

CABINET

20 October 2020

Title: Revenue Budget Monitoring 2020/21 (Period 5, August 2020)	
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, Chief Financial Officer	
Summary	
<p>This report sets out at a high level the Council's budget monitoring position and the likely challenges this year.</p> <p>The Council's General Fund budget for 2020-21 is £155.796m. As a result of underlying financial pressures including increased costs, demographic and other demand growth, savings not yet delivered and other risks there is an underlying budget variance of £5.701m. This is an improvement since last month almost all driven by Care and Support where non COVID related demand appears to be down. 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 £25.67m including £4.137m relating to delayed or reversed savings which are also in the main forecast – although this is offset by £3m of specific grant and NHS funding resulting in a net £22.775m. This is an increase since last month – mostly in Care and Support (so offsets the non-Covid related reduction). As a result, the Council's final net expenditure for the year is expected to be at least £180.135m. This would be an overall expenditure variance of £24.338m.</p> <p>Additional un-ringfenced grant funding in the region of £14.574m has been provided to support Local Government in its response to the challenges of COVID-19 and a compensation scheme for income losses. This reduces the variance to £5.816m 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 £14.599m 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 £18.303m.</p> <p>The potential range of outturn variance therefore is between £5.816m at the more optimistic end to £18.3m 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</p>	

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.

Although there have been some changes in the details of the pressures the total change is relatively minor –we have seen an £0.4m increase in the best case and a decrease of £0.7m in the worst case (so a slight narrowing of the range.) Effectively there has been little change in the overall situation between July and August – however the return to schools and the start of Autumn represent a new phase and so there may be greater changes in the next couple of months.

Recommendation(s)

Cabinet is recommended to:

- (i) Note the projected revenue outturn forecast for the 2020/21 financial year as set out in sections 2 to 4 and Appendix A of the report and the potential impact on the reserves position as set out in section 7 of the report;
- (ii) Note the update on key savings programmes, as set out in section 5 of the report;
- (iii) Note the update on the impact of COVID-19 and the lockdown, as set out in section 6 of the report; and
- (iv) Agree that the Flexible Use of Capital Receipts should be extended to include funding for the Adults, Disabilities and Mental Health Improvement Programme as set out in section 9 of the report.

Reason(s)

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

1. Introduction and Background

- 1.1 This is the second 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 £5.701m which includes £4.1m of savings not delivered or delayed as a result of COVID-19. In addition, there are £22.7m net (£25.67m gross pressure offset by £3m specific funding) of COVID-19 costs or income losses that have already been incurred or seem unavoidable at this stage. This is offset by £18.5m of general COVID-19 funding and income compensation. This results in a net variance of £5.816m. 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	OUTTURN	VARIANCE	CoVid Costs	FINAL VARIANCE
SDI COMMISSIONING	9,151	73	1,811	1,884
CORE	8,602	2,050	1,242	3,292
CENTRAL MINUS F30080	31,151	(3,504)	1,368	(2,136)
EDUCATION, YOUTH & CHILDCARE	4,447	390	342	732
LAW, GOVERNANCE & HR	(1,881)	(477)	1,519	1,042
POLICY & PARTICIPATION	1,914	746	3,355	4,101
CARE & SUPPORT	85,821	2,736	4,752	7,488
INCLUSIVE GROWTH	1,001	0	0	0
COMMUNITY SOLUTIONS	13,565	1,094	1,172	2,267
MY PLACE	8,822	2,592	491	3,083
CONTRACTED SERVICES	(1,094)	0	1,000	1,000
SAVINGS NOT ACHIEVED	0	(4,137)	5,723	1,586
COMMERCIAL INCOME/RENTS	0	0	0	0
TOTAL GENERAL FUND BUDGET	161,497	1,564	22,775	24,338
CORPORATE INCOME	(161,497)	0	(18,522)	(18,522)
NET GENERAL FUND POSITION	0	1,564	4,253	5,816

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 £100.99m which would result in an overall budget pressure of £7.6m.

