

CABINET

22 September 2020

Title: Revenue Budget Monitoring (Period 4, July 2020) and Capital Programme Update	
Open Report	For Decision Yes
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 £8.533m. 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 at least £22.440m – although £4.137m relates to delayed or reversed savings which are also in the main forecast. As a result, the Council's final net expenditure for the year is expected to be at least £186.772m. This would be an overall expenditure variance of £26.837m.</p> <p>Additional grant funding in the region of £21.430m has been provided to support Local Government in its response to the challenges of COVID-19. This reduces the variance to £5.408m which would need to be funded from reserves.</p> <p>However, this assumes a fairly swift return to normal levels of income and demand. Under more pessimistic but still realistic scenarios where the reduction in income persists beyond the end of formal lockdown and demand for services continues to grow, it is estimated there are further potential financial pressures of £15.684m from COVID-19, of which it is estimated a further £2.112m funding could be claimed under the Government's income guarantee. If all of this risk transpires then the total call on reserves would be in the region of £18.979m.</p> <p>The potential range of outturn variance therefore is between £5.42m at the most optimistic end to £18.9m 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 £12m. This would be funded from reserves but would bring reserves to the minimum level. 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.</p>	

In February, a Capital Programme of £381.239m was approved for 2020/21 – however at least some of this spend is now not expected to be delivered until the later years of the Council’s Medium Term Financial Strategy (MTFS). The overall capital programme for 2020/21 has been reviewed and Cabinet is recommended to approve a reprofiled budget of £288.571m, of which £46.867m is General Fund, £190.071m is Investment Strategy, £48.856m is HRA and £2.777m is Transformation. The actual capital spend at the end of quarter one was £26.188m, with most of the spend in residential and commercial investments. It is forecast that spend will accelerate towards the end of the year but there is uncertainty as to what extent the impact of Covid-19 will have on the spend profile. It is likely that there will be a high level of underspend and slippage in some areas. This will be reviewed at Q2 once it is expected more normal activity levels have resumed and it is likely that the programme will need to be reprofiled again in light of the unusual situation.

Recommendation(s)

Cabinet is recommended to:

- (i) Note the overall financial risks and issues outlined in the report, including both the underlying issues and those arising from the COVID-19 pandemic and lockdown;
- (ii) 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;
- (iii) Note the update on key savings programmes, as set out in section 5 of the report;
- (iv) Note the update on the impact of COVID-19 and the lockdown, as set out in section 6 of the report; and
- (v) Agree the revised Capital Programme for 2020/21 and note the Quarter 1 expenditure position, as set out in section 9 and Appendix B to 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 them to hold officers to account and inform further financial decisions.

1. Introduction and Background

- 1.1 This is the first budget monitoring report of the 2020/21 Financial Year. At this stage of the year regular monitoring has only recently begun and there is only a limited amount of data available and so this is a high-level report setting out only the main confirmed risks. In addition, this year there are complications arising from the COVID-19 pandemic and the response which creates further uncertainty.
- 1.2 It is however clear that this will be a difficult financial year. The final outturn for 2019/20 was an overall overspend of £4.930m with £11m of overspent expenditure being offset by additional income. Most of this overspend was driven by long term budgetary pressures including demographic/demand pressures in Social Care and

other frontline services. Considerable growth funding was provided in the MTFS including the use of additional government grant, but this was not sufficient to cover the level of pressure.

2. The 2020-21 Budget Monitoring Position - Summary

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

2.2. As shown in the table below there is an underlying pressure of £8.533m which includes £4.1m of savings not delivered or delayed as a result of COVID-19. In addition, there are £22m of COVID-19 costs or income losses that have already been incurred or seem unavoidable at this stage. This is offset by £21.43m of specific and general COVID-19 funding. This results in a net variance of £5.407m. However, it should be noted that there are further risks that are discussed further down in this report. A fuller table can be found in Appendix A showing the underlying pre COVID variances, the additional costs that are clearly attributable to COVID and the further level of COVID cost risk that the Council is facing.

DEPARTMENT	ADJUSTED BUDGET	VARIANCE	COVID-19 Costs	FINAL VARIANCE
SDI COMMISSIONING	9,077,640	73,000	2,063,738	2,136,738
CORE	10,237,084	1,827,460	1,533,136	3,360,596
CENTRAL MINUS F30080	34,654,721	(3,508,034)	547,499	(2,960,535)
EDUCATION, YOUTH & CHILDCARE	4,056,906	390,000	341,500	731,500
LAW, GOVERNANCE & HR	(1,404,166)	(323,000)	2,980,647	2,657,647
POLICY & PARTICIPATION	1,168,234	798,983	3,354,860	4,153,843
CARE & SUPPORT	83,084,634	5,630,000	3,518,000	9,148,000
INCLUSIVE GROWTH	1,000,743	0		0
COMMUNITY SOLUTIONS	8,464,424	1,094,417	1,172,135	2,266,552
MY PLACE	6,229,542	2,551,000	491,463	3,042,463
CONTRACTED SERVICES	(773,282)	0	715,006	715,006
SAVINGS NOT ACHIEVED		(4,137,000)	5,723,000	1,586,000
COMMERCIAL INCOME/RENTS	0	0		0
TOTAL GENERAL FUND BUDGET	155,796,480	4,396,826	22,440,984	26,837,810
CORPORATE FUNDING	(155,796,480)	0	(21,430,000)	(21,430,000)
TOTAL GENERAL FUND	0	4,396,826	1,010,984	5,407,810

