

## CABINET

22 June 2021

<b>Title:</b> Revenue and Capital Outturn for the Financial Year 2020-21	
<b>Report of the Cabinet Member for Finance, Performance and Core Services</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
<b>Report Author:</b> Katherine Heffernan and Philippa Farrell, Head of Service Finance	<b>Contact Details:</b> E-mail: <a href="mailto:katherine.heffernan@lbbd.gov.uk">katherine.heffernan@lbbd.gov.uk</a>
<b>Accountable Director:</b> Philip Gregory, Finance Director	
<b>Summary</b> <p>This report sets out at a high level the Council's final budget monitoring position for 2020-21 and the likely challenges for the forthcoming year.</p> <p>The Council's General Fund revenue budget for 2020-21 was £155.796m. The final revenue expenditure outturn is £148.590m before a net transfer to reserves of £33.336m. After reserve transfers the net expenditure position is £181.927m, an overspend of £26.130m. The overspend is a combination of the impact of COVID-19 and one-off unforeseen events which are set out in the report. The corporate funding outturn is £183.878m, an overachievement of income of £28.081m from the original expected funding. Most of this additional income is funding from Central Government announced in year to support the Council's response to COVID-19. £8.236m of this is being carried forward to 2021-22. This results in a final outturn underspend position of £1.951m.</p> <p>The Draft Outturn for the Housing Revenue Account is an underspend of £3.566m. This is the net result of an overspend on running costs, particularly in Repairs and Maintenance, offset by a reduction in the revenue funding of the capital programme due to the high level of slippage attributable to the impact of COVID-19.</p> <p>The Capital Programme budget for 2020-21 was £370.167m and the final outturn was £319.440m. The slippage was caused in part by delays arising from COVID-19. The slippage will be carried forward and added to next year's capital programme.</p> <p>The final outturn on the Dedicated Schools Budget was an underspend of £3.843m which is expected to reduce to £1.476m after it is adjusted for Early Years Clawback by the DfE. This will be returned to the Ringfenced DSG reserve. In addition, Local Maintained Schools have increased their reserves by £1.3m.</p>	
<b>Recommendation(s)</b>  Cabinet is recommended to:	

- (i) Note the revenue outturn for the 2020-21 financial year, including the details of the individual service variances, as set out in sections 2 to 4 and Appendix A of the report;
- (ii) Note the outturn for the Housing Revenue Account for 2020-21 as set out in section 4 of the report;
- (iii) Note the update on key savings programmes, as set out in section 5 of the report;
- (iv) Approve the write-off of the savings listed in section 5 of the report.
- (v) Note the update on the financial impact of COVID-19 and the lockdown and the financial support provided by the Government, as set out in section 6 of the report;
- (vi) Approve the transfers to and from reserves as set on in section 7 and Appendix D to the report;
- (vii) Note the impact of the consequent position for the Council's reserves, as set out in Appendix E to the report;
- (viii) Note the capital programme expenditure outturn and the detailed figures, as set out in Appendix F to the report;
- (ix) Approve the carry forward of £27.4m General Fund capital programme slippage and £22.8m HRA slippage into 2021-22 and the revised total programme of £399.114m for 2021-22 as set out in Appendix G to the report;
- (x) Approve the allocation of capital receipts totalling £51.624m to fund transformation costs, repay film studio land purchase costs and Becontree Heath build costs, as set out in paragraph 9.6 of the report;
- (xi) Note the outturn on the Dedicated Schools Budget and the Local Management of Schools Reserves, as set out in section 11 of the report;
- (xii) Note the update on the financial position of the Council's subsidiary companies, as set out in section 12 of the report;
- (xiii) Approve the write-off of the intercompany debt owed to the Council by Barking and Dagenham Reside Roding Ltd and agree that any further liabilities that arise under the development agreements and contracts that Barking and Dagenham Reside Roding Ltd was party to are settled directly by the Council who were also party to all the contracts, as referred to in section 13 of the report; and
- (xiv) Agree to appoint an insolvency practitioner and wind-up Barking and Dagenham Reside Roding Ltd by a Members Voluntary Liquidation with the intention that it be a solvent liquidation.

**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 report gives a summary of the Council's revenue and capital outturn position. This will be used as the basis of the Statement of Accounts which will give a comprehensive overview of the Council's financial standing. It will be subject to external audit and further adjustments may be required during the audit process.

## **2. The 2020-21 Revenue Expenditure Outturn**

- 2.1. The 2020-21 budget of £155.796m was approved by Cabinet in February 2020, a net increase of £6.976m from the previous year. Growth funding was approved for Care and Support (to meet demographic and cost pressures), Community Solutions (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.) The approved budget also included £12.696m of savings plans to be delivered during the year.
- 2.2. The COVID-19 pandemic and the UK response (lockdown) started before the beginning of the financial year and has had a considerable impact on the Council's financial performance during the year. Additional costs have been incurred in a range of areas especially Enforcement, Care and Support and Homelessness (Community Solutions) while other services have not been able to operate normally and have lost income as a result. There has also been a considerable diversion of leadership and management activity and staff time to support the pandemic response which has meant that some new initiatives and savings plans have been delayed.
- 2.3. This pandemic occurred after many years of financial pressures for Councils. Even without COVID-19 there were underlying overspends or pressures in a number of areas – some of which have been worsened during the pandemic while others have been temporarily alleviated. As a result the Council has an expenditure overspend of £26.130m against its financial plans including transfers to and from reserves.
- 2.4. However following strong lobbying from the Local Government sector the scale of the pressures were recognised by Central Government in the form of a variety of grants – both ring fenced and non-ringfenced. This has resulted in £28.081m of additional income recognised in the 2020-21 financial year.
- 2.5. The net result is an underspend of £1.951m. This is an improvement since the in-year forecasts reflecting both improvements in expenditure/income trends in some service blocks and significant additional grants released by Central Government in the final quarter of the year. The summary position is shown in the table below.
- 2.6. The current expectation is that there will be further COVID-19 grant funding in the first quarter of 2021-22 but no further support has been announced beyond that point. However it is expected that the increased level of need and financial pressure is likely to continue beyond the formal end of this current lockdown, especially if there are prolonged business and economic risks. In particular there is a risk of increased unemployment and poverty once the furlough scheme comes to an end and many individuals will experience longer term impacts on their mental and physical health and wellbeing that could mean they require support from the

Council. The 2020-21 underspend will therefore be transferred to the budget support reserve in order to meet the challenges coming in the next few years.

DEPARTMENT	FINAL ADJUSTED BUDGET	OUTTURN	RESERVES	OUTTURN AFTER RESERVES	OUTTURN VARIANCE
	£000	£000	£000	£000	£000
SDI COMMISSIONING	9,349	7,764	1,417	9,180	(168)
CARE & SUPPORT	83,030	87,467	0	87,467	4,437
EDUCATION, YOUTH & CHILDCARE	4,264	2,175	2,967	5,142	878
COMMUNITY SOLUTIONS	12,478	15,774	43	15,817	3,339
MY PLACE	5,928	8,495	26	8,521	2,593
INCLUSIVE GROWTH	1,425	746	1,026	1,772	347
LAW, GOVERNANCE & HR	(1,550)	(5,706)	3,326	(2,380)	(830)
STRATEGY & PARTICIPATION	1,788	3,448	2,531	5,979	4,191
CORE	5,775	797	7,331	8,128	2,353
CENTRAL EXPENSES	33,446	27,802	14,670	42,472	9,026
CONTRACTED SERVICES	(136)	(172)	0	(172)	(36)
	-	-	-	-	-
<b>TOTAL EXPENDITURE (GF)</b>	<b>155,796</b>	<b>148,590</b>	<b>33,336</b>	<b>181,927</b>	<b>26,130</b>
	-	-	-	-	-
<b>CORPORATE INCOME</b>	<b>(155,796)</b>	<b>(192,114)</b>	<b>8,236</b>	<b>(183,878)</b>	<b>(28,081)</b>
<b>NET GF POSITION</b>	<b>-</b>	<b>43,524</b>	<b>41,573</b>	<b>1,951</b>	<b>1,951</b>

### 3. Outturn Variances

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.

#### 3.2 Care and Support including Commissioning

##### 2020/21 Overall Position

3.2.1 The total expenditure outturn for 2020-21 is £95.231m which has resulted in an overall budget pressure of £4.2m, of which approx. £4.4m can be attributed to COVID-19.

