CABINET

17 November 2020

Title: Revenue Budget Monitoring 2020/21 (Period 6, September 2020)	
Open Report	**For Decision** Yes
Wards Affected: All	**Key Decision:** Yes
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Summary

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

The Council's General Fund budget for 2020-21 is £155.796m. As a result of underlying financial pressures including increased costs, demographic and other demand growth, savings not yet delivered and other risks there is an underlying budget variance of £5.525m largely in Care and Support and My Place. In addition, as a result of the COVID-19 epidemic, the lockdown, and subsequent economic impacts the Council has experienced a high level of additional costs and pressures including loss of service income from fees and charges. The minimum impact from this is assessed to be £24.061m including £4.137m relating to delayed or reversed savings which are also in the main forecast – although this is net of around £3.5m of specific grant and NHS funding. Including these Covid costs, the Council's final net expenditure for the year is expected to be at least £185.383m. This would be an overall expenditure variance of £25.448m.

Another tranche of unringfenced grant support funding for Local Government was announced in mid October taking the total allocation for LBBD to £22.560, plus £1.363m is expected as compensation for loss of income. Taking into account this funding the expected outturn for the Council is an overspend of £1.525m. This is a much improved position since last month as a result of the increased funding.

However, this report is written as London has been put under further restrictions (tier two) and there is a real risk that further covid costs and pressures will be experienced especially in Care and Support. There is also a risk to the Council's commercial income. Under a pessimistic but still realistic scenario it is estimated there are further potential financial pressures of £10.625m from COVID-19, of which it is estimated a further £1.7m 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 £10.465m.

The potential range of outturn variance therefore is between £1.525m at the more optimistic end to £10.465 at the more pessimistic (although still entirely possible) end. This is a narrowing of the range since last month – although this is mostly because the lower estimate has risen. In practice it is likely to fall between those extremes with a likely overall variance of £5.987m. Although there has been some change in the details of the forecast this remains the main estimate and a sensible basis on which to plan. This

could be funded from the budget support reserve – although the higher estimate would also mean drawdown from the general fund reserve was required . It is therefore important that all possible action should be taken to reduce the overspend by identification and implementation of efficiency savings, short term cost reductions (such as delaying recruitment or non-urgent projects) or maximisation of income where possible given anti COVID-19 constraints.

Recommendation(s)

The 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) Note the update on the Dedicated Schools Grant position including in section nine 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 third budget monitoring report of the 2020/21 Financial Year. At this stage of the year there is still only a limited amount of data available and in addition, this year there are complications arising from the COVID-19 pandemic and the response which creates further uncertainty. For this reason a range of potential outcomes is being reported. The Council should plan on the basis of the main forecast but should seek to be assured that the pessimistic/worst case scenario can be managed within its resources.

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

2. The 2020-21 Budget Monitoring Position - Summary

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

2.2. As shown in the table below there is an underlying pressure of £5.525m which includes £4.1m of savings not delivered or delayed as a result of COVID-19. In addition, there are £24.061 net of COVID-19 costs or income losses that have already been incurred or seem unavoidable at this stage. This is offset by £23.923, of general COVID-19 funding and income compensation. This results in a net variance of £1.525m. 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	1,900	1,973
CORE	8,457	1,905	690	2,595
CENTRAL MINUS F30080	31,280	(3,374)	1,368	(2,007)
EDUCATION, YOUTH & CHILDCARE	4,447	390	642	1,032
LAW, GOVERNANCE & HR	(1,994)	(590)	1,414	824
POLICY & PARTICIPATION	1,981	812	3,355	4,167
CARE & SUPPORT	85,817	2,732	5,894	8,626
INCLUSIVE GROWTH	1,001	0	0	0
COMMUNITY SOLUTIONS	13,565	1,094	1,269	2,363
MY PLACE	8,712	2,482	807	3,289
CONTRACTED SERVICES	(1,094)	0	1,000	1,000
COVID SAVINGS DELAYED	0	(4,137)	5,723	1,586
COMMERCIAL INCOME RISK	0	0	0	0
TOTAL GENERAL FUND BUDGET	**161,322**	**1,387**	**24,061**	25,448
CORPORATE FUNDING	**(155,796)**	**0**	**(23,923)**	(23,923)
TOTAL	5,525	1,387	138	1,525

3. Budget Monitoring

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

3.2 **Care and Support**

3.2.1 The total expenditure forecast for 2020/21 is £102m which would result in an overall budget pressure of £8.7m – around £5.9m of which is attributable to COVID.