3. Budget Monitoring

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

3.2 Care and Support

3.2.1 The total expenditure forecast for 2020/21 is £98.34m which would result in an overall budget pressure of £5.7m.

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	22,336	21,349	-987	579	(1,164)
Adults Commissioning	5,331	5,331	0	0	469
Disabilities Service	24,248	27,243	2,995	0	2,618
Children's Care & Support	36,967	40,588	3,622	0	1,489
Children's Commissioning	4,287	4,287	0	0	524
Public Health	(537)	(464)	73	0	73
Group Total	92,632	98,334	5,702	0	4,009

3.3 Adults' Care & Support

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

Service Area	20/21 Budget £'000	20/21 Forecast £'000	Variance £'000	Period Movement £'000
Adult packages	8,044	5,774	-2,270	751
Adult teams	3,557	3,558	1	0
Adult homes and centres	2,119	2,269	150	0
Mental Health	7,256	8,388	1,132	-172
Adults Other (Support Service)	1,360	1,360	0	0
Directorate Total	22,336	21,349	-987	579

3.3.2 The net forecast for ACS is £21.35m, which has resulted in a budget underspend of £987k. Included in this position is approx. £1m of net additional spend due to COVID-19. (There is some further spend we expect to be funded by the NHS and specific grants.)

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 It can be seen from the table above that Packages budgets are underspending by £2.27m this is attributable to,

- £1.35m underspend on Adults Packages, there seems to be a shift in expenditure with far more being spent on homecare packages and a significant dip in Residential and Nursing costs, this could be down to COVID-19 and clients not wishing to admit themselves into care homes and opting for homecare treatments for the meantime.
- The unallocated winter pressures money, which is now part of the iBCF, this equates to £913k

- The remainder of the growth pot which has not yet been allocated to budgets which was approx. £789k has effectively been swallowed up by the additional costs from COVID-19.

3.3.5 Mental Health (MH) is reporting a total overspend of £1.13m, this is broken down below;

- £1.035m overspend on Home Care because of increases in Dementia cases
- £180k overspend on Supported Living due to lack of Housing options for young people with MH and transitional cases.
- £233k overspend on Direct Payments
- £327k underspend on Residential and Nursing due to lower demand since COVID

3.3.6 Finally there is an estimated £150k pressure in the Adults Homes and Centres budget for Relish Café which unfortunately remains closed due to the COVID-19 pandemic.

3.3.7 There are some additional costs and pressures that we believe are most likely due to the COVID-19 pandemic as there has been a very sharp increase in numbers of residents requiring both medical/NHS and social care support for Mental Health issues.

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

3.4 Disabilities Care and Support

3.4.1 The Disabilities service detailed summary table is below:

Service Area	20/21 Budget £000	Forecast £000	Variance £000	Period Movement £'000
Adults Care Packages	13,733	15,581	1,848	54
Children's Care Costs	1,946	2,137	191	38
SEND transport	2,892	3,230	338	(124)
Centres and Care Provision	1,960	2,158	198	(18)
Staffing/Management	3,717	4,136	419	49
Directorate Total	24,248	27,243	2,995	0

3.4.2 The Disability Service forecast spend at period 4 is £27.243m against a budget of £24.248m. Included in this forecast is the estimated spend of £330k incurred due to placements because of COVID-19.

3.4.3 There is a Packages and Placements total overspend of £2.377m, the breakdown of this is reported below: -

- £1.848m overspend on Learning Disabilities Adults – the current forecast is based on clients recorded on Controcc as at end of July. The forecast

includes £1m estimated for transition cases which are expected to enter the system this financial year.

- £338k Out of Borough School Transport pressures- The outturn forecast has been reviewed and there has been a favourable variance of £124k from the position at period 3. The impact of the pandemic on the school routes will be established before the start of the new academic year.
- £191k budget pressure on the Children with Disabilities social care provision. There has been an increase of £38k from the previous month. This is due to externally commissioned contact and additional packages put in place to support the children.

3.4.4 Teams and Centres total overspend is forecast at £610k. The reason for the overspend is based on the risk that income streams will be impacted by the COVID19 pandemic. The areas of significant variances are highlighted below:

- **£245k** Overspend on School Psychological Services –There is a risk to the team being able to generate the income from School Buy back. The Service however is still providing the statutory work to Schools which is unfunded.
- **£189k** overspend on 80 Gascoigne Rd – £106k of the overspend is due to staff salaries as the staff work long hours to cover the 24-hour shifts. £44k shortfall on income from residential care, £20k unbudgeted cost of the cleaning contract and a reduction of £19 for the print savings.
- **£162k** overspend against the Teams budget. This is due to the use of agency staff (partly due to COVID restrictions), staff pay awards and unbudgeted employers liability insurance.