3.2.2 The table below summarises the overall position for the entire People and Resilience group.

DEPARTMENT	FINAL ADJUSTED BUDGET	OUTTURN	RESERVES	OUTTURN AFTER RESERVES	OUTTURN VARIANCE
	£000	£000	£000	£000	£000
DISABILITIES	24,065	27,715	0	27,715	3,649
ADULT'S CARE & SUPPORT	21,242	17,562	0	17,562	(3,680)
CHILDREN'S CARE & SUPPORT	37,723	42,191	0	42,191	4,468
<b>CARE AND SUPPORT</b>	<b>83,030</b>	<b>87,467</b>	<b>0</b>	<b>87,467</b>	<b>4,437</b>
ADULTS COMMISSIONING	5,381	4,805	237	5,042	(339)
PUBLIC HEALTH	(496)	(1,683)	1,360	(323)	173
CHILDREN'S COMMISSIONING	4,464	4,642	(180)	4,462	(2)
<b>TOTAL</b>	<b>92,379</b>	<b>95,231</b>	<b>1,417</b>	<b>96,648</b>	<b>4,269</b>

### 3.3 Adults' Care & Support

3.3.1 Adults care and support detailed summary table below.

Service Area	20/21 Budget £'000	20/21 Outturn £'000	Variance £'000	Period Movement £'000
Adult packages	7,689	2,415	-5,274	-518
Adult teams	3,581	3,501	-80	-25
Adult homes and centres	2,096	2,270	174	-112
Mental Health	7,340	9,015	1,675	-99
Adults Other (Support Service)	1,678	1,503	-175	-82
Less Depreciation/Capital	(1,142)	(1,142)	0	0
<b>Directorate Total</b>	<b>21,242</b>	<b>17,561</b>	<b>-3,680</b>	<b>-836</b>

3.3.2 The net forecast for Adults Care and Support (ACS) is £18.7m or £17.561m before capital charges, which has resulted in a budget underspend of £3.69m. Included in this forecast is approx. £1m of COVID-19 related expenditure.

3.3.3 Adults packages are forecasted to underspend by £5.274m, an improvement of £518k from reported period 11 position, this can be attributed to the following.

- £608k overspend on Homecare this has been caused by COVID-19 and the greater need to provide care at home with outbreaks in care homes.
- £1.036m underspend on Residential and Nursing clients, this underspend is attributable to the fact the CCG has been funding and allocating placements for the first 6 months of the year due to COVID-19 and the need to free up hospital beds quickly.
- £1.6m underspend on Direct Payment as more clients are opting for Managed personal budgets. There is an improvement of £630k from last month's reported position, this position was being held back previously and has now been released to mitigate increasing demand elsewhere.
- £258k overspend on Supported Living attributable to demand led for spot placements.
- £17k underspend on Transport, Respite and Day Care service.
- £38k underspend on Carer support

- £139k Overspend on Direct payments refunds, as financial assessment team is burst in calculating accurate package costs, hence reduction in clawbacks.
- £13k underspend Winter pressure money. £900k out of the Winter pressure money of £913k was used to create a provision for over charged clients for future refunds.
- The above is offset by £1.8m of BCF Funding, £986k of CCG Discharges funding for COVID-19 and £789k of unallocated growth monies from the previous year.

3.3.4 Mental Health (MH) is reporting a total overspend of £1.675m, an improvement of £99k from last monthly reported position. Below is the breakdown of the £1.675m overspend:

- £951k overspend on Home Care attributable to increases in Dementia cases.
- £515k 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.
- £239k overspend on Direct Payments due to demand led growth in Dementia cases.
- £181k underspend on Residential and Nursing due to COVID-19 impact on death rate, causing more clients to opt for Home Care instead.
- £11k underspend on Day Care, Respite, and transport. This is largely attributable to fear of COVID-19 infection.
- £162k overspend on Additional staffing costs as per Mental Health PID and pressure from the pay award.

3.3.5 There is £174k overspend in the Adults Homes and Centres service, this is firstly, due to Relish café which has been closed for the entire year due to COVID-19. Secondly, NEFT (NHS) have moved out of Grays Court, hence the service is currently not receiving the normal rental income and business rates.

3.3.6 Reported £80k underspend in Adults Teams due to staffing vacancies, Workforce Capacity and Rapid test grants.

3.3.7 Adults Other block achieved an underspend of £175k. This is mainly centred around the Preventative Technology Grant service and staffing underspends.

3.3.8 There has been a net favourable movement of £836k at year end across Adults Care and Support from the last reported position in January, this can be attributable to the following.

- Nursing and Residential placements cost the service £1.2m less than in 19/20, much of the reasons for this were reported over course of the year, COVID-19 played a significant part, but due to the CCG placing and funding all nursing placements for the first 6 months of the year.
- Previous month's forecasts did take account of this saving but around £0.5m was kept back as a buffer against potential increase in demand towards the end of the year. However this did not materialise causing a shift in the year net position compared to that reported in P11.
- There is similar story with Direct Payments, which has significantly dropped from last year. This could be attributed to variety of reasons, with COVID-19 playing a major part in how our clients opted to receive their care in 2020. This

trend could be seen in the actuals, but again there was the potential for y in case there may have been a spike in demand at year end. This unnecessary buffer of around £0.3m was the reason for the remaining improvement at year end.

3.3.9 Savings Programme - There has been an historical pressure on ASC from unachieved savings in the past, this has effectively been wiped out with the award of growth in 2020-21, however there continues to be an upward trend in demand which means continuous efforts need to be made by curbing demand, cost avoidance and cost reduction exercises.

3.3.10 The Adults PID set out a new set of strategies that should bring costs down if successful, due to COVID-19 most of these have been delayed into 2021-22 such as the recruitment of the visiting officers, however we have seen the benefits of the Financial Assessment reviews which have increased client contributions by circa £150k in 2020-21 with an additional £125k expected in 2021-22.

### 3.4 Disabilities Care and Support

3.4.1 Disabilities Services detailed summary table below.

Service Area	20/21 Budget £000	20/21 Outturn £000	Variance £000	Movement from P10 £'000
Adults Care Packages	13,733	15,438	1,705	(212)
Children's Care Costs	1,946	2,582	636	18
SEND Transport	2,892	3,534	642	(661)
Centres and Care Provision	1,913	2,375	461	76
Staffing/Management	3,581	3,786	205	(365)
<b>Directorate Total</b>	<b>24,065</b>	<b>27,715</b>	<b>3,649</b>	<b>(1,144)</b>

3.4.2 The Disability Service outturn position for 2020-21 is a net expenditure of £27.715m against a budget of £24.065m. The overall position is an improvement of £1.144m from the forecast reported at period 10. £676k of the improvement is due to the receipt of the Contain Outbreak Management Fund (COMF) to mitigate the impact of the overspends due to the pandemic. In addition, income generation for the Service showed an improvement from levels previously anticipated.

3.4.3 The main budget variances are as follows:

3.4.4 Packages and Placements total overspend of £2.983m, the breakdown of this is reported below: -

- **£1.705m** overspend on Learning Disabilities Adults – The outturn position on Adult's LD packages is an improvement of £212k from the position reported at P10. The change is due to the receipts of Continuing Health Care contributions received at year end. The breakdown of the overspend is as follows:
  - £1.767m Supported living packages have been the greatest contributor to the overspending in LD. This indicates a base budget pressure due to the number of clients currently in supported accommodation.

- £244k Home care costs exceeded the available budget mainly due to the client's preference to remain in own homes due to the pandemic.
- These overspends have been mitigate by net reductions across other package types and other service-related expenditure.
- **£642k Out** of Borough School Transport overspend –The overspend on the Home to School transport of £1.318m was mitigated by the receipt of the COMF grant. This Service area has had a historic budget pressure, but this was further magnified in 2020-21 due to the impact of COVID-19 and the need to comply with social distancing regulations. More vehicles were deployed alongside re-designing the routes for the protection of the children.
- **£636k** budget pressure on the Children with disabilities social care provision. The increase of £18k from the forecast at P10. The change is due to increase in the demand for respite packages to support the families of the children. The breakdown of the overspend is as follows:
  - £420k Day care placements for CWD
  - £125k Support and respite packages
  - £101k Direct payments
  - Offset by an underspend in legal/court costs and other expenditure of £10k.

3.4.5 Teams and Centres outturn spend is **£851k** which is a reduction of £103k from the forecast at P10. The reduction is due to improved traded income achieved by the School Psychology service.

- **£461k** overspend across the centres is due to the loss of income due to the pandemic. The adverse movement from P10 of £76k is due to the reversal of client income after financial assessments of clients deem them not to be liable for the full cost of care. The breakdown of the overspends on Centres is as below:
  - £322k Heathlands - Loss of income from other Local Authorities and clients due to the closure of centre.
  - £202k 80 Gascoigne staffing cost pressure of £158k and unachieved income of £44k.
  - (£63K) Heathway Centre – the centre relocated to the Becontree children's centre thereby saving on the running cost of the building e.g. security, utilities etc
- **£185k** Overspend, an improvement of £184k from the position at P10 due to the recovery of School Buy back traded income of School Psychological Services. The Service historically is unable to fully deliver on the income target as the team spends more time meeting the statutory demand from Schools.
- **£205k** 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.

3.4.6 The year end position has improved by £1.144m from that reported in P10 (January), the reasons for this are as follows.



- COMF funding received amounting to £676k to cover COVID-19 related overspend in Home to School Transport was not expected in P10.
- Approx. £200k of CCG income which was miscoded and therefore not picked up in the January forecast.
- Ed Psych Schools trading income that was not expected due to schools being closed for large parts of the year thanks to COVID-19, was paid by the schools improving the position by £184k.
- A further £84k forecast included for additional agency staff within the LP teams that did not materialise.