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	21,028	-1,309	-321	1,500
Adults Commissioning	5,331	5,331	0	0	1,218
Disabilities Service	24,248	28,574	4,326	1,331	3,923
Children's Care & Support	37,762	42,233	4,471	849	2,995
Children's Commissioning	4,287	4,287	0	0	316
Public Health	(537)	(464)	73	0	73
Group Total	93,427	100,989	7,562	1,859	10,025

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	5,417	-2,627	-357
Adult teams	3,557	3,557	0	0
Adult homes and centres	2,119	2,269	150	0
Mental Health	7,256	8,425	1,168	36
Adults Other (Support Service)	1,360	1,360	0	0
Directorate Total	22,336	21,028	-1,309	-321

3.3.2 The net forecast for Adults Care and Support (ACS) is £21m, which has resulted in a budget underspend of £1.309m, this is a favourable movement of £321k since last period. This movement is largely attributable CCG COVID-19 contribution for August which has brought in a further £389k.

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

3.3.4 Adults packages are underspent by £2.63m, this is attributable to the following: -

- £1.63m 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 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 is approx. £789k
- £706k shortfall on DP refunds creating an overspend.
- Within the Adults packages position is the impact of COVID which approximately equates to £1.2m mainly for interim uplifts to providers to ensure their sustainability during the height of the pandemic, most of this has been offset by CCG funding for discharges which currently stands at £945k

3.3.5 Mental Health (MH) is reporting a total overspend of £1.168m, this is broken down below:

- £1.020m overspend on Home Care because of increases in Dementia cases
- £124k overspend on Supported Living due to lack of Housing options for young people with MH and transitional cases. Additionally, the Complexity and chronicity in needs had also pushed costs up.
- £215k overspend on Direct Payments due to of increases in Dementia cases
- £298k underspend on Residential and Nursing due to Covid impact on death rate
- £22k underspend on Day Care and transport
- £105k overspend on Additional staffing costs as per Mental Health PID

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

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

3.4 Disabilities Care and Support

3.4.1 The Disabilities service detailed summary table is below:

Service Area	20/21 Budget £000	Forecast £000	Variance £000	Period Movement £'000
Adults Care Packages	13,733	15,754	2,021	173
Children's Care Costs	1,946	2,293	347	156
SEND transport	2,892	4,196	1,304	966
Centres and Care Provision	1,960	2,132	172	(26)
Staffing/Management	3,717	4,199	482	62
Directorate Total	24,248	28,574	4,326	1,331

3.4.2 The forecast for Disability Services for period 5 is an overspend of £4.326m. There has been an adverse movement of £1.331m from the position reported at P4.

3.4.3 There is a Packages and Placements total overspend of £3.672m, the breakdown of this is reported below: -

- £2.021m overspend on Learning Disabilities Adults – the current forecast is based on clients recorded on Controcc as at end of August.
- £1.304m Out of Borough School Transport pressures- There has been an increase in the projection of £966k from the position at P4. This is due to the redesign of the school routes taking the need for 1m social distancing on the school buses. This requirement has led to the need to have more vehicles covering the school routes for the protection of the children.
- £347k budget pressure on the Children with disabilities social care provision. There has been an increase of £156k 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 £654k which is an increase of £62k from the previous month. The areas of significant variances are highlighted below:

- **£251k** Overspend on School Psychological Services –There is a risk to the team being able to generate the income from School Buy backs. The current pandemic means Schools may cut down on their expenditure. The Service however is still providing the statutory work to Schools which is unfunded.
- **£230k** overspend against the other Teams budget. This is due to the need to recruit agency staff in both Life planning teams, staff pay awards and unbudgeted employers liability insurance.
- **£179k** overspend on 80 Gascoigne Rd – £103k of the overspend is due to staff salaries as the staff work long hours to cover the 24-hour shifts. £37k shortfall on income from residential care, £20k unbudgeted cost of the cleaning contract and a reduction of £19k for the print savings.

3.4.5 SEND Transport is one of the major reasons for the increase with a net £966k increase from P4. This is partly down to COVID and the social distancing measures that had to be put in place, increasing the cost of our routes as more buses and other forms of transport were required to fulfil the obligations within the new social distancing regulations.

3.4.6 Included in this forecast is the estimated COVID-19 related expenditure of £993k. £648k on additional vehicles for home to school transport, £128k one off direct payment support, £127k of equipment and minor adaptation following hospital discharges and £90k for additional agency staff to cover the increased case workload.