3.4.5 SEND Transport overspend at month 4 is estimated at £338k. This service is currently paying taxi companies to retain their Services for when special schools open fully. COVID-19 will also impact on the number of children that can be transported in one vehicle. The impact of this has not been fully assessed but will be reviewed ahead of the new academic year (September 2020).

3.5 Children's Care & Support

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

Service Area	20/21 Budget	Forecast	Variance	Period Movement
	£'000	£'000	£'000	£'000
Corporate Parenting & Permanence	22,054	25,783	3,729	496
Family Support & Safeguarding	5,655	5,735	80	-241
Assessment & Intervention Team	4,004	4,038	34	-202
Senior Leadership Team & Service Dev.	2,193	2,144	-49	-17
Specialist Intervention Service	2,143	2,174	31	31
Adolescence & YOS	1,713	1,510	-203	-67
Directorate Total	36,967	40,588	3,622	0

- 3.5.2 Children's Care and Support is forecast to spend £40.588m which would result in a budget overspend of £3.622m. Included in the actual to date is the sum of £118k incurred as a direct result of the COVID-19 pandemic.
- 3.5.3 The most significant variance is in Corporate Parenting & Permanence, which is down to the placement costs for Looked After Children service. The overspend projected of £3.729m is on packages are:
- £2.4m overspend on Residential Homes
 - £682k overspend in the Leaving Care Service
 - £220k overspend in Asylum Seekers
 - £327k overspend on Adoption Placements
 - £238k overspend on Specialist Agency Fostering
 - £151k overspend Family Assessment Units
- 3.5.4 The Adolescence and Youth Offending Service is forecast to underspend by £203k. The improvement is due to the receipt of the Mayors Grant for out of court disposals work. The remaining £136k current underspend is a result of vacant posts on the establishment.
- 3.5.5 Family Support & Safeguarding Team is reporting an overspend of £80k which is mainly attributable to the legal spend. The service has seen a reduction in staffing cost due to the on boarding of permanent staff and less reliance on agency social workers.
- 3.5.6 There have however been some changes in the pattern of demand within the service including an increase in the numbers of children on Child Protection plans. This is likely to lead to further costs in order to meet the demand on the service. It should also be noted that the number of Looked After Children is lower than average currently which may indicate that there is further unmet demand. If referrals to Children's Social Care increase following the return to schools then costs could rise in the second half of the year.

3.6 My Place

3.6.1 The My Place service detailed summary table is below:

	Budget £'000	Forecast £'000	Variance £'000	Change £'000
Business Development	1,694	1,405	(288)	(111)
Contracts Management	3,130	3,157	27	(3)
Landlord Services	4,529	4,669	140	(257)
Management/Central	(10,466)	(9,088)	1,378	0
Property & Asset Mngmnt	9,655	9,942	287	401
Public Realm Operations	7,856	8,956	1,099	17
Parks and Environment	2,240	2,293	53	9
Fleet Management	(76)	(129)	(53)	(1)
Compliance	(688)	(781)	(93)	(32)
ELWA	(30)	(30)	0	0
	17,843	20,394	2,551	23

- 3.6.2 My Place are forecast to overspend by £2.5m. This consists of £1m on Public Realm and £1.5m across other My Place services.
- 3.6.3 Within Public Realm, there is an overspend of £1.3m in Domestic Waste Collection and £755k in Street Cleansing. This is offset by underspends of £610k in Recycling and £444k in Caretaking. The overspends are largely due to agency expenditure plus transport costs.
- 3.6.4 The management/central cost centre is reporting an overspend of £1.4m. This is due to unfunded employee liability insurance costs of £450k and pressures of £718k from core savings, mainly Adecco and Gainshare. These will need to be met by corresponding expenditure savings.
- 3.6.5 There is a £287k overspend within Property Management. This is partly attributable to the £329k savings target which has not been achieved. The Street Lighting budget was reduced by a further £126k to repay the LED replacement programme loan; this has not been met by a reduction in energy costs. Further analysis is required as to whether this is because there has been no reduction in usage or if the price of energy is offsetting it (in which case MTFs inflationary growth funding could be applied). Landlord Services are forecast to overspend by £140k on salaries and legal and compensation payments.

3.7 Policy and Participation

- 3.7.1 The Policy and Participation service detailed summary table is below:

	Budget £'000	Forecast £'000	Variance £'000	Change £'000
Policy	1,919	1,957	38	8
Culture	1,328	1,371	43	8
Heritage	607	1,019	412	15
Parks	(388)	422	810	663
Leisure	(1,109)	1,742	2,851	251
	2,357	6,511	4,154	946

- 3.7.2 Policy and Participation are forecast to overspend by £4.2m 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 The Heritage service are forecast to overspend by £412k. This comprises an overspend of £231k on Valence House and £172k at Eastbury of which £158k is attributable to a loss of income whilst these attractions are closed.
- 3.7.4 Parks Commissioning are forecast to overspend by £810k, largely due to income under-achievement. The service has an income target of £600k which it is anticipated to meet from soil importation as part of the scheme to deliver improvements to Central Park. The above forecast is a worst-case as it assumes that none of the income will be forthcoming in 2020/21. However, planning approval was granted in July so it is feasible that some of the income will be received.