3.4.7 Savings Programme – The Disabilities PID outlined significant areas of potential that required additional resources to implement. Currently there were no savings expected in 2020-21, however the improvement programme will hope to bring in cost avoidance in the future.

### 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 Outturn £'000	Variance £'000	Movement from P10 £'000
Corporate Parenting & Permanence	22,069	27,000	4,932	(1,169)
Family Support & Safeguarding	5,640	5,466	(174)	(151)
Assessment & Intervention Team	4,070	4,004	(66)	18
SLT & Service Development	2,095	2,239	144	(107)
Specialist Intervention Service	2,143	1,984	(159)	31
Adolescence & YOS	1,706	1,498	(208)	34
<b>Directorate Total</b>	<b>37,723</b>	<b>42,191</b>	<b>4,469</b>	<b>(1,344)</b>

3.5.2 Children’s Care and Support outturn position is **£42.191m** which results in a budget overspend of £4.469m. There has been a net improvement of £1.344m from the position reported in January, the outturn has approx. £3m of COVID-19 related costs in it.

3.5.3 The main budget variances are as follows.

3.5.4 Corporate Parenting & Permanence placement costs outturn position is an overspend of £4.932m. The reduction of £1.169m is due to a combination of factors which include increase in UASC grant income, COMF allocation and some high placement costs ending early. The breakdown of the overspend is as follows:

- £3.556m overspend on Residential Homes.
- £703k overspend on Adoption Placements.
- £564k overspend Family Assessment Units
- £507k overspend on Leaving care services.
- £317k overspend on Specialist Agency Fostering
- £44k overspend in In-House foster care placements.
- The overspending above is mitigated by underspends of £759k across Secure placements, Asylum seekers and team budgets.

- 3.5.5 The Adolescence and Youth Offending Service outturn is an underspend of £208k this is because of vacant posts within the establishment in the year. The adverse movement of £34k from P10 is due to the cost of the Speech and Language therapist supporting the Service.
- 3.5.6 The Specialist Intervention Service achieved an underspend of £160k at the end of 2020-21. This is because not all the established posts were filled in the year. The movement of £31k from P10 is as a result of previously disputed 3<sup>rd</sup> party invoices for family support work settled at year end.
- 3.5.7 Assessment and Intervention team including the MASH service expenditure came in £66k under budget. Although the MASH service transferred into children's care and support with a budget pressure, the vacancies in Assessment and Intervention mitigate the cost. The service area is experiencing a high caseload and is seeking to fill all the posts in 2020-21.
- 3.5.8 Family Support & Safeguarding Team outturn is an underspend of £174k, an improvement of £151k from P10. For the first time in recent years the legal and court costs was under budget by £136k, due to the closure of the courts most hearings were done virtually. There was also a reduction in S20 payments when compared to the previous year.
- 3.5.9 The outturn position has come in £1.344m lower than forecasted in January, this can be attributed to the following.
- £190k of COMF funding for Summerfield House
  - Additional one-off UASC Income and a change in the rates giving us more income than forecasted accounts for a further £200k.
  - The remainder of the improvement seems to be down to inaccuracy within the Controcc forecast which is what P10 forecast was based upon.
  - There is on-going work still being undertaken here to ensure there have not been any invoices missed, however we do appreciate due to COVID-19 and the increased caseloads that regularly updating Controcc may have been affected, which would explain the gap between Oracle and Controcc.
- 3.5.10 The Children's Savings programme has been successful in delivering circa £1.2m of cost savings with a further £200k in increased CHC income in 2020-21. This has enabled the service to contain costs within their predicted overspend position, which is down to historical budget gaps and underfunded service growth.
- 3.5.11 Going forward LBBD has poured significant investment into Care and Support with approx. £11.35m of growth added to the 2021-22 base budgets, this comes with the expectation that Care and Support should be able to contain all costs within their budget for the coming year.

## 3.6 My Place

- 3.6.1 The Provisional Outturn Summary for the Directorate is:

DEPARTMENT	FINAL ADJUSTED BUDGET	OUTTURN	RESERVES	OUTTURN AFTER RESERVES	OUTTURN VARIANCE
	£000	£000	£000	£000	£000
MY PLACE	(1,830)	(264)		(264)	1,566
PUBLIC REALM	7,758	8,759	26	8,785	1,027
	<b>5,928</b>	<b>8,495</b>	<b>26</b>	<b>8,521</b>	<b>2,593</b>

3.6.2 The Directorate is reporting a Provisional Outturn including depreciation of £20.393m or £5.928m excluding depreciation, a £2.583m overspend (14.5%) compared to Budget. This represents a movement of £136,000 on Period 10. The estimated impact of COVID-19 on the position is approximately £1.2m, predominantly within Public Realm.

3.6.3 My Place (excluding Public Realm) is reflecting £1.582m of the overspend and is extrapolated below:

Service Area	20/21 Budget £'000	20/21 Outturn £'000	Variance £'000	Movement from P10 £'000
Business Development	2,798	2,462	-336	-399
Contracts Management	13,102	13,110	8	279
Landlord Services	4,034	4,147	113	165
Leasehold and Commercial	-4,361	-4,066	295	319
Management Central	-21,217	-18,765	2,452	816
Property Assets	13,850	12,885	-965	-783
Less Depreciation	-10,036	-10,036	0	0
<b>Directorate Total</b>	<b>-1,830</b>	<b>-263</b>	<b>1,567</b>	<b>397</b>

3.6.4 The driving factors behind the 2020-21 overspend are £442,000 on Street Works and Lighting, £332,000 Leasehold and Commercial, £174,000 erroneous Income Budget, £135,000 due to COVID-19, £110,000 underfunded Employer Liability Insurance Premiums and the remaining £389,000 relating to a change in the balance of cost between the HRA and My Place. The first pressure was due to be offset by savings from the My Place restructure, but this did not take place in part due to the pandemic.

3.6.5 Public Realm is reflecting £1.001m of the overspend and is broken down below:

Service Area	20/21 Budget £'000	20/21 Outturn £'000	Variance £'000	Movement from P10 £'000
Operations	7,070	8,865	1,795	-293
Parks and Environment	2,537	1,964	-573	-188
Fleet Management	727	728	1	227
Compliance	-702	-985	-283	-84

ELWA	-30	33	63	63
Less Depreciation	-1,844	-1,844	0	0
<b>Directorate Total</b>	<b>7,758</b>	<b>8,761</b>	<b>1,003</b>	<b>-275</b>

3.6.6 Operations overspent by £1.795m, an improvement on Period 10 due to reduced staffing activity (£293,000). Public Realm, in particular Operations, has incurred significant COVID-19 related costs across Waste, Street Cleansing and Caretaking due to additional staffing requirements and increased transport costs of up to £1.0m. However, it is not possible to accurately attribute all of this overspend to COVID-19 due to approximately half relating to Street Cleansing which also implemented a new way of working.

3.6.7 Compliance underspent due to a surplus of income generation across Pest Control, Trade Waste and Green Garden Waste services. For Parks and Environments, the underspend is due to additional income for Arboriculture and Cemeteries. Cemeteries income target was reduced by £260,000 due to the reprofiling of interest charges on cemeteries improvement to provide a more realistic income target when we return to post pandemic life.

### 3.7 Strategy and Participation

DEPARTMENT	FINAL ADJUSTED BUDGET	OUTTURN	RESERVES	OUTTURN AFTER RESERVES	OUTTURN VARIANCE
	£000	£000	£000	£000	£000
CULTURE & RECREATION	1,247	2,079	273	2,352	1,104
TRANSFORMATION	648	549	514	1,063	415
LEISURE	(2,003)	484	1,739	2,223	4,225
STRATEGY & PROGRAMMES	1,895	337	5	342	(1,553)
	<b>1,788</b>	<b>3,448</b>	<b>2,531</b>	<b>5,979</b>	<b>4,191</b>

3.7.1 The final variance for Strategy and Participation was an overspend of £4,190,000, after a net transfer of £1,717,000 to reserves. This was a reduction of £150,000 on the £4,340,000 variance which was forecast at Month 10. The directorate's capacity to generate income was significantly impacted by the coronavirus pandemic which necessitated the closure of leisure and heritage facilities, and also impacted on activities in Country Parks.

3.7.2 It was agreed to waive the concession fee from the leisure operator, resulting in an income loss of £2,057,000. In addition the operator was provided with support payments of £998,000. This has resulted in an overspend on the Leisure budget of £3,001,000.

3.7.3 Parks Commissioning were unable to achieve their income target of £802,000, with actual income of £94,711, resulting in an overspend of £709,000. This is largely attributable to the delay in obtaining planning permission for the Central Park soil importation scheme.

