Council will already be aware that, as a result of lower than normal levels of rent collection as a result of COVID19, Reside Ltd is already forecasting a deficit this year which in practice means that MyPlace will be unlikely to receive their full management fee for 20/21. It is expected that it is likely this situation will continue into the 21/22 financial year which was already showing a marginal position because of high contributions being required to the life cycle cost account.
- 9.5 It is therefore recommended that the facility will be repaid over the two year and five-month period ending 31 August 2024 (so before the current selective license comes to an end). Interest accrued for the first two years will be added to the loan, resulting in the maximum loan value increasing to £308,828. Current forecasts show that this will be affordable assuming a recovery to more normal levels of rent collection, with forecast surplus rents / underpayment of management fee to the Council being:

	2021/22	2022/23	2023/24	2024/25
Cash surplus / (deficit) before payment of selective licensing	-38	185	200	210
Selective licensing fee payment	0	137	132	102*
Surplus (rent to Council) / (deficit / underpayment of management fee to MyPlace)	-38	48	68	108
Bad loss assumed as a % of gross rent	3%	1%	1%	1%

NB * 2024/25 includes £53k for the last repayment of the current loan, the financial forecast then assumes an ongoing annual cost for licensing of £80k a year.

- 9.6 The Reside Board have agreed the loan and the funder has given consent for B&D Reside Ltd to enter into the loan.
- 9.7 Loans to Barking and Dagenham Reside Abbey Roding LLP for £87,132 and B&D Reside Weavers LLP for £120,412 have recently been agreed under delegated authority for the same purpose. These loans will be repaid on an accruals basis, as there will be sufficient funds to pay the principle due each year.
- 9.8 The auditors, BDO, require the loan to be formalised as part of the audit of the accounts for the Council and Barking and Dagenham Reside Ltd. The Cabinet is therefore recommended to approve this loan.

Working Capital Loan Barking and Dagenham Reside Regeneration Ltd

- 9.9 Barking and Dagenham Reside Regeneration Limited incurs the Reside management costs in line with the budgets agreed as part of the Reside Business Plan that is approved by the shareholder. The approval of expenditure in line with these budgets is currently delegated to the Managing Director.
- 9.10 These costs cover the management of all the Reside businesses and, as agreed by Board on 19th October 2020 are recharged to the various property holding vehicles on the basis of the number of homes managed by each vehicle. Board agreed that as from the December 2020 these should be charged quarterly in arrears. Prior to that date they had been recharged on an annual basis.
- 9.11 Currently the Council finance Barking and Dagenham Reside Regeneration Ltd expenditure by an interest-bearing working capital loan, however this loan agreement has not been formalised.
- 9.12 Cabinet are therefore requested to approve that this arrangement be formalised and will provide funding through until 31 March 2024, by which date it is anticipated Barking and Dagenham Reside Regeneration Ltd should have taken on the management of its first market rent homes. A review of short term working capital requirements should be undertaken before these homes are taken into management but it is expected that the creation of a regular income stream in addition to the management fees should reduce the day to day requirement for a working capital loan.
- 9.13 The loan proposed is an unsecured loan at 3%, with interest being payable from 1st April 2019. Interest costs due for the year to the 31st March 2020 have already been charged to Barking and Dagenham Reside Regeneration Ltd. The loan agreement has been structured so the amount borrowed can be reduced with the agreement of the Council at any time to enable interest costs to be minimised. The maximum amount of the loan will be £371,000.
- 9.14 The auditors, BDO require the loan to be formalised as part of the audit of the 2019/20 accounts for the Council and Barking and Dagenham Reside Regeneration Ltd.

10. Budget Adjustments

- 10.1 In the budget setting for 2020-21 a provision was made for £1m contractual/non pay inflation. This was not allocated out in the original budget setting process as further work was required to identify where it was needed. In addition there is a £0.32m insurance budget held centrally which should be distributed to services. It is now proposed to allocate this funding as follows:
- £260k to Cemeteries – reprofile the interest charges on Cemeteries improvements to give a realistic income target
 - £390k to remove uncollectable income charges incorrectly charged to DSG/Schools budgets
 - £45k energy inflation cost in Street Lighting
 - £625k to increased Employee Liability insurance contract costs (across service departments in proportion to staff numbers.)

- 10.2 Cabinet are asked to approve this adjustment which corrects some budget setting errors from past years and recognises areas of cost pressure that have not been increased in line with inflation for a number of years.

11 Financial Implications

Implications completed by Katherine Heffernan, Head of Service Finance

- 11.1 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.

12 Legal Implications

Implications completed by Dr Paul Feild, Senior Governance Lawyer

- 12.1 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.
- 12.2 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.
- 12.3 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 these cost will facilitate grounds for seeking Covid 19 support funds.
- 12.4 Loans and State Aid - As local government is an emanation of the state, the Council must comply with UK Law regarding State Aid. This means that local authorities cannot subsidise their commercial undertakings or confer upon them an unfair economic advantage. While the UK has left the European Union (EU), issues regarding state aid have not ceased. For example, the UK membership of the World Trade Organisations agreement on trade also has requirements regarding State Aid albeit somewhat less prescriptive than the EU. Nevertheless, under the proposals the Council will be entering into the arrangements mainly for commercial financial purposes.
- 12.5 The business of leasing and letting of the Reside Portfolio are housing market activities and in agreeing final terms for the loans to the Reside entities, the Council

should be satisfied they are state aid compliant. To do this the Council should ensure it acts as a market operator would, meaning the terms it agrees should be such that an operator or investor in the private sector would agree to those terms in the same or similar circumstances. In relation to the loans at paragraph 9 supra they would appear to be at a commercial rate, so as long as the final terms are objectively commercial then they should not expose the Council to issues relating to State Aid.

- 12.6 Loan to B&D Energy – again the state aid principle applies in that 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. The recent report into Nottingham City Councils Robin Hood Energy Limited highlights the energy market faces difficult challenges. The Council cannot subsidise B&D Energy, which in the parlance of the new Trade and Cooperation Agreement 2020, must operate on 'a level playing field'. This includes loans, which must be on terms as if B&D Energy were any other arm's length private undertaking to ensure compliance with state aid rules.

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

List of Appendices

Appendix A – General Fund Revenue budgets (period 9)