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

People & Resilience Group	20/21 Budget £000	20/21 Forecast £000	Variance £000	Period Movement £000	Change since 2019/20 £000
Adults Care & Support	22,336	20,529	-1,807	-450	1,050
Adults Commissioning	5,331	5,331	0	0	1,218
Disabilities Service	24,248	29,042	4,794	468	4,391
Children's Care & Support	37,762	43,401	5,639	1,168	4,163
Children's Commissioning	4,287	4,287	0	0	316
Public Health	(537)	(464)	73	0	73
Group Total	**93,427**	**102,126**	**8,699**	**1,186**	**11,211**

3.3 **Adults' Care & Support**

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

Service Area	20/21 Budget £'000	20/21 Forecast £'000	Variance £'000	Period Movement £'000
Adult packages	8,044	4,963	-3,081	-406
Adult teams	3,557	3,557	0	0
Adult homes and centres	2,119	2,219	100	-50
Mental Health	7,256	8,431	1,174	6
Adults Other (Support Service)	1,360	1,360	0	0
Directorate Total	**22,336**	**20,529**	**-1,807**	**-450**

3.3.2 The net forecast for Adults Care and Support (ACS) is £20.5m, which has resulted in a budget underspend of £1.807m. This month has seen a favourable movement of £450k since last period. This movement is largely attributable CCG COVID-19 contribution and Direct payments refunds.

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 £3.081m, this is attributable to the following: -

- £1.326m 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 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

- £591k unallocated BCF
- The remainder of the growth pot which has not yet been allocated to budgets which is approx. £789k
- £626k 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 £1.263m

3.3.5 Mental Health (MH) is reporting a total overspend of £1.174m, this is broken down below:

- £1.043m overspend on Home Care because of increases in Dementia cases
- £114k 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.
- £205k overspend on Direct Payments due to of increases in Dementia cases
- £316k underspend on Residential and Nursing due to Covid impact on death rate
- £12k underspend on Day Care and transport
- £105k overspend on Additional staffing costs as per Mental Health PID

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

3.3.7 The period 6 position has improved by £450k this month, this is largely due to the September discharge return which has brought in an additional £320k, there was an £80k improvement in the DP refunds forecast and finally the homes and centres position has improved by £50k thanks to a review of all the forecasts in that area.

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

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

3.4 Disabilities Care and Support

3.4.1 The Disabilities service detailed summary table is below:

Service Area	20/21 Budget £000	Forecast £000	Variance £000	Period Movement £'000
Adults Care Packages	13,733	15,754	2,021	0
Children's Care Costs	1,946	2,371	425	78
SEND transport	2,892	4,196	1,304	0
Centres and Care Provision	1,960	2,414	454	282
Staffing/Management	3,717	4,307	590	108
Directorate Total	**24,248**	**29,042**	**4,794**	**468**

3.4.2 The forecast for Disability Services for period 6 is an overspend of £4.794m. There has been an adverse movement of £468k from the position reported at P5.

3.4.3 There is a Packages and Placements total overspend of £3.75m, 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 September. The cohort of clients remains stable and there has been no change to the forecasts reported at P5.

- £1.304m Out of Borough School Transport overspend -This is due to the redesign of the school routes taking in the need for 1meter 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. There has been no change to the position at P5

- £425k budget pressure on the Children with disabilities social care provision.

3.4.4 5.3.2 Teams and Centres total overspend is forecast at £1m which is an increase of £390k from the previous month. The areas of significant variances are highlighted below:

- **£347k** Overspend on School Psychological Services due to loss of income due to school closures over the pandemic and schools only purchasing the statutory minimum for the new school year.

- **£242k** 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.

- **£101k** overspend on 80 Gascoigne Rd, mostly staffing pressures.

3.4.5 The forecasted overspend has increased this period by £468k, the reasons are outline below.

3.4.6 The bulk of this is on Heathlands day centre which will now remain closed for the remainder of the financial year, Havering have also stopped paying their monthly retainer culminating in a £380k increase in overspend. This is partially offset by a reduction of approx. £80k in the Gascoigne centre forecast due to reduction in staffing projections thanks to the redeployment of Heathlands day centre staff to Gascoigne.