- 3.7.4 The Heritage service were unable to meet the income target of £180,000, with actual income of £11,000, resulting in an income shortfall of £169,000. The salaries budget overspent by £79,000 and the non-pay budget overspent by £47,000, resulting in an overall overspend of £295,000.
- 3.7.5 The cost of the Transformation programme in 2020-21 was £1,902,000 and the cost of the ERP programme was £1,065,000. This was fully funded from capital receipts.
- 3.7.6 The movement in the variance from Month 10 of £150,000, is partly attributable to Contain Outbreak Management Fund (COMF) grant of £71,000 which was credited in March 2021. This funding was not factored into the Month 10 forecast.
- 3.7.7 The directorate has made a £2,678,000 transfer to reserves, and a drawdown of £147,000, resulting in a net transfer to reserves of £2,531,000. The majority of these transfers (£1,104,000) relate to the carry forwards of grant funding into 2021-22. A further amount of £313,000 is to carry forwards funding in relation to projects, and £300,000 of Neighbourhood Community Infrastructure (NCIL) funds has been transferred to the BD Giving Endowment fund.

### 3.8 Core

DEPARTMENT	FINAL ADJUSTED BUDGET	OUTTURN	RESERVES	OUTTURN AFTER RESERVES	OUTTURN VARIANCE
	£000	£000	£000	£000	£000
COMMERCIAL	(73)	(5,125)	5,500	375	448
CHIEF INFORMATION OFFICER	2,041	2,454	107	2,561	521
STRATEGIC LEADERSHIP	25	(2)		(2)	(26)
FINANCE	2,293	(140)	1,724	1,584	(709)
CUSTOMER CONTACT	6,163	7,399		7,399	1,236
INNOVATION AND INVESTMENT	(4,673)	(3,789)		(3,789)	884
	<b>5,775</b>	<b>797</b>	<b>7,331</b>	<b>8,128</b>	<b>2,353</b>

- 3.8.1 Core Services have overspent by £1.946m. This is a £639k increase in the variance of £1.307m which was reported at Month 10.
- 3.8.2 Commercial Services capacity to generate income was significantly impacted by COVID-19 resulting in an overspend of £448k. The Film Office overspent by £123k due to a shortfall in income. The CR27 investment was delayed and there was a reduction in income from Travelodge due to the Company Voluntary Arrangement resulting in an overspend of £221k. The balance of the overspend is due to the unachievable £96k income target within Procurement.
- 3.8.3 Customer Services have overspent by £1.236m. The Registrars service were unable to meet their income target due to COVID-19, resulting in an income shortfall of £159k. The balance of the overspend is due to historic savings targets which the service has been unable to achieve. This budget gap has existed since the service transferred from Elevate.

- 3.8.4 Finance underspent by £672k. This comprises an underspend of £288k in Insurance, £433k in Corporate Finance and £64k on the Director cost centre offset by an overspend of £117k in Service Finance.
- 3.8.5 IT has overspent by £521k. There has been an historic budget gap which the service was anticipating to manage down to £172k at Month 10. This has not been possible, in-part due to issues with recharging the cost of project work, for which the service is not funded.
- 3.8.6 Strategic Leadership underspend by £26k. There was an overspend of £194k within Procurement Gainshare. However, this was compensated by underspend within staffing budget in the Chief Operating Officer's cost centre.

### 3.9 Law and Governance and HR

	Adjusted Budget £'000	Outturn Expenditure £'000	Reserves transfer £'000	Final Variance £'000	Change from M10 £'000
Enforcement	(3,125)	(7,042)	3,323	(594)	(860)
Democratic Services	993	779	75	(138)	2
Human Resources	0	(163)	51	(113)	49
Leader	(7)	10	0	16	2
Legal	589	711	(122)	0	0
Total	(1,550)	(5,706)	3,326	(830)	(808)

- 3.9.1 Law Governance and HR underspent by £817k, after transferring £3.326m to reserves. There has been a £795k movement from Month 10 when the forecast outturn was an underspend of £22k. This is due to a significant increase in Parking income.
- 3.9.2 Enforcement outturn variance was an underspend of £582k which is due to a large number of vacancies across the service. Parking had been estimated to overspend by £921k based on non-achievement of income targets due to reduced enforcement activity over lockdown. However, prior to the transfer to reserves, the service over-achieved by £673k which is due to two factors:
- i. Increased income in February and March of £626k. This can be attributed to additional enforcement officers and new parking enforcement cameras.
  - ii. An estimate of £882k was made for PCN income outstanding at 31/03/2021. This had not been allowed for in the Month 10 forecast.
- 3.9.3 The Private Sector Property Licensing scheme (within Enforcement) generated a surplus of £2.598m which has been transferred to reserves. The intention is to draw this down in future years as income tails off in the later years of the five-year scheme.
- 3.9.4 Democratic Services is reporting an underspend of £138k, this is mainly due to an underspend within the staffing and supply and services budget.
- 3.9.5 The Human Resources outturn variance was an underspend of £113k which is due to overachievement of SLA income than initially budgeted. The movement of 49k

when compared to month 10 was due to the adjustment to the SLA income forecast.

### 3.10 Community Solutions

DEPARTMENT	FINAL ADJUSTED BUDGET	OUTTURN	RESERVES	OUTTURN AFTER RESERVES	OUTTURN VARIANCE
	£000	£000	£000	£000	£000
COMMUNITY SOLUTIONS					
INTERVENTION LIFECYCLE	(987)	904		904	1,891
TRIAGE LIFECYCLE	4,258	4,031		4,031	(227)
SUPPORT LIFECYCLE	(132)	(293)		(293)	(161)
UNIVERSAL LIFECYCLE	3,673	2,759		2,759	(914)
COMMUNITY SOLUTIONS	840	1,492	767	2,259	1,418
WELFARE & COLLECTIONS LIFECYCLE	4,028	4,930		4,930	903
WORK & SKILLS LIFECYCLE	798	1,039	188	1,227	429
ELHP	(1)	912	(912)	0	1
	<b>12,478</b>	<b>15,774</b>	<b>43</b>	<b>15,817</b>	<b>3,339</b>

3.10.1 The table above shows the reported outturn position for Community Solutions is a overspend of £3.339m. This is made up of an underlying £272k overspend together with the impact of COVID-19 costs and loss of income of £2.2m and unrecovered court costs of about £900k. The in-year savings achieved by the respective services especially Triage, Support and universal lifecycles enabled the department to reduced it's non Covid overspend from £885k in month 10 to £272k at year end.

3.10.2 The savings strategies achieved by the department include: vacancy freeze, top slicing print and post and other supplies and services budgets, reattribution of eligible costs to grants and continued use of less expensive temporary accommodation as opposed to Private sector landlords (PSL).

### 3.11 Education, Youth and Childcare

3.11.1 The reported outturn for the department is an underspend of £27k, although this excludes the impact of COVID-19 loss of income for two traded services (Community Music Services and Trewern Education Centre). In line with corporate strategy, these two services received central support to mitigate the loss of income by £137k & £252k respectively.

#### 3.11.2 Loss of income Payments to Schools Community Buildings

School Name	Total	5% Absorbed	95%	75%
Robert Clark	75,497	3,775	71,722	53,792
Jo Richardson	145,045	7,252	137,793	103,345
Barking Abbey	195,380	9,769	185,611	139,208
Dagenham Park	38,395	1,920	36,475	27,356
<b>Total</b>	<b>454,317</b>	<b>22,716</b>	<b>431,601</b>	<b>323,701</b>

3.11.3 In the course of the year the EYC department provided financial support to 4 schools who managed community buildings on behalf of the council, due to COVID-19, these schools were impacted by loss of income as a result of the 3 lockdowns. £324k was paid to the schools to mitigate the impact of COVID-19 loss of income in line with the corporate strategy. The four schools were: Robert Clark, Barking Abbey, Jo Richardson and Dagenham Park secondary schools.

### 3.12 Inclusive Growth

	Adjusted Budget £'000	Outturn Expenditure £'000	Reserves Transfer £'000	Final Variance £'000	Change from M10 £'000
Inclusive Growth	1,426	1,809	26	409	25
Film Studios	0	(1,000)	1,000	0	0
ELHP	0	(98)	0	(98)	(98)
Total	1,426	712	1,026	311	(73)

3.12.1 The final variance for Inclusive Growth was an overspend of £276k after a net transfer of £1.026m to reserves. This is a reduction of £108k on the overspend of £384k which was forecast at Month 10. A further £35k is expected for Reside.

3.12.2 The change of £108k from Month 10 is largely due to a credit of £98,000 on East London Housing Partnership (ELHP) and is attributable to the correction of a payroll miscode.

3.12.3 The overspend on Inclusive Growth of £374,000 is in large part due to a non-achievable income target of £393,000. This is a historic target which in the past was achieved largely from grant income. Actual income in 2020/21 was £98k resulting in an income shortfall of £295k. Unfunded Added Years Compensatory payments of £36k are a further contributory factor.

3.12.4 There was a drawdown of £75k to finance salary costs and a transfer to reserves of £1.101m. This comprises a £1.000m contribution from the film studios developer, and £101k of Social Housing Decarbonisation Fund grant.