3.8 Contracted Services

3.8.1 Revenues and Benefits is the only remaining Contracted Service and is forecast to overspend by £715k. This is attributable 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.

3.9 Core

3.9.1 The Core service detailed summary table is below:

	Budget £'000	Forecast £'000	Variance £'000	Change £'000
Finance	2,314	2,314	0	0
IT	4,754	5,326	572	139
Commercial	(277)	582	859	434
Investment Strategy	(4,673)	(4,674)	(1)	(1)
Customer Services	7,129	8,341	1,212	0
Strategic Leadership	63	231	167	167
Transformation	590	590	0	0
	9,900	12,709	2,809	739

3.9.2 Core Services are forecast to overspend by £2.8m, of which just under £1m is attributable to COVID-19. In addition, there are a further £0.551 of COVID costs for programme management, increased IT costs for home working and contributions to cross London GOLD working.

3.9.3 IT are forecast to overspend by £572k. This consists of a shortfall of £365k on the cost of services transferred from Elevate and approx. £100k each on Agilisys Digital and Azure. 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.

3.9.4 Commercial Services are forecasting a pressure of £859k, which is largely due to the impact of COVID-19 on commercial income. This comprises £370k on the Film Unit, £227k on Pianoworks and £240k on the CR27 Travelodge investment.

3.9.5 Customer Services are forecast to overspend by £1.2m of which £122k is due to a shortfall in Registrars income due to COVID-19. The balance of £1.1m is due to the shortfall on the cost of services transferred from Elevate.

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

3.10 Law and Governance and HR

3.10.1 The Law and Governance and HR service detailed summary table is below:

	Budget £'000	Forecast £'000	Variance £'000	Change £'000
Enforcement	(2,797)	(1,630)	1,167	(30)
Democratic Services	1,010	844	(166)	(23)
HR	38	143	105	16
Leader and Cabinet Office	(7)	(7)	(0)	(0)
Legal	619	605	(14)	(329)
	(1,137)	(45)	1,091	(366)

3.10.2 Law Governance and HR are forecast to overspend by £1m, which is an improvement of £366k on last period. The pressure attributed to COVID-19 is £1.4m, so the net position is an underspend of £300k.

3.10.3 Within Enforcement, Parking are forecasting an income shortfall of £1m and East Street Market are forecasting a loss of £400k, both due to COVID-19. Measures are being taken to improve this position and there are indications that it may improve but it is too soon to forecast this with certainty. The overspend is offset by savings across a range of service areas, which is due to vacant posts as a result of recent service restructures. It should be noted that this forecast has the potential to worsen considerably if further COVID restrictions are introduced or if resident behaviour changes.

3.10.4 HR have a pressure of £105k due to reduced income from schools and Legal Services are forecasting a small underspend.

3.11 Community Solutions

3.11.1 The Community Solutions service detailed summary table is below:

Service Area	20/21 Budget £000	Forecast £000	Variance £000	Period Movement £'000
Intervention Lifecycle	387,249	(802,642)	(1,189,891)	
Triage Lifecycle	2,191,970	5,053,037	2,861,067	
Support Lifecycle	4,109,937	2,274,457	-1,835,480	
Universal Lifecycle	4,558,092	4,559,417	1,325	
Service Dev. & Dir of Comsol	1,194,153	1,959,900	765,747	
Works & Skills Lifecyle	523,383	1,016,747	493,364	
Directorate Total	12,964,784	14,060,916	1,096,132	

3.11.2 Community Solutions is forecast to overspend by £1.09m. This 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 savings plan for reducing the cost of homelessness. The service is working on budget realignment to ensure that the Oracle budget matches the respective budgets for each area. A management action plan is being developed to mitigate this overspend.