3.4.7 There has been a £97k increase in overspend within the Ed Psych team, this is due to the review of income from the School Buy Backs. The team is only able to generate a fraction of the income expected due to the current pandemic. Whilst there is a downward trend on Schools buying into the service, the team is still providing the statutory work to Schools.

3.4.8 Finally there has been a £78k increase in package costs within the Children's care service, this is down to reviews of packages and increases in care costs that have arisen now lockdowns have eased.

3.4.9 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 £'000**	**Forecast £'000**	**Variance £'000**	**Period Movement £'000**
Corporate Parenting & Permanence	22,054	27,340	5,286	1,072
Family Support & Safeguarding	5,655	5,913	258	-113
Assessment &Intervention Team	4,004	4,045	41	7
Senior Leadership Team & Service Dev.	2,193	2,444	251	202
Specialist Intervention Service	2,143	2,143	0	0
Adolescence & YOS	1,713	1,516	-197	0
Directorate Total	**37,762**	**43,401**	**5,639**	**1,168**

3.5.2 Children's Care and Support is forecast to spend £43.4m and would result in a budget overspend of £5.6m. There has been an adverse movement of £1.168m from the position reported at P5

3.5.3 The most significant variance is in Corporate Parenting & Permanence, which is down to the placement costs for Looked After Children service. There has been an increase in the forecast of £1.072m from the previous month. The projected overspend of £5.286m is due to packages and the breakdown is as follows:

- £4m overspend on Residential Homes, an increase of £821k from P5.
- £748k overspend on Leaving care services, no change from P5
- £388k overspend in Asylum Seekers, same as previous month.
- £330k overspend on Adoption Placements

- £217k overspend on Specialist Agency Fostering, an increase of £193k from P5.
- £186k overspend Family Assessment Units, an increase of £31k from last month.
- This is being mitigated by underspending in Secure placements & In-house fostering budget of £253k

3.5.4 The Adolescence and Youth Offending Service is forecast to underspend by £196k this is because of vacant posts within the establishment.

3.5.5 Family Support & Safeguarding Team is reporting an overspend of £258k, this is down to staffing and the reliance on agency social workers to meet caseload demands.

3.5.6 Assessment and Intervention team including the MASH service is projecting an overspend of £41k this is due to the use of agency staff in both teams at present. There are a few permanent staff on boarding in future months which should improve this position.

3.5.7 There has been a significant increase in the overspend position from P5 of £1.168m, the bulk of which has been in Residential placements.

3.5.8 There has been several LAC children that have moved from other placements settings into expensive residential placements in September. This has compounded the increase reported at P5. The budget pressure on residential placements is in part due to the impact of the COVID-19 pandemic and the availability of providers to meet the increased demand and complexity of cases. There are 15 children with disabilities in this cohort with a projected expenditure of £3.494m.

3.5.9 There has also been an increase in the forecast spend on agency foster care placements. 5 cases were loaded to Controcc, contributing to the increase of £192k from P5.

All the cases are being reviewed by the placement finding team and service manager, but it is unlikely any significant reduction will be made before the end of the financial year. This is due to the constraint of finding suitable alternative placements. In addition, some of the children are undergoing 18-month therapy which cannot be disrupted in their current setting.

3.5.10 Finally a £200k increase in forecast within Senior Leadership and Teams service for ongoing R&R payments, which were supposed cease but are now being paid for the remainder of the year, offset by a reduction of £113k in the Family Support and Safeguarding team as a result of reviewing the projection of staffing costs, delays in onboarding permanent staff has led to some savings in the in-year costs. There is approx. £1.9m of spend within the forecast that can be directly attributed to the COVID Pandemic.

3.6 **My Place**

3.6.1 The My Place summary table is below.

	Budget £'000	Forecast £'000	Variance £'000	Change £'000
Business Development	1,694	1,469	(225)	71
Contracts Management	3,130	3,141	11	6
Landlord Services	4,529	4,571	42	20
Management/Central	(10,466)	(9,188)	1,278	0
Property Assets	9,473	9,966	493	0
Public Realm Operations	7,856	9,504	1,648	433
Parks and Environment	2,240	2,384	144	71
Fleet Management	(76)	(64)	12	117
Compliance	(688)	(801)	(113)	(19)
ELWA	(30)	(30)	0	0
	17,662	20,952	3,290	699

3.6.2 My Place are forecast to overspend by £3.3m. This consists of £1.7m on Public Realm and £1.6m across other My Place services. The overspend has increased by £699k on last month. A proportion of the overspend is the result of additional costs caused by Covid including agency staff and infection control measures/PPE.