### 3.13 Central Expenses

3.13.1 There was an overspend on Central Expenses of £9.025m. £9m of this relates to returns from the Council subsidiaries – however this is offset by £1.8m New Homes Bonus in Corporate Funding. In addition, there is a £4m bad debt provision required across general income, Temporary Accommodation rents and Housing Benefit overpayments and Court Costs. A £2.5m provision has also been made for remedial works for land adjacent to Eastbrookend Country Park, £1m for the Write off of Reside debts (see below) and a £0.9m cost to support the Pan London response to COVID-19 (additional mortuary costs and contributions to London Gold).

3.13.2 Offsetting these pressures are underspends on a range of other corporate costs including the £2m provision held against the risk of non-achievement of savings, £0.74m revenue contribution to capital not required, £1.5m pay and redundancy



provision not needed and £2.3m other contingencies. (£0.9m Special Projects fund, £0.6m income from the final wind up of the Elevate contract, £0.6m Pension provision plus various minor underspends.)

#### 4. Housing Revenue Account

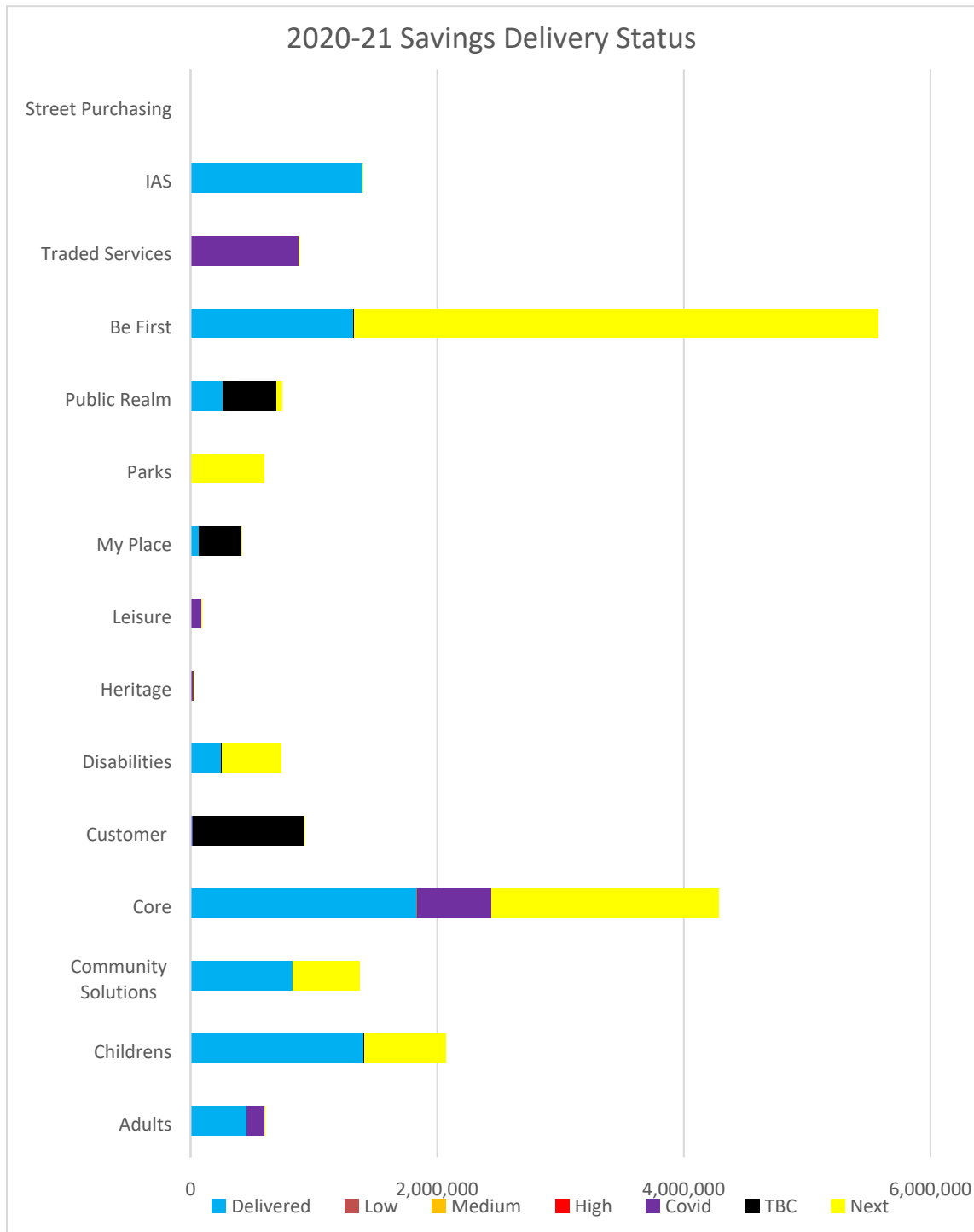
- 4.1 The outturn on the Housing Revenue Account is an in year overspend/deficit on Revenue Income and Expenditure of £3.070m. However due to slippage on the capital programme a much lower revenue contribution to capital is required and so the HRA reserve will increase by £3.566m this year.

REPORT LEVEL	BUDGET	OUTTURN	VARIANCE
	£0	£0	£0
SUPERVISION & MANAGEMENT	45,946	44,454	-1,492
REPAIRS & MAINTENANCE	14,320	17,178	2,858
RENTS, RATES ETC	357	119	-238
INTEREST PAYABLE	10,742	10,944	202
DEPRECIATION	15,860	17,088	1,228
DISREPAIR PROVISION	0	1,200	1,200
BAD DEBT PROVISION	3,309	1,322	-1,987
CDC RECHARGE	685	685	0
<b>TOTAL EXPENDITURE</b>	<b>91,219</b>	<b>92,990</b>	<b>1,771</b>
CHARGES FOR SERVICES & FACILITIES	-20,497	-21,559	-1,062
DWELLING & NON-DWELLING RENTS	-86,747	-84,413	2,334
INTEREST & INVESTMENT INCOME	-350	-299	51
<b>TOTAL INCOME</b>	<b>-107,594</b>	<b>-106,271</b>	<b>1,323</b>
<b>TRANSFER TO HRA RESERVE</b>	<b>0</b>	<b>1,204</b>	<b>1,204</b>
<b>TRANSFER TO MRR</b>	<b>16,375</b>	<b>8,511</b>	<b>-7,864</b>
	0	-3,566	-3,566

- 4.2 The final outturn was better than forecast. In particular, although there is an overspend on Repairs and Maintenance the final outturn is lower than forecast reflecting reduced activity this year. The final estimate for the disrepair provision is also a lower figure and the debt position began to improve slightly in the final quarter resulting in a reduced provision. The Supervision and Management charge also reflects a recalculated charge from My Place and increased income from Reside.

#### 5. Key Savings Programmes

- 5.1 The 2020-21 financial year is the final year of the Ambition 2020 programme which had a total target of £48.824m savings to be delivered in the period 2017-21. Based on the original profile £36.129m should have been delivered prior to the start of the 2020/-1 year of which £28.941m had been achieved leaving £7.188m brought forward in addition to the £12.696m due to be delivered during 2020-21.



5.2 A further £7.840m has been delivered in-year meaning that £36.781m (75%) of the Ambition 2020 savings have been achieved. A further £10.350m has been deferred or delayed into the 2021-22 financial year of which at least £1.741m is directly attributable to the impact of COVID-19.

5.3 The £1.741m of delayed savings directly attributable to COVID-19 are mostly income initiatives: £150k from a delayed change to the Adults Charging Policy, £91k increased Leisure income, £25k increased Heritage and Culture income, £600k from reduced Council Tax Support, £875k return from the subsidiary traded services company. (It should be noted that these figures only represent the incremental increases for 2020-21 – the true income loss is in fact higher.)

- 5.4 The £10.350m deferred savings will have been indirectly impacted by COVID-19 as resources were focused on supporting the pandemic response. These include the Core programme (£1.84m), further efficiencies in Children’s (£0.659m), increased income in Disabilities (£0.483m), IAS returns (£0.189m) and further returns from Be First (£4.253m). In addition, there is £600k income from Central Parks landscaping that is delayed into 2021-22 and £543k in Community Solutions (Adult College and Staffing reductions brought forward). The Community Solutions shortfall was temporarily covered by management action in this year so did not contribute to the overspend but further work is required to ensure it materialises into permanent savings.
- 5.5 There are a small number of savings which are now assessed as no longer possible or desirable to achieve. These are shown below:

SAVING DESCRIPTION	Target £000	Comments
My Place Staffing restructure	290	Potential Adverse service impact if implemented
2018/19 Savings Initiative: Street Lighting - Estimated saving from trimming and dimming	60	This policy is no longer being pursued
2018/19 Savings Initiative: Street Cleansing – was originally an 18/19 target but has slipped into 19/20	439	Implementation would not meet member or resident expectations of service quality.
CSED - Channel Shift and Efficiency Improvements (Elevate)	904	Service has made savings but these have been used to create Digital team
TOTAL	1,693	

- 5.6 Given the ambition and scope of the programme it was expected that a proportion of savings that would not be achieved and a provision of £2m was made for this eventuality at the start. It is proposed to write the above savings off using this provision.