3.5 Children's Care & Support

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

Service Area	20/21 Budget	Forecast	Variance	Period Movement £'000
	£0	£0	£0	
Corporate Parenting & Permanence	22,054	26,253	4,199	469
Family Support & Safeguarding	5,655	6,041	386	306
Assessment & Intervention Team	4,004	4,038	33	0
Senior Leadership Team & Service Dev.	2,193	2,242	-49	68
Specialist Intervention Service	2,143	2,143	0	0
Adolescence & YOS	1,713	1,516	-196	6
Directorate Total	37,762	42,233	4,471	849

3.5.2 Children's Care and Support is forecast to spend £42.2m and would result in a budget overspend of £4.471m. There has been an adverse movement of £849k from the position reported at P4.

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 £4.199m is on packages are:

- £3.1m overspend on Residential Homes, an increase of £730k from P4
- £748k overspend on Leaving care services
- £388k overspend in Asylum Seekers, an increase of £167k from P4.
- £327k overspend on Adoption Placements
- £24k overspend on Specialist Agency Fostering, a reduction of £213k from P4
- £155k overspend Family Assessment Units
- This is being mitigated by underspending in Secure placements & Teams budget of £543k

3.5.4 The Adolescence and Youth Offending Service is forecast to underspend by £196k. There has been a small increase £6k from period 4. This is due to changes to staff cost projections. The underspend in this area is because of vacant posts on the establishment.

3.5.5 Family Support & Safeguarding Team is reporting an overspend of £386k. The net increase of £306k from P4 is mainly attributable to the projected cost of extra social workers that would be needed to meet the built-up demand of cases.

3.5.6 There has been a significant increase in the overspend position from P4 of £849k, this can be attributable to two main factors, both related to COVID.

- Firstly there were a significant number of the placements made during lockdown on extremely high cost settings that were initially intended to be short term but have now had to be extended due to a lack of suitable placements to meet the children's needs.

- In addition to this, the forecast includes the cost of the additional team of social workers within the Family Support & safeguarding team, that are required to manage the backlog of caseloads and assessments built up over the COVID lockdown period.

3.6 My Place

3.6.1 The My Place service summary table is below:

	BUDGET	FORECAST	VARIANCE	CHANGE
BUSINESS DEVELOPMENT	1,694	1,398	-296	-8
CONTRACTS MGMT	3,130	3,135	5	-22
LANDLORD SERVICES	4,529	4,551	22	-118
MGMT / CENTRAL	-10,466	-9,188	1,278	-100
PROPERTY ASSETS	9,655	10,148	493	206
OPERATIONS	7,856	9,072	1,215	116
PARKS AND ENVIRONMENT	2,240	2,313	73	20
FLEET MANAGEMENT	-76	-181	-104	-52
COMPLIANCE	-688	-782	-94	-1
ELWA	-30	-30	0	0
	17,844	20,436	2,592	41

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. The overspend has increased by £41k on last month. In addition, there is a further £491k in potential COVID costs including purchases of PPE.

3.6.3 Business Development are continuing to hold vacant posts, resulting in a saving of £296k. Landlord Services are forecast to overspend by £22k. This is an improvement of £118k on month 4.

3.6.4 The management/central cost centre is reporting an overspend of £1.3m. 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 £493k overspend within Property Management which has increased by £206k. This increase is attributable to capital works employee cost pressures and is currently being investigated. The overspend is partly attributable to the £329k savings target which has not been achieved and Street Lighting costs. A bid is to be made for inflationary growth funding for energy costs which will offset the street lighting overspend.

3.6.6 Within Public Realm, there is an overspend of £1.2m in Operations. This has increased by £116k since month 4. This is offset by underspends in Fleet and Compliance. The overspend is due to agency costs and transport-related costs.

3.7 Policy and Participation

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

	Budget	Forecast	Variance	Change
Policy	1,860	1,919	59	20
Culture	1,328	1,358	31	(12)
Heritage	607	958	351	(61)
Parks	(388)	422	810	0
Leisure	(1,109)	1,742	2,851	0
	2,298	6,399	4,101	(53)

3.7.2 Policy and Participation are forecast to overspend by £4.1m of which £3.4m is due to the impact of COVID-19 on income from the leisure centres concession and loss of income from museums and parks. There has been a slight improvement from last month due to savings on salaries whilst the museums are closed.

3.7.3 The Heritage service are forecast to overspend by £351k. This comprises an overspend of £238k on Valence House and £112k 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 for the period to which this report relates. The service is forecast to overspend by £1m due to a loss of courts income as a result of COVID-19. The Court service has been suspended, and courts remain closed for all cases with the exception of those deemed priority. This means that it is not possible to obtain a liability order which allows further action by enforcement agents.