3.6.3 There has been a significant increase in the forecast overspend due to a £958k reduction to the budget to allow for repayments of capital and interest on the Fleet Replacement programme. In 2019/20 £6m was invested in new fleet and the service have a commitment to repay this investment with interest over the lifetime of the new fleet as set out in the Fleet Replacement Procurement Strategy which was approved by Cabinet in July 2018.

3.6.4 The intention is to make savings in fleet and spot hire and other transport costs to finance the repayment programme. Lease hire costs have fallen by £50k a month since April 2019, but the savings made to date have not been sufficient to cover the repayments. The service is currently reviewing vehicle fleet requirements.

3.6.5 The impact of the fleet repayment cost has been offset by a reduction in the staffing costs forecast for public realm of £270k as tighter controls begin to have an impact.

3.6.6 There has been an increase of £97k to the forecast for non-Public Realm My Place services.

3.7 Policy and Participation

3.7.1 The Policy and Participation summary table is below:

	Budget £'000	Forecast £'000	Variance £'000	Change £'000
Director	512	522	10	(22)
Culture	1,328	1,396	69	38
Leisure, Parks and Heritage	(889)	3,072	3,961	(51)
Communications and Policy	112	87	(24)	(0)
Participation and Engagement	934	969	35	32
Insight and Innovation	302	419	117	70

Transformation	508	508	0	0
PMO	140	140	0	0
	2,947	7,114	4,167	66

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 an increase of £66k in the overspend forecast.

3.7.3 Leisure, Parks and Heritage are forecast to overspend by £3,961k. Approximately £3m of this is attributable to the support package provided to SLM. The £2,057k concession fee for 2020/21 has been waived and funding of up to £965k is to be provided. This forecast assumes cashflow support of £241k to cover payroll costs will be repaid to the Council.

3.7.4 Parks Commissioning are forecasting to overspend by £795k due to non-achievement of MTFS savings for 2020/21. It was planned to meet the savings target through income from soil importation to Central Park, but the timescale for this has slipped.

3.7.5 Heritage services are forecast to overspend by £310k which is partly due to income loss whilst Valence and Eastbury are closed.

3.7.6 Insight and Innovation is forecast to overspend by £117k. This is largely due to a shortfall in advertising income resulting from delays in the current contractor removing advertising hardware from sites.

3.8 **Revenues and Benefits**

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

3.9 **Core**

3.9.1 The Core service summary table is below:

	Budget £'000	Forecast £'000	Variance £'000	Change £'000
Finance	2,314	2,202	(112)	(112)
IT	1,266	1,838	572	0
Commercial	(36)	607	642	(34)
Investment Strategy	(4,673)	(4,674)	(1)	0
Customer Services	7,129	8,455	1,326	0
Strategic Leadership	63	231	167	0
	6,064	8,659	2,595	(146)

3.9.2 Core Services are forecast to overspend by £2.6m, of which just under £700k is attributable to COVID-19

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

3.9.4 Commercial Services are forecasting a pressure of £642k, which is largely due to the impact of COVID-19 on commercial income. This comprises £263k on the Film Unit and £240k on the CR27 Travelodge investment.

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:

3.1

	Budget £'000	Forecast £'000	Variance £'000	Reserves £'000	Net Variance £'000	Change £'000
Enforcement	(2,797)	(1,929)	868	0	868	(182)
Democratic Services	1,010	868	(142)	0	(142)	24
HR	38	107	69	0	69	(60)
Leader and Cabinet Office	(7)	22	29	0	29	(0)
Legal	619	773	154	(154)	(0)	(0)
	(1,137)	(158)	978	(154)	824	(218)

0.2 Law Governance and HR are forecast to overspend by £824k which is an improvement of £218k on the month 5 position. This is after drawing down £154k from the legal reserve.

3.10.3 Enforcement are forecast to overspend by £868k. This is a favourable movement of £182k from last month's position of £1,050k over. The main areas of overspend are Parking and East Street Market. This is due to an income shortfall over the lockdown period. Both services are making a good recovery and income levels are much improved over the last month. Given the current uncertainties it is difficult to forecast future income streams.