4. Housing Revenue Account

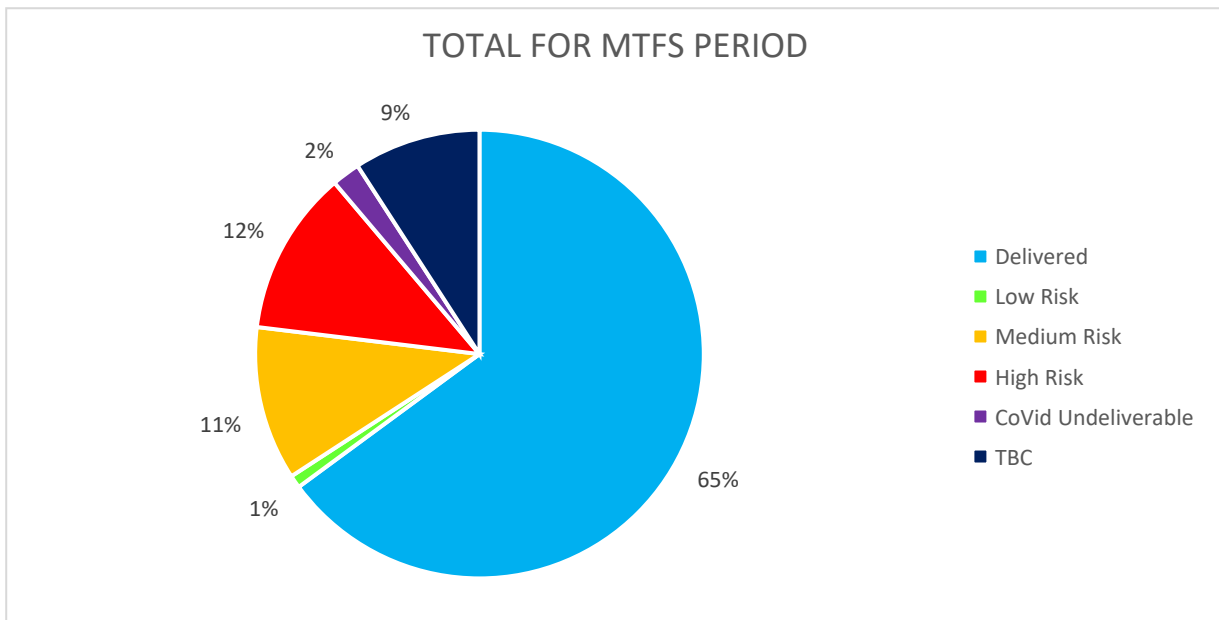
- 4.1 The HRA is forecast to overspend by £1.2m. This is made up of an overspend on Repairs and Maintenance of £0.319m and pressures on Supervision and Management as shown below. This is in part due to increased COVID costs (additional staff and equipment) but also some inherent pressures brought forward from the previous years' budget restrictions.

HRA COST CENTRE SUMMARY		PERIOD 4		PERIOD 3
DESCRIPTION	BUDGET	FORECAST	VARIANCE	VARIANCE
	£000	£000	£000	£000
EXPENDITURE				
Supervision & Management	43,137	44,016	879	893
Repairs & Maintenance	18,313	18,631	318	-10
Rents, Rates etc	120	121	1	0
Interest Payable	10,742	10,742	0	0
Depreciation	15,860	15,860	0	0
Bad Debt	3,309	3,309	0	0
CDC Recharge	685	685	0	0
TOTAL EXPENDITURE	92,166	93,364	1,198	883
INCOME				
Charges for Services & Facilities	-20,479	-20,516	-37	140
Dwelling Rents	-85,755	-85,725	30	-47
Interest & Investment Income	-50	-50	0	0
TOTAL INCOME	-106,284	-106,291	-7	93
Transfer to Major Repairs Reserve	14,118	14,118	0	0
TOTAL	0	1,191	1,191	976

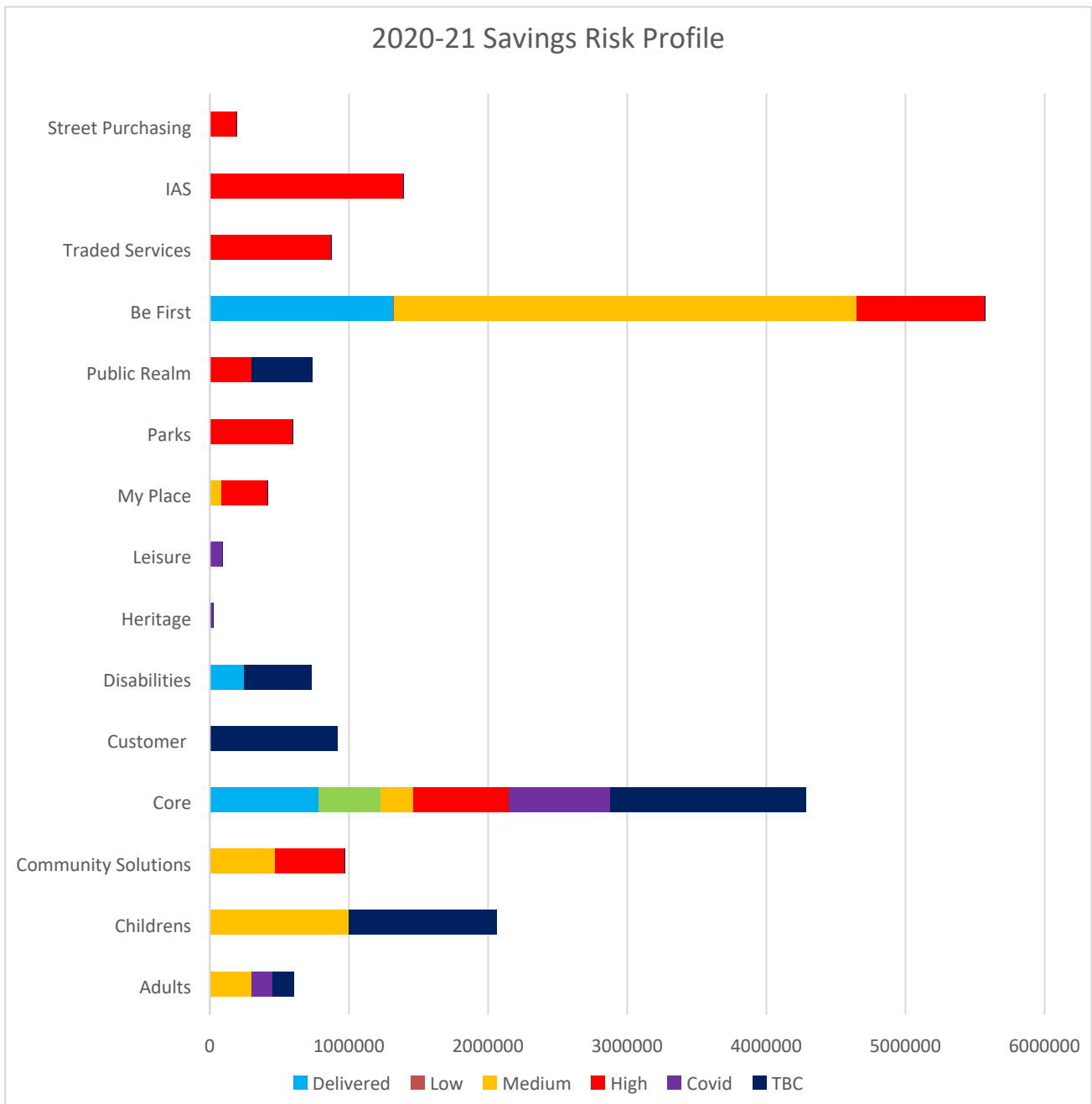
- 4.2 There is a further income risk of £4.6m as a result of COVID-19. Rent collection is running at around £2m down against expectations at the end of June and it is assumed that there will be further losses with £4.6m. If the current level of underpayment continues then this would extrapolate to around £8m deficit on residential rents and a further £1.5m on other income as a worst case.