## 6 COVID-19 Impact

- 6.1 In 2020-21 £35m of COVID-19 grants were received from Central Government. £12.9m of this grant was ring fenced and netted off in expenditure lines, the remaining non-ring fenced £22.6m grant was held centrally. In addition, we received funding from Central Government to compensate against loss of income and Business Grants New Burdens, which amounted to £50.5m. Please refer to Appendix B for a breakdown of the grant received.
- 6.2 Since April 2020, the Government has introduced relief schemes for both Business Rates and Council Tax as well as several grant schemes for businesses. The grant schemes have been introduced in three main tranches, the first from April 2020 until November 2020, then from November 2020 when London entered the tier scheme, and finally from the start of lockdown in January to date.

- 6.3 The table below shows the total number and value of grants paid to businesses since April 2020.

	<b>Grants paid</b>	<b>Value</b>
April 20 – November 20	2,295	£28,011,000
November 20 – January 21	1,587	£1,732,567
January -	6,047	£17,086,599
<b>Total</b>	<b>9,929</b>	<b>£46,830,166</b>

- 6.4 In April 2020, the Government increased the existing retail rate relief given to business from 50% to 100% and extended this to hospitality, leisure and charity sectors. As a result, 1,000 businesses received 100% relief from Business Rates in 2020-21 totalling £20.4m.
- 6.5 The Government also gave assistance to Council Taxpayers by introducing a reduction of £150 for all working age recipients of Council Tax support. During the course of 2020-21 a total of 14,060 Council Taxpayers received this reduction to their bill, the total amount awarded was £2,067,064.
- 6.6 The Government has also provided compensation for unrecoverable loss of Sales, Fees and Charges income. Compensation is paid at the rate of 75% on all losses beyond the first 5% net of cost reductions and any furlough funding. LBBB has received £3.1m for the first eight months and a further £0.556 has been estimated for the final claim but this will be subject to audit. This has been included in Corporate Funding.

## **7. Transfers To and From Reserves**

- 7.1 The impact of Covid and the uncertainty regarding the future of Local Government funding requires the proper use of reserves to support medium term financial planning and management. Barking and Dagenham has chosen to pursue a growth focused financial strategy with high levels of long-term investment in the borough in order. This requires us to hold reserves at sustainable levels to dampen the effect of short-term changes in the economy without putting at risk the longer-term goal of growth. We therefore propose to make a number of transfers to reserves in order to fulfil longer term plans and strategies that go beyond the financial year end. The reasons for these transfers fall into the following categories:

### **Supporting our Investment and Acquisitions and Capital Strategies**

- 7.2 The Investment and Acquisitions strategy is funded through prudential borrowing and from receipts generated by the strategy itself. Funding of the borrowing is through the treasury net interest budget. An annual return target has been allocated to the investment strategy. There was a large surplus on treasury investment returns and from capitalised interest in 2020-21 and a small underspend on the MRP budget allowing £7.9m to be transferred to the investment reserves. The investment reserve is used to smooth out any return volatility from investment and to provide protection to the Council.

- 7.3 The Council entered into a financing deal for a hotel which resulted in a large upfront payment in 2020-21. A part of this was rental income being held as a Receipt in Advance on the balance sheet with another £5.5m being transferred to a new reserve to be held as a potential mitigation against future investment risks. The £5.5m will be increased by inflation each year, through a transfer from the investment reserve.

### **Carry Forward of Specific grants**

- 7.4 Where grants have been received for specific purposes and projects that cross the financial year end, unspent funding at 31 March is transferred to reserves to be drawn down in the following financial year subject to compliance with grant conditions. This is usual practice that happens every year but due to the large amount of COVID-19 grant received in the second half of 2020-21 for responsibilities that continue into 2021-22 the total amount is higher this year - £5.512m of which £3.468m are covid related grants, £1.360m is the ringfenced Public Health grant, £0.1m is the Social Housing Decarbonisation Fund and the balance of £0.582m is made up of a few smaller grants (New Town Grant, Football Foundation, Air Quality, Urban Tree Challenge and monies from Health for specific projects).

### **Specific Revenue Projects and Funds**

- 7.5 There are a small number of specific services which although revenue in nature have an uneven profile of income and expenditure and use reserves to smooth funding between years. This includes the Private Rented Property Licencing scheme where fee income is largely received at the beginning of the scheme but expenditure is incurred throughout (transfer of £2.598m), Parking where surpluses are ringfenced for future investment in roads (transfer of £0.672m), Elections (transfer of £0.075m), Work and Skills (transfer of £0.955m), IT Infrastructure fund (transfer of £0.107m). In a similar way there is a smoothing reserve for PFI payments in Education to which a transfer of £0.639m has been made.
- 7.6 Those services which operate on a Trading account basis – that is Legal, Trewern and the Music Service are permitted to carry their surpluses to reserves for use in future year. The value is £0.510m.
- 7.7 Where additional budget funding was provided in 2020-21 for specific projects which were delayed beyond year-end a transfer to reserves has been made to allow funding to be drawn down next year. (This is analogous to grant funding but relates to the Council's own monies.) The total is £0.419m and the projects including the Domestic Abuse Commission final work, the Community Engagement and Equalities Engagement work in Strategy and HR placements.
- 7.8 The budget for levies to other statutory bodies has an underspend in 2020-21 of £0.939m. This budget is set based on estimates and the underspend will be transferred to reserves and used to mitigate against future increases in levies.

### **Endowment Funds**

- 7.9 The Council has created specific funds for investment in the local community and is transferring £1m from the Film Studios Developer contribution and £0.806m to BD

Giving Endowment fund, of which £0.300m is a transfer from revenue and £0.506m is from NCIL funds already within reserves.

### **Collection Fund**

- 7.10 A total of £8.236m will be transferred to the Collection Fund Equalisation reserve. This is a mechanism for smoothing between years and mitigating collection risk on Council Tax and Business Rates. £5.795m relates specifically to Covid rates relief.

### **Risk Management**

- 7.11 It is proposed to transfer £1.723m to the Insurance reserve. The Council's insurance management strategy is to support a high level of excess through use of reserves. This provides the best balance between reducing cost and mitigating risk.

### **Supporting the Council's MTFS**

- 7.12 The Council's MTFS for 2020-21 included a planned transfer to the budget support reserve of £3.407m in 2020-21 to build this reserve up. The financial performance of the Council this year means that this transfer can be made.
- 7.13 As the Council's General Reserve is already above the minimum level required it is proposed that the remaining underspend should be transferred in full to the budget support reserve.

## **8 Impact on Reserves**

- 8.1 Following audit adjustments the opening position for Earmarked General Fund reserves is £73.205m. This will increase to £113.210m following the movements detailed above. The General Fund Balance remains unchanged at £17m.

## **9. Capital Outturn**

### **9.1 Capital Programme Outturn 2020-21**

- 9.1.1 The capital programme for 2020-21 was £370.2m, which includes adjustments for the Investment and Acquisition Strategy (IAS) to reflect new schemes being added as and when they are agreed by Cabinet. The purchase of the Muller site purchase has also been included under commercial investments. The transformation budget has been adjusted to reflect the actual spend and this has been funded by using capital receipts received during the year.
- 9.1.2 Year-end adjustments totalling £16.1m have been reflected in the outturn figures and remaining budget has been provisionally added as slippage or carry forward to a 2021-22 provisional capital budget. The General Fund budget roll-forward totals £14.7m, HRA £22.8m and IAS £12.8m.
- 9.1.3 The 2020-21 gross Capital Spend was £319.4m against a budget of £370.2m, an underspend of £50.2m or 13.5%. with most of the spend in the IAS (£258.7m), Education, Youth and Childcare (£18.8m) and HRA (£26.1m).

The impact of COVID-19 is the main reason for the underspend and this is outlined under each respective department summary below.

9.1.4 A number of large-scale developments were taken to Cabinet and Investment Panel (IP) for agreement during 2020-21. These will have an impact on future capital budgets but the impact on 2020-21 was limited. A number of schemes have had budget increases agreed by IP. The table below contains all the projects currently in the Capital Programme, with the year to date spend. Appendix F provides a summary of the budget, spend and slippage for each scheme. It also includes a preliminary Capital budget for 2021-22.