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

3.10.5 Within Enforcement, the Parking service is forecast to overspend by £915k which is an improvement of £99k from Month 5. Parking income to the end of September is £4m and the annual income target is approx. £10m. Income in September was £923k compared to £658k for August. An addition 10 CEOs are being recruited which it is anticipated will boost income levels between now and year-end. In addition further traffic enforcement cameras are due to come on-stream and this will generate further income.

3.10.6 The income target of £10m has been adjusted to include a contribution of £179k towards repayment of capital expenditure investment in the CPZ programme.

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

3.10.8 Also within Enforcement, East Street Market is forecast to overspend by £505k which is a similar level to Month 5. Income to the end of September is £158k against an annual target of £900k. Income in September was £70k which is similar to pre-COVID monthly income levels, so if this continues then the forecast overspend will be adjusted to show a more favourable position. There are plans to have an additional market day per week in the run up to Christmas which should boost income levels.

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)	(1,189,891)
Triage Lifecycle	2,191,970	5,053,037	2,861,067	2,861,067
Support Lifecycle	4,109,937	2,274,457	-1,835,480	-1,835,480
Universal Lifecycle	4,558,092	4,559,417	1,325	1,325
Service Dev. & Dir of Comsol	1,194,153	1,959,900	765,747	765,747
Works & Skills Lifecyle	523,383	1,016,747	493,364	493,364
Directorate Total	**12,964,784**	**14,060,916**	**1,096,132**	**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 has worked 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 which includes, vacancy freeze, use of consultancy budget, reattribution of costs to grants, savings on print & posts etc.

4. Housing Revenue Account

4.1 The HRA is forecast to overspend by £2.937m which is an increase of £744k on last month.

	PERIOD 6			
REPORT LEVEL	BUDGET	FORECAST	VARIANCE	CHANGE
	£000	£000	£000	£000
SUPERVISION & MANAGEMENT	43,137	44,722	1,585	546
REPAIRS & MAINTENANCE	18,313	18,745	432	-0
RENTS, RATES ETC	120	139	19	15
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**	**94,201**	**2,035**	**560**
CHARGES FOR SERVICES & FACILITIES	-20,479	-19,777	702	145
DWELLING RENTS	-85,755	-85,555	200	39
INTEREST & INVESTMENT INCOME	-50	-50	0	0
TOTAL INCOME	**-106,284**	**-105,382**	**902**	**184**
TRANSFER TO MRR	14,118	14,118	0	0
	0	**2,937**	**2,937**	**744**

4.2 The forecast variance for Supervision and Management has increased by £546k to £1,585k. The increase is due to Leaseholder building insurance premiums which have not previously been recharged by the insurance section and were not included in previous forecasts.

4.3 The income variance has increased by £184k to £902k. A review has been undertaken of charges for services and facilities which has resulted in a reduction of £145k in the income forecast. The forecast for Rents income is reduced by £39k.