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 however 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.)
- 5.4 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.)



5.5 Individual Savings Programmes

Company Returns and Commercial

The New Homes Bonus for 2020/21 has been confirmed and is reflected as delivered. Returns and dividends from the companies are paid in arrears after the end of the financial year once the accounts have been audited. In principle the returns will be based on last year's performance and so were not affected by COVID-19 – but the companies will need to take into account their overall financial position before releasing any payments so this has been assessed as high risk at this stage.

Adults and Disabilities

There are no 2020/21 savings for these service areas but there are still undelivered targets from previous years (relating to Relish, demand management, Accessible technology, Shared Lives and 80 Gascoigne – all shown as TBC as they are not being actively developed at this time) It is expected that there will be further

improvements in income collection this year (medium risk) although the implementation of Disability Related Expenditure in the charging policy has been formerly delayed until April 2021.

Children's

Children's have a range of commissioning and placement savings. The latest assessment from the service and commissioners is that in the range of £0.75m to £1m may be delivered but further detail is needed before this can be confirmed.

Community Solutions

These savings include changes in the use of buildings including Ripple Road Adult College and John Smith House and reductions in Temporary Accommodation costs from a range of measures including the new modular accommodation (which has been delayed.) Reductions in homelessness are high risk given the pandemic and the overall economic situation.

My Place and Public Realm

There remains an undelivered saving in Public Realm from 2018/19 (Routes and rounds) and the My Place restructure has been delayed partly as a result of COVID-19.

Core

The total target for the Core Programme is £5.286m of which £1.0m has already been delivered leaving £4.285m for 2020/21. This has been reported as high risk for a number of months. Since the original business case was proposed further costs have been identified of which the most significant is the TUPE costs for returning staff which has reduced the net saving. In addition, the increased income targets are not currently expected to be delivered in year, the CTSS saving has been reversed by the impact of COVID-19 and there has not been full achievement of the strategic management and admin/transactional savings.

6 COVID-19 Risks

- 6.1 The pressures associated with COVID-19 have been shown separately based on the July return to MHCLG. The Council has experienced both cost increases and loss of income. Cost pressures are made up of additional demand for services including some new responsibilities such as Test and Trace and support for those shielding 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 have been incurred across the Council with the almost total suspension of a range of normal activities during the initial period of lockdown. Almost all services have experienced some degree of loss but Enforcement has been 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.
- 6.3 The level of costs that has been experienced already or that appear to be unavoidable at this stage is £22.440m. However, this assumes a swift return to previous levels of income, costs and demand and the recovery of commercial losses. If this is not possible then further costs and income losses will be

experienced – possibly as much as £15.7m making a total service pressure of £38.124m. This does not include losses to the HRA, the Council’s schools or the Collection Fund (Council tax and business rates.)

- 6.4 Central Government has announced three tranches of non-ringfenced grants to support Local Government in this situation. The LBBB allocation is £14.574m. In addition, there have been specific grants for Test and Trace, Infection Control, Welfare Support and Food Assistance and some NHS funding is available to support discharges from hospital to social care.
- 6.5 There is also a fees and charges loss scheme under which the Council must bear the first 5% of lost income with further losses being compensated by Government at 75p in the pound. Further detail of the scope and calculation methodology is awaited but this is estimated to be between £4m and £6m (depending on the extent of income lost.)
- 6.6 The table on the next page below shows the range of costs/losses experienced. Appendix A to this report shows how this relates to the main forecasts