Department	Budget	Expenditure	Budget Remaining	
	2020/21	YTD	20/21	%
Adults Care & Support	2,196	1,449	747	34.0%
Community Solutions	187	113	74	39.6%
CIL / S106	1,720	622	1,099	63.9%
Core	4,236	1,860	2,376	56.1%
Culture, Heritage & Recreation	3,069	623	2,446	79.7%
Enforcement	1,116	389	727	65.1%
Transport for London	2,516	1,000	1,516	60.3%
My Place	5,643	4,145	1,498	26.5%
Public Realm	3,391	924	2,467	72.8%
Education, Youth & Childcare	19,572	18,762	810	4.1%
Other	1,606	700	906	56.4%
<b>General Fund</b>	<b>45,252</b>	<b>30,587</b>	<b>14,666</b>	<b>32.4%</b>
<b>HRA</b>				
Stock Investment (My Place)	38,458	17,428	21,030	54.7%
New Build Schemes (Be First)	2,495	1,064	1,431	57.4%
Estate Renewal (Be First)	8,000	7,645	355	4.4%
<b>HRA Total</b>	<b>48,953</b>	<b>26,137</b>	<b>22,816</b>	<b>46.6%</b>
<b>IAS</b>				
Residential Developments	<b>160,990</b>	<b>153,939</b>	<b>6,578</b>	<b>4.1%</b>
Temporary Accommodation	14,022	10,777	3,245	23.1%
Commercial Investments	<b>96,950</b>	<b>94,002</b>	<b>2,948</b>	<b>3.0%</b>
<b>Investments Total</b>	<b>271,962</b>	<b>258,718</b>	<b>12,771</b>	<b>4.7%</b>
<b>Transformation</b>	<b>3,999</b>	<b>3,999</b>		0.0%
<b>Total</b>	<b>370,167</b>	<b>319,440</b>	<b>50,254</b>	<b>13.5%</b>

## 9.2 General Fund

### 9.2.1 Adults Care & Support (34% Budget remaining)

Work was delayed as COVID-19 restrictions reduced access and there was resistance on entry by residents, with further delays due to the winter. The DFG funding for this scheme allows for the unspent grant to be carried forward.

### **9.2.2 Community Solutions (40% Budget remaining)**

The underspend includes expenditure on an ongoing redevelopment project linked to the Touchdown Project that is being implemented across council buildings as a response to changing work patterns following the COVID-19 pandemic. The funds are being used to make alterations to the ground and first floor to accommodate the touchdown space and relocate the existing library space, ensuring that all areas are made COVID-19 compliant.

Due to the bespoke nature of the existing library furniture and the requirement to ensure continuity, suitable suppliers have had to be identified to deliver the project in the reduced timeframe. A suitable number of contractors have now been identified and quotes obtained, which will allow for the project to be delivered in the 2021-22 financial year.

### **9.2.3 CIL Schemes (64% Budget remaining)**

The Box up crime scheme has encountered a number of issues and additional funding will be provided via My Places' Stock Condition Survey to bring the building up to standard. East End Women's Museum delays have been due to the process of appointing new design teams and contractors which are out to tender.

### **9.2.4 Core (56% Budget remaining)**

COVID-19 caused disruption and re-prioritisation of the IT programme to enable IT Services to support Council staff working from home. The original profile for Elevate IT Services was based on services returning at the end of the Elevate contract. Services were returned from Elevate on a staggered basis from January 2020 which disrupted the initial planned IT programme.

Agilisys who provided the Council with a Private Cloud to host the majority of the Council's Servers and software applications, announced that this facility would be closing early in March 2021, which resulted in the need to bring forward the planned migration of the Council's servers and system from IaaS to the Microsoft Azure Public Cloud, which was successfully completed in December 2020.

### **9.2.5 Culture, Heritage & Recreation (80% Budget remaining)**

Most projects were delayed due to COVID-19, and underspends will be carried forward into 2021-22.

### **9.2.6 Enforcement (65% Budget Remaining)**

Delayed spend due to the Covid. Internal governance processes behind delivering CPZ schemes is ongoing to confirm works required with contractors.

### **9.2.7 TfL (60% Budget remaining)**

TfL fund drawdown to continue in 2021/22.



### 9.2.8 My Place (27% Budget Remaining)

The Highway Improvement Programme was extended following efficiency saving and collaborative works throughout the year's rolling programme enabling us to extend our works programme remit and limits. Unfortunately, February's extreme cold snap and snow delayed Highway surfacing works programmes within two areas for safety reasons. These areas were reprogrammed into 2021-22 and completed in April 2021.

The bulk of the roll forward is ringfenced funding to deliver a new bridge across the River Rom within The Chase and maintaining the vehicle access to Eastminster School of Riding. The bridge failed its structural integrity and loading capacities and was due to be replaced during 2020-21. COVID-19 delayed the progress, as the Environmental Agency Surveys and environmental impacts assessments were delayed. Moreover, these survey windows are defined and limited throughout the year. The project has been reengaged to deliver 2021/22, with temporary fixes and supports made to the bridge.

The Railway Footbridge Programme was delayed as Bridge Engineering Consultants were restricted from site visits as part of their Corporate COVID-19 safe working practices. This delayed the reports which are now complete. Identified works are now programmed for June 2021.

TfL funding streams were made available in March 2021 but delayed due to the financial impact caused by COVID-19 and the prioritisation on Covid recovery measures. Schemes identified and delivery is planned for 2021/22 Q1.

### 9.2.9 Public Realm (73% Budget remaining)

Vehicle Fleet replacement delayed due to staff changes and COVID-19. Replacement vehicles are now ordered or in the process of being ordered. The project has gained momentum and is aiming to be completed in 2021-22. Many vehicles have to be replaced now as they will not comply with the extension of the ULEZ boundaries.

### 9.2.10 Education, Youth and Childcare (4% Budget remaining)

The projects fall into two broad categories of either school's expansion or building works related to condition surveys, accessibility (SEN) and general improvements. Newly announced future year allocations to help create additional school places up to September 2021 of £6.6m in the financial year 2022-23 have also been awarded. The DFE have made £2.2m available to support provision of capital grant for special education needs, alongside £5.2m for school conditions allocations. Other key activities are outlined below:

- Grants allow carry forward to be utilised in 2021-22.
- Greatfields Primary delayed through Legal property issue.
- £100k funding from PFI has subsidised salary capitalisation costs.
- Successful refund insurance payments [Barking Abbey and Monteagle] of £180k.

- Retentions of £164k expected to be paid on the Robert Clack Lymington project but recent technical issues mean this will be delayed until the summer.
- Healthy Schools project at Trewern and Marks Gate delayed due to Covid.

### 9.3 HRA Capital (47% Budget remaining)

The HRA capital programme is self-financed by the HRA using a mixture of Government grants, capital receipts and HRA revenue funding. Overall, the stock investments expenditure is £17.4m against a budget of £38.5m with Covid and its associated lockdowns being the main cause of the underspend.

Delivering the programme and achieving this level of spend, was particularly challenging mainly due to the COVID-19 Pandemic which saw works cease, supply chains disrupted and access to properties very difficult.

The COVID-19 pandemic had significant impact on the delivery of the 2020-21 programme, particularly around gaining access to tenants' properties, social distancing implications, supply chain issues (with staff furloughed etc) and practical arrangements around deploying contractors and direct labour.

The Councils current overall provisional decency figures for Q4 of 2020-21 stood at 91.87%. with a non-decent percentage at 8.13%. Decency figures are submitted to the Government in June each year and appear on the Government website in the following November. The figure on the website is therefore currently the 2019-20 figure of 91.21%% decency level, so the 2020-21 figure is slightly up, even given the disruption to the programmes that affect decency.

A significant proportion of non-decency is with external works, a lot of which were delayed due to COVID-19. These works have now recommenced and once the externals programme is fully delivered, it is forecast that the level of overall decency will increase to around 97%.

The 2021-22 programme will be a blend of ongoing projects that commenced in 2020-21 such as the external programme to flatted blocks and replacement fire doors, internal works (kitchen's bathrooms, boilers etc identified through the stock condition data) and fire door replacements, the regular annual allocations in areas such as capital voids and property adaptations (specific by Adult Social Care) and new schemes such as additional lift replacements, HRA void extensions and specific energy efficiency schemes.

New build spend of £1.1m was £1.4m below the budget for the year. Estate renewal also underspent by £0.3m, with spend of £7.7m against a budget of £8.0m.

### 9.4 Investment and Acquisitions Strategy

Although COVID-19 did impact a number of schemes, Be First managed to successfully work with developers to ensure schemes progressed during the year. A total of £258.7m was spent in 2020/21 against a revised budget of

£272.0m. Spend was on residential (£151.9m), temporary accommodation £10.8m) and commercial investments (£94.0m).

The commercial expenditure includes the equity element of the Muller site purchase. The Muller site was purchased via a Special Purchase Vehicle and is funded via a debt and equity split. A more detailed outline of the Investment and Acquisitions spend in 2020-21 and the performance of the assets will be reported as part of the Treasury and Investments outturn report.

## 9.5. Transformation

Expenditure relating to transformation is actually revenue expenditure funded from capital receipts under the Flexible Use of Capital Receipts direction, which allows transformational projects resulting in savings to be funded through capital receipts. Schemes include IT implementations and process improvements across all services.

A Flexible Use of Capital Receipts strategy is presented to Cabinet annually in February, along with an update of savings made from improvements implemented. The government recently extended this scheme for a further 3 years (as 2021/22 was due to be the final year), allowing use of capital receipts to fund transformation-related revenue expenditure until 31 March 2025.

The remaining Transformation budget has been excluded as this budget is subject to capital receipts profit which will be determined in the near future.