3.9 Core

3.9.1 The Core service summary table is below:

	Budget £'000	Forecast £'000	Variance £'000	Change £'000
Finance	2,314	2,314	0	0
IT	1,266	1,838	572	(0)
Commercial	(36)	641	676	(183)
Investment Strategy	(4,673)	(4,674)	(1)	0
Customer Services	7,129	8,455	1,326	114
Strategic Leadership	63	231	167	0
Transformation	590	590	0	0
	6,653	9,393	2,740	(69)

- 3.9.2 Core Services are forecast to overspend by £2.7m, of which just under £700k is attributable to COVID-19. In addition, there are a further £551k 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 £676k, which is largely due to the impact of COVID-19 on commercial income. This comprises £328k on the Film Unit and £240k on the CR27 Travelodge investment.
- 3.9.5 Customer Services are forecast to overspend by £1.3m of which £122k is due to a shortfall in Registrars income due to COVID-19. The balance is due to the shortfall on the cost of services transferred from Elevate.
- 3.9.6 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 summary table is below:

	Budget	Forecast	Variance	Reserves	Net Variance	Change
Enforcement	(2,161)	(1,111)	1,050	0	1,050	(117)
Democratic Services	1,010	844	(166)	0	(166)	(0)
HR	38	167	129	0	129	24
Leader and Cabinet Office	(7)	22	29	0	29	29
Legal	619	771	152	(152)	(0)	14
	(501)	692	1,194	(152)	1,042	(50)

- 3.10.2 Law Governance and HR are forecast to overspend by £1m, which is an improvement of £50k on last period. The pressure attributed to COVID-19 is £1.5m, so the underlying position is an underspend of £477k. This is after drawing down £152k from the legal reserve. There is also a further £1.5m COVID- related expenditure which is anticipated under the Test and Trace programme – this will be fully-funded from government grant.
- 3.10.3 Within Enforcement, Parking are forecasting an income shortfall of £1m and East Street Market are forecasting a loss of £500k, 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 £129k and Legal Services are forecasting an overspend of £152k which will be met by a drawdown from reserves. Both of these services have pressures on their staffing budgets.

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 Lifecycle	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

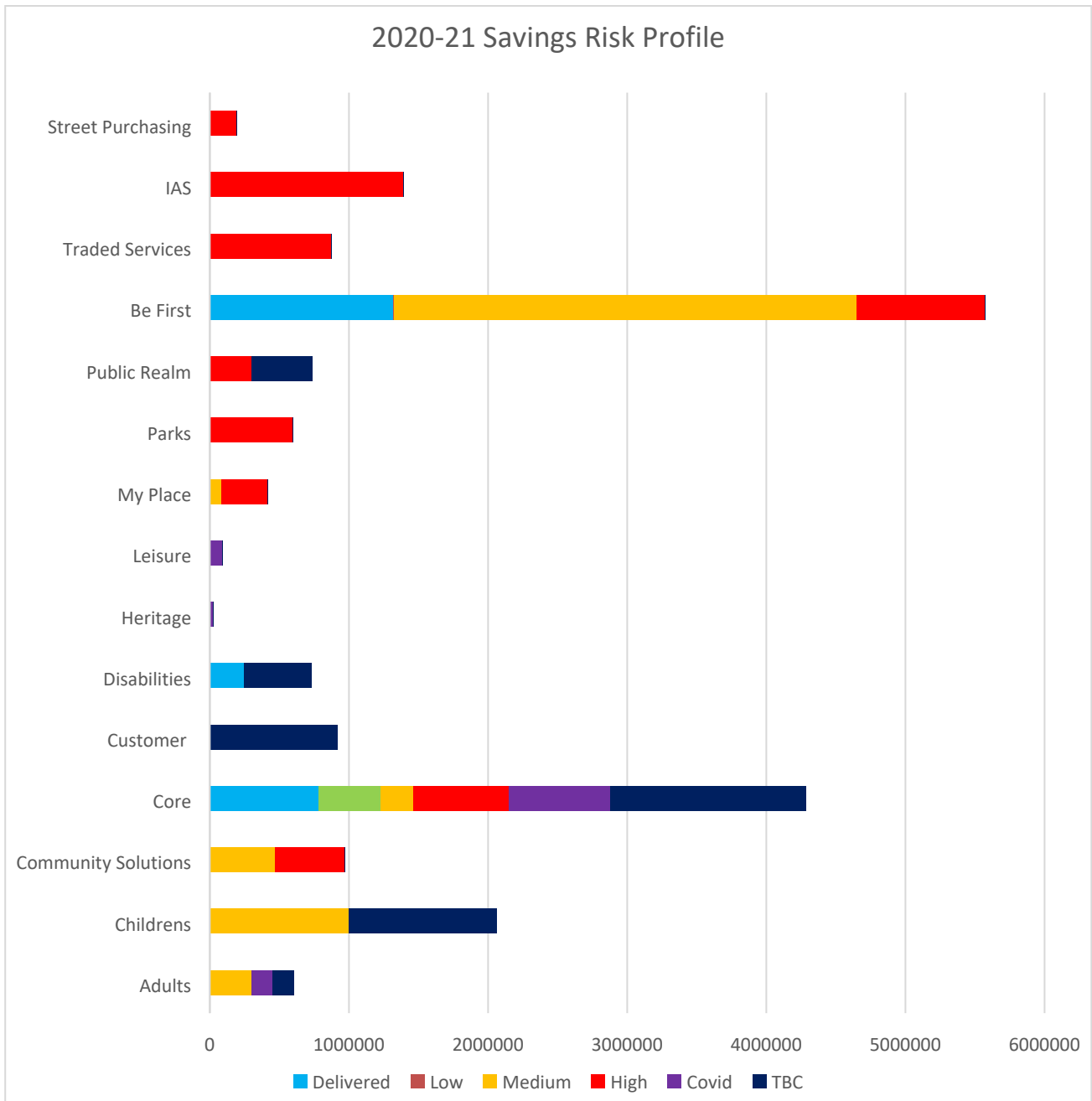
4.1 The HRA is forecast to overspend by £2.193m which is an increase of £1.002m on last month.