SERVICE	Definite Cost £000	Further Risk £000	TOTAL £000	Comments
SDI COMMISSIONING	2,064	0	2,064	PPE costs (£1.9m), Public Health and Communications, Domestic Violence contracts
CORE	1,533	0	1,533	loss of income - commercial, film office, registrars, additional ICT costs and project support
CENTRAL MINUS F30080	547	0	547	Contribution to London wide mortality management
EDUCATION, YOUTH & CHILDCARE	342	3,853	4,195	Loss of income - Trewern, FPNS, Youth centres, £3.6m risk on Home to School Transport
LAW, GOVERNANCE & HR	2,981	1,532	4,513	£1.6m Test and Trace, £1.4m loss of parking and market income. Further risk from longer reduction of parking income and loss of legal trading
POLICY & PARTICIPATION	3,355		3,355	Loss of Leisure Concession fee and income at Heritage sites
CARE & SUPPORT	3,518	3,116	6,634	Fee increases, increased demand, additional staffing, income losses inc Relish. Further risk from further demand increases
COMMUNITY SOLUTIONS	1,172	1,291	2,463	Staffing, increased hostel voids, accommodation of rough sleepers, loss of library and nursery income, BD Can costs. Further risks from increased homelessness and continued income loss
MY PLACE	491	0	491	Slight income losses (pest control, trade waste), PPE, changes to parks, amenity sites

CONTRACTED SERVICES	715		715	Loss of court costs income, increased collection risk
Unachieved Savings	5,723	0	5,723	Risks or delays to Core, Children's, COMSOL, My Place and Public Realm savings
Rents, Dividends and Returns		5,896	5,896	Reduced planning fees (Be First), catering/cleaning income (BDTP), risks to IAS and Commercial rents
TOTAL GENERAL FUND COVID PRESSURES	22,441	15,684	38,125	
Income from Central Government				
NHS funding and specific grants	(2,903)		(2,903)	
General Grant Funding	(14,574)		(14,574)	
Income Loss underwritten	(3,953)	(2,112)	(6,065)	
NET IMPACT	1,011	13,572	14,583	To be funded from reserves

7 Impact on Reserves

- 7.1 The potential range of outturn variance therefore is between £5.42m at the most optimistic end to £18.9m 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 £12m
- 7.2 There are several reserves that would be available to meet this level of pressure. As at the end of 2019/20 there was £6.349m in the budget support reserve and £0.735 in the restructuring reserve. The most optimistic forecast would leave £1.7m in the budget support reserve.
- 7.3 The likely scenario of £12m would fully deplete both these reserves and reduce the General fund reserve from £17.031m to £12.12m which is just above the minimum level set in our reserves policy.
- 7.4 Alternatively if we wish to preserve this 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.

9 Capital Programme 2020/21

- 9.1 The overall capital programme for 2020/21 has been reviewed with the budget managers, with the aim to ensure a more achievable capital programme is agreed. While the full impact of Covid-19 is not yet fully known, the budgets have been adjusted to accommodate some of the delays that will inevitably

occur. The reprofiled overall capital programme for 2020/21 is £288.571m of which £46.867m is General Fund, £190.071m is Investments, £48.856m is HRA and £2.777m is Transformation. This is a reduction from the budget approved in February which was £381.239m. This means that £62.976m Investment Strategy, £25.873m General Fund and £3.718m Transformation spend has now moved into future years. Cabinet is asked to approve this reprofiled programme. A summary of the programme is provided in Table 1 below and a list of all the projects is included in Appendix B.

Table: 2020/21 Capital Programme

Department	2020/21 Budget	2020/21 Q1 Expenditure	2020/21 Budget Remaining
	£'000	£'000	£'000
Adults Care & Support	2,068	-1	2,069
Community Solutions	187	0	187
CIL / S106	2,416	0	2,416
Core	4,316	229	4,087
Culture, Heritage & Recreation	9,819	12	9,807
Enforcement	2,062	58	2,003
Transport for London schemes	387	91	296
My Place	4,256	246	4,010
Public Realm	3,179	0	3,179
Education, Youth and Childcare	17,993	2,305	15,688
Other	186	180	6
General Fund	46,867	3,120	43,747
HRA			
Stock Investment (My Place)	38,356	762	37,594
New Build Schemes (Be First)	2,500	108	2,392
Estate Renewal (Be First)	8,000	1,068	6,932
HRA Total	48,856	1,937	46,919
Investments			
Residential Developments	164,753	12,830	151,923
Temporary Accommodation	12,949	1,061	11,888
Commercial Investments	12,369	6,729	5,640
Investments Total	190,071	20,620	169,451
Transformation	2,777	510	2,266
Total Overall Budget	288,571	26,188	262,383

9.2 **2020/21 Q1 Spend**

- 9.2.1 The 2020/21 Q1 spend was £26.188m, with most of the spend in residential and commercial investments. It is forecast that spend will accelerate towards the end of the year but there is currently uncertainty as to what extent the impact of Covid-19 will have on the spend profile.
- 9.2.2 Officers are monitoring the impact of Covid-19 on the organisation's ability to deliver its capital programme in 20/21. A monthly highlight report is tracking delivery of the main areas of spend and risk. Be First have produced an action plan to bring the new build delivery programme back on track after some delays caused by the pandemic, to ensure they deliver the programme as planned this year. A decision was taken to restart decent homes work when the shielding guidance was relaxed, and contractors are being mobilised now to restart the programme. There remains a risk that residents will not want to allow contractors in their homes so this will need to be carefully managed. Work is ongoing to re-forecast spend and changes will be presented as part of future monitoring reports.
- 9.2.3 The council has recently appointed an Infrastructure Delivery Manager to oversee the spend and allocation of CIL and S106. This will allow us to take a more proactive approach to working with project managers to ensure this money is spent to programme. Currently, work is being conducted on identifying the current allocation of spend as well as the development and implementation of a new process which notifies Council teams when money is available and how to apply.