## 9.6. Capital Receipts 2020/21

There were £51.5m of capital receipts received in the General Fund during 2020-21; the majority of which relates to the sale of the film studio site. There were also £15.5m of net receipts relating to HRA properties, however these are set aside and spent in accordance with conditions set out in the Right to Buy pooling agreement. The receipts in-year were as outlined in the table below:

<b>Capital Receipts Received 20/21</b>	<b>£'000</b>
Film Studio sale	48,250
Becontree Heath Shared Ownership sales	3,032
Abbey Leisure Centre (Axe Street)	115
18-20 Goresbrook Road	165
<b>Total General Fund Receipts</b>	<b>51,562</b>
Right to Buy (RTB) receipts	16,981
Repayment of RTB discount	146
less: RTB admin costs	-314
less: RTB pooling payments to MHCLG	-1,299
<b>Total HRA Receipts</b>	<b>15,514</b>

General Fund receipts can be used to fund capital expenditure, to fund transformation expenditure under the Flexible Use of Capital receipts regulations, or to reduce the CFR. The available capital receipts are proposed to be used as outlined in the table below:

<b>Use of Capital Receipts 2020/21</b>	<b>£'000</b>
GF receipts received 2020/21	51,562
GF receipts unapplied c/f from 2019/20	62
<b>Total GF receipts available</b>	<b>51,624</b>
Flexible Use of Capital Receipts (fund revenue Transformation costs) 20/21	-3,999
Flexible Use of Capital Receipts (fund revenue Transformation costs) 18/19	-2,682
Repayment of Film Studio land purchase costs funded by borrowing	-44,404
Repayment of Becontree Heath build costs funded by borrowing	-539
<b>Use of GF available receipts</b>	<b>-51,624</b>
<b>GF receipts to carry forward to 2021/22</b>	<b>0</b>

## 10 Revised Capital Programme including Slippage

- 10.1 Following the carry forward of slippage the revised Capital Programme for 2021-22 will be £399.114m. A full list of the approved programme is given in Appendix G. Cabinet is asked to approve this.

## 11 Dedicated Schools Grant and Schools Reserves

<b>2020/21 DSG OUTTURN</b>	<b>2020/21 £'000</b>	<b>2020/21 Out-turn</b>	<b>(Surplus) Deficit</b>
Schools Block – ISB	171,254	171,414	160
Central Block	2,364	2,364	0
High Needs Block	34,015	32,379	-1,636
Early Years Block	22,933	20,566	-2,367
<b>Total</b>	<b>230,566</b>	<b>226,561</b>	<b>-3,843</b>
<b>DSG reserves B/forward</b>			<b>-3,542</b>
<b>Estimated Outturn Position</b>			<b>-7,385</b>
<b>Early Years adjustment</b>			2,367
<b>Estimated DSG Reserve ex. EY</b>			<b>-5,018</b>

- 11.1 The Dedicated Schools Grant is reporting an overall underspend of £3.843m. This comprises of an underspend on Early Years (EY) of £2.367m, an underspend on High Needs block of £1.636m and a net overspend on the schools block of £160k.
- 11.2 The EY funding is based on prior year allocations and funding is only finalised using the previous two spring census data after year-end around July 2021. During the pandemic, the DfE introduced protection arrangements to allow payments to providers to be based on pre-covid census data (Oct 2019) for the summer and autumn term, however spring 2021 payments was reverted back to actual places occupied. We have assumed a full claw back of the Early Years underspend, although there will be a retained element - this will not be known until July 2021.
- 11.3 The underspend on High Needs is £1.636m. This is primarily due to in-year net increase in import and export funding adjustments of £229k and gatekeeping budget of £935k set aside for in-year pressures and reduced activity due to COVID-19 and savings relating to out of borough children.

- 11.4 The Schools Block is reporting an overspend of £160k, and this relates to the cash shortfall in the funding formula previously reported to the June Schools Forum, previously agreed to be funded as a cash advance from the DSG reserves and treated as the first call on the 2021-22 DSG grant allocations. The Central School Services Block is reporting a break-even position.
- 11.5 The Local Management of Schools (LMS) reserves for schools have increased from £11.3m to £12.6m, an increase of £1.3m. 26 schools reported an in-year surplus totalling £4m, whilst 14 schools reported an in-year deficit of £2.7m. Out of the 14 schools that reported in-year deficit, 3 were secondary schools and 11 were primary schools. The number of schools in overall deficit have reduced from 5 to 3 as at the end of March 2021. The Finance Team is working with all three schools on their recovery plans.

## **12 Council Subsidiaries**

- 12.1 The accounts of the Council's subsidiaries are subject to audit. At the time of writing not all the accounts for 2019-20 had been signed off. It has therefore not been possible to release a dividend from Be First although this company has made a positive return. BDTP returned £2.275m in 2019-20 for the previous year but their trading position has been very adversely affected by COVID-19 and so there will be no dividend in 2020-21.

## **13. Wind up of Barking and Dagenham Reside Roding Ltd**

- 13.1 The Reside Board are registered at Companies House and sit as Directors for three Companies in the Reside structure;

- Barking and Dagenham Reside Ltd
- Barking and Dagenham Reside Roding Ltd
- Barking and Dagenham Reside Regeneration Ltd.

The Council is the 100% shareholder in both Barking and Dagenham Reside Regeneration Ltd and Barking and Dagenham Reside Roding Ltd.

- 13.2 Two of the Reside Companies were in a difficult financial position, totally dependent on Council support and had negative net assets at 31 March 2020:

- Barking and Dagenham Reside Roding Ltd had negative net assets of £948,427 at 31 March 2020 and had £950,840 of negative net assets at 18 November 2020
- Barking and Dagenham Reside Regeneration Ltd had negative net assets of £14,090

- 13.3 Although previously the Council provided a letter of support for the companies, the new auditors BDO considered that there was a material uncertainty relating to the companies being a going concern. This created professional and reputational risks for the Board of Directors and the Council.

- 13.3.1 The Shareholder Panel have been consulted and endorse the approach to write off these intercompany debts. The amount being put forward for write off in Barking and Dagenham Reside Roding Ltd is the loss made on the sale of 146 shared

ownership homes where the actual construction cost was more than the agreed fixed price. On average this was £7k per property. All the homes the company developed have been sold and the company has no further leasehold interest in the homes, the long lease on the homes is now held by the Council via B&D Reside Regeneration LLP. This LLP is wholly controlled by the Council. In addition to the amounts stated above, there are forecast additional costs to be incurred this year totalling a maximum of £81,916.22.

13.3.2 This write off will enable Barking and Dagenham Reside Roding Ltd to be closed using a Members Voluntary Liquidation. This will decrease the number of Reside vehicles reducing complexity and the legal/financial costs of their administration.

13.3.3 This prevents the company from being reinstated in the event of any claims. An authorised Insolvency Practitioner will need to be appointed to carry out the Members Voluntary Liquidation and this is expected to cost in the region of £5,000.

13.3.4 The Shareholder Panel also endorsed the write off of £14,190 owed by Barking and Dagenham Reside Regeneration Ltd. This will resolve the Company's difficult financial position and removes reliance on Council support. This will also enable the Company to be able to take on any future market rented homes subject to ensuring there is no state aid or subsidy, compliance with section 123(2) Local Government Act 1972 best consideration for land disposal. This means an additional company will not be required for this purpose.

13.3.5 The cost of writing off these amounts will fall upon the Council and has been included in the outturn (in Central Expenses).

## **14 Financial Implications**

Implications completed by Katherine Heffernan, Head of Service Finance

14.1 This report details the financial position of the Council.

## **15 Legal Implications**

Implications completed by Dr Paul Feild, Senior Governance Lawyer

15.1 Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor its budget during the financial year and its expenditure and income against the budget calculations. The Council sets out its treasury strategy for borrowing and an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

15.2 The Council is legally obliged to 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act. Furthermore, the Prudential Code emphasises that authorities can set their own prudential indicators beyond that specified in the Code where it will assist their own management processes.

- 15.3 This outrun report serves an important role in providing an updated narrative on the Council financial position as the 2020-2021 financial year has closed. As commented last year the corona virus and its long-term economic impact on the Council's finances has yet to be fully established as the severity of several lockdowns and the Brexit effect will not fully manifest itself for that financial year. By law, the Council was not able to utilise to the best effect its assets being required to be closed to the community such as the leisure centres for example. We can anticipate the current year will be more challenging with it being far from certain that service users will return to previous consuming patterns and what effect Brexit will have on the local economy.
- 15.4 As mentioned in the main body of this report the Councils wholly owned company Barking and Dagenham Reside Roding Ltd is no longer a going concern and so intervention action is being taken to proceed with a voluntary wind it up.

**Public Background Papers Used in the Preparation of the Report:** Delegated Authority Paper

**List of Appendices**

- Appendix A – General Fund Revenue outturn
- Appendix B - List of Covid grants
- Appendix C - Savings
- Appendix D - Transfers to/from the Reserves
- Appendix E - Reserves Position
- Appendix F - Capital outturn
- Appendix G - 2021/22 capital programme