REPORT LEVEL	BUDGET	FORECAST	VARIANCE	CHANGE
SUPERVISION & MANAGEMENT	43,137	44,176	1,039	160
REPAIRS & MAINTENANCE	18,313	18,745	432	114
RENTS, RATES ETC	120	124	4	3
INTEREST PAYABLE	10,742	10,742	0	0
DEPRECIATION	15,860	15,860	0	0
BAD DEBT PROVISION	3,309	3,309	0	0
CDC RECHARGE	685	685	0	0
TOTAL EXPENDITURE	92,166	93,641	1,475	277
CHARGES FOR SERVICES & FACILITIES	-20,479	-19,922	557	594
DWELLING RENTS	-85,755	-85,594	161	131
INTEREST & INVESTMENT INCOME	-50	-50	0	0
TOTAL INCOME	-106,284	-105,566	718	725
TRANSFER TO MRR	14,118	14,118	0	0
	0	2,193	2,193	1,002

- 4.2 The finalisation of leasehold final accounts for 2019/20 has resulted in a decrease in income. The Council issued estimated bills to leaseholders totalling £3.445m last year whilst final bills totalled £2.871m, a reduction of £574k.
- 4.3 The S&M deficit has increased £160k as more costs are recharged from My Place based on the agreed allocation methodology.
- 4.4 The R&M deficit has increased a further £114k as costs from BDMS continue to increase, mainly on employee costs.
- 4.5 An updated forecast on income from rents and service charges has shown a deterioration of £131k. This variance is not material on income budgets and is within acceptable variances on a budget of £106m.
- 4.6 A review of debtors has shown that the overall debtor balance has increased from £8.3m to £11.2m meaning after 4 months the bad debt provision would need to be increased by £1.5m. The budget is £3.3m so there are no immediate concerns however if this situation continues throughout the year then it would be likely that the budget would be insufficient to cover the impact.