9.3 **Investments**

- 9.3.1 The capital budgets are loaded as gross spend, with grant and sales funding removed via funding to produce a net borrowing amount. Expenditure where the spend is incurred in a Special Purpose Vehicle, such as for Muller, have been removed as this is reflected as a loan rather than capital spend.
- 9.3.2 Work has been undertaken to improve the reporting and prevent a significant underspend being reported, as it was in 2019/20. However, in-year agreements and cost increases can mean that the final budget may differ significantly compared to the budget proposed.

9.4 **General Fund**

- 9.4.1 Adults Care & Support: Covid-19 has delayed spend in Q1. The Council has now agreed to allow works to commence. There is now a closer alignment between the budget and the actual grant funding available and both will be monitored and reported on in the Q1 Monitor. Adaptations reported under HRA as funded via HRA.
- 9.4.2 Community Infrastructure Levy Schemes: Several new schemes have come on stream including, Box-up Crime, Kingsley Hall, and the East End Women's Museum. There will be an impact on some of the spend as a result of Covid-19. Allocations agreed by developers and LBB in 2019/20 to fund community infrastructure and can be used to help fund parks and youth services. We are waiting on the 3rd parties to submit their claims so we can release the funds of £2.122m.

- 9.4.3 Community Solutions: Installation of security features in Barking Learning Centre to meet community and cohesion manifesto. Spend will commence in Q2.
- 9.4.4 Core: Some work is being carried out to realign the budgets for the Q1 report. This includes the capital profiling of Ward budgets. Historical Bids funding improvements of IT software/hardware and Service Recipients experience.
- 9.4.5 Culture, Heritage & Recreation: Work is being completed on confirming the grant available, includes CIL funding specific to the council rather than for a third party.
- 9.4.6 Education, Youth and Childcare: Work is being completed on reprofiling some of the budgets and confirming the grants. The Education programme is financed by DfE grant and work is being completed in ensuring sufficient grant is provided for all schemes.
- 9.4.7 Enforcement: Spend on CPZ and enforcement equipment will now continue in 2020/21, although there has been a delay in spend during Q1.
- 9.4.8 My Place: Work is being carried out to realign the budgets for the Q2 report.
- 9.4.9 Transport for London (TfL): TfL are in the process of confirming the grants available, which have been changed as a result of Covid-19.
- 9.4.10 Public Realm: Most of the budget for fleet replacement was spent in 2019/20 but £1.131m of net slippage is requested into 2020/21. Work on establishing budgets to cover the financing of the fleet replacement is being carried out.

9.5 HRA Capital

- 9.5.1 The HRA capital programme is self-financed by the HRA using a mixture of Government grants, capital receipts and HRA revenue funding. Therefore, they do not pose a pressure on the General Fund, in terms servicing the cost of borrowing.
- 9.5.2 Monitoring is split into stock investment, estate renewal and new build. The new build scheme has been reduced to £2.5m and the estate renewal is currently budgeted at £8m.

9.6 Transformation

- 9.61 The budget will largely be funded by capital receipts and work is being completed in identifying the level of capital receipt expected for 2020/21, which will predominantly be from the sale of Shared Ownership units for Becontree Heath and Kingsbridge.

10. **Financial Implications**

Implications completed by Katherine Heffernan, Head of Service Finance

- 10.1 This report details the financial position of the Council.

11. Legal Implications

Implications completed by Dr Paul Feild, Senior Governance Lawyer

- 11.1 Local authorities are required by law to set a balanced budget for each financial year. During the year, there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This does mean as a legal requirement there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met.
- 11.2 In this current Covid 19 emergency, the general laws still apply unless there are special legislative measures to take account of the factors which may or will have an effect on the Council and its duties, powers, and obligations. The key provision at time of writing being the Coronavirus Act 2020 which addresses specific issues connected with the challenges that the pandemic presents rather than matters of finance and procurement.
- 11.3 Nevertheless, the unique situation presents the prospect of the need to purchase additional supplies and services with heavy competition. Value for money and best value duties still apply. There is also the issue of the Councils existing suppliers and service providers also facing issues of pressure on supply chains and staffing matters of availability. As a result, these pressures will inevitably create extra costs which will have to be paid to ensure statutory services and care standards for the vulnerable are maintained. Careful tracking of these cost will facilitate grounds for seeking Covid 19 support funds.

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

List of Appendices •

- Appendix A – General Fund Revenue budgets and forecasts including breakdown of COVID impact.
- Appendix B – Capital Programme