5. Key Savings Programmes

- 5.1 2020/21 is the fourth and final year of the original Ambition 2020 savings and transformation programme. The total savings for the target is £48.8m of which £36.129m was originally profiled as to be delivered by the end of 2019/20 and £12.696m is due in 2020/21. As at the end of 2019/20 the total delivered was £29.314m leaving £6.788m so far undelivered. This includes contributions from Be First (which would normally come a year in arrears following audit of accounts), and undelivered savings in Care and Support, My Place/Public Realm, Customer Services and the first tranche of income from the Central Park re-landscaping. The chart below shows performance to date against the total target for the MTFS
- 5.2 The total savings yet to be delivered in 2020/21 were already high risk even before the COVID-19 situation arose and the pandemic and the response has considerably worsened the situation. A small number of savings have been assessed as impossible to deliver in the current year but may be possible to reinstate in future years. These are the Leisure Concession Fee which will not be payable in 2020/21, increased Heritage income, a further change to the Adults Charging Policy and the Council Tax Support Scheme (part of the Core programme) where the impact of the epidemic has reversed the previous reduction in this scheme.
- 5.3 In addition there are a large number of savings where the original plans have been delayed (My Place restructure) or are much more difficult/high risk (Debt collection in Core, Homelessness reductions in COMSOL.)
- 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 As far as Finance are aware there has been no real change in the status of any savings programmes which is in itself a concern as there are now a number of areas where savings appear to have stalled and may need to be reconfigured or written off.



6 COVID-19 Risks

- 6.1 The pressures associated with COVID-19 have been shown separately based on the August 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 Details of the Income Loss Compensation scheme have now been announced. The claim is detailed and is still being worked on. However, it should be noted that in some respects the details are somewhat more restrictive than previously thought so the compensation amounts may be lower. In particular, the following restrictions apply:

- all rent and commercial income is excluded (and examples make clear that this includes advertising income and all monies received by subsidiaries)
- only closures during periods specifically directed by the government can be claimed for (although reduced income after re-opening may be)
- where income-earning staff have been redirected to provide other services then this is regarded as an additional cost pressure not an income loss

6.3 The level of costs that has been experienced already or that appear to be unavoidable at this stage is £22.774m. 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 £37.353. (This is an overall slight reduction since July of £0.75m). 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. These have been netted off this month as they are being allocated directly to services.

6.5 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	1,811	252	2,063	PPE costs (£1.9m), Public Health and Communications, Domestic Violence contracts
CORE	1,242	0	1,242	loss of income - commercial, film office, registrars,
CENTRAL MINUS F30080	1,367	0	1,367	Contribution to London wide mortality management, additional ICT costs and project support
EDUCATION, YOUTH & CHILDCARE	341	253	595	Loss of income - Trewern, FPNS, Youth centres,

LAW, GOVERNANCE & HR	1,519	2,843	4,362	£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	4,752	4,348	9,100	Fee increases, increased demand, additional staffing, income losses inc Relish. Further risk from further demand increases and SEND transport
COMMUNITY SOLUTIONS	1,172	490	1,663	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	1,000		1,000	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		6,411	6,411	Reduced planning fees (Be First), catering/cleaning income (BDTP), risks to IAS and Commercial rents
TOTAL GENERAL FUND COVID PRESSURES	22,770	14,599	37,374	
Income from Central Government				
NHS funding and specific grants	(2,903)		(2,903)	(netted off above)
General Grant Funding	(14,574)		(14,574)	
Income Loss underwritten	(3,953)	(2,112)	(6,065)	
NET IMPACT	4,253	12,487	16,740	To be funded from reserves

7 Impact on Reserves

- 7.1 The potential range of outturn variance therefore is between £5.8m at the most optimistic end to £18.3m 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 £1.3m 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 Adults and Disabilities Transformation Programme

- 9.1 Three Service Improvement Plans have been produced for Adults, Disabilities and Mental Health. The programmes are based on an in-depth review of current provision and likely future demands and set out proposals for how those services can meet the needs of our residents. There are both growth bids for permanent revenue funding included which will be factored into our medium term financial planning and also a request for one off programme management funding to support the implementation. The impact of the programmes is expected to transform service delivery for these key services in such a way as to reduce costs and demand in future with savings/cost reductions also to be factored into the MTFs. As such the set up and implementation costs can be classified as qualifying expenditure for the Flexible Use of Capital Receipts. Approval is requested to set up the programme and to fund the total costs of £727k. The table shows the expected time profile – however this may vary depending on the length of the programme.

Element	2020/21	2021/22
Programme Management Costs <ul style="list-style-type: none"> - Programme Manager and support (working across all three streams) - Systems Developers and report writers to ensure effective use of Liquidlogic - Data analysis - Brokerage capacity - Multi Agency Safeguarding review 	£225k	£255k
Deliverable Costs <ul style="list-style-type: none"> - Social work and financial assessment reviews 	£82k	£165k
Total Costs	£307k	£420k

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.