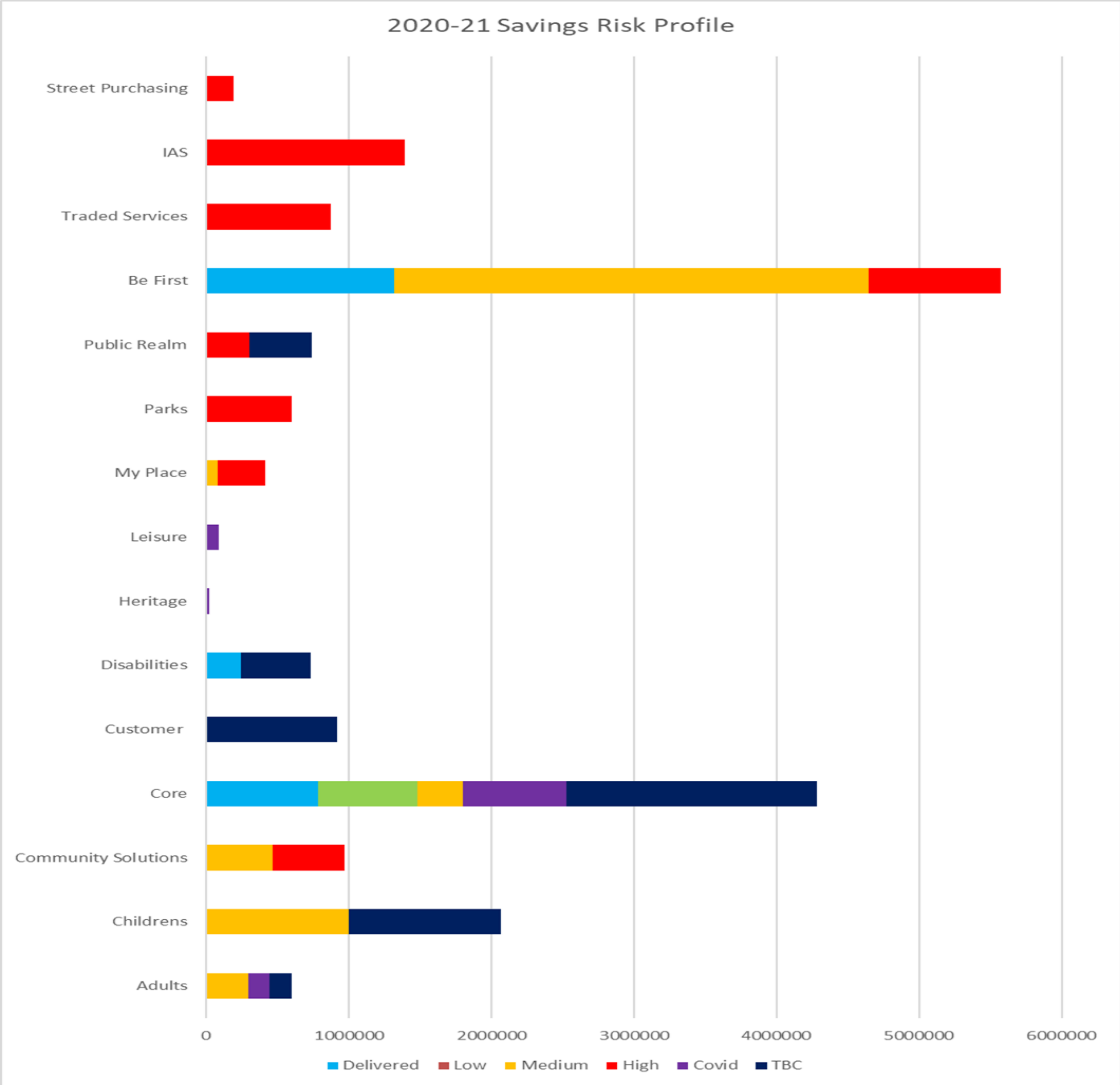
5. Key Savings Programmes

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.)



6 COVID-19 Risks

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

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

6.3 Details of the Income Loss Compensation scheme have now been announced. This provides 75% compensation for income losses after the first five percent reduction. The Council submitted its first claim for the April to July period and claimed £1.393m.

6.4 The level of costs that has been experienced already or that appear to be unavoidable at this stage is £24.06m. However, this is based on the assumption that there is no increase in costs from increased infection or the introduction of further restrictions. Given that London is now in Tier Two this may not be the case.

6.5 Central Government has announced four tranches of non-ringfenced grants to support Local Government in this situation. The LBBD allocation is £22.559m. 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.

6.6 The announcement of the fourth tranche of funding now means that the Council's confirmed or likely COVID costs are fully covered. However there do remain risks to the financial position if further pressures are experienced in the second half of the year and from risks to our commercial income

6.7 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	1,900	0	1,800	PPE costs (£1.8m)
CORE	690	0	690	loss of income - commercial, film office, registrars,
CENTRAL MINUS F30080	1,368	0	1,368	Contribution to London wide mortality management, additional ICT costs and project support
EDUCATION, YOUTH & CHILDCARE	342	0	342	Loss of income - Trewern, FPNS, Youth centres,
LAW, GOVERNANCE & HR	1,414	824	2,238	£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	486	3,841	Loss of Leisure Concession fee and income at Heritage sites
CARE & SUPPORT	5,894	1,876	6,628	Fee increases, increased demand, additional staffing, income losses inc Relish. Further risk from further demand increases
MY PLACE/PUBLIC REALM	808	0	808	Agency cover for sick/quarantined/shielding staff, PPE and other infection control measures for staff and visitors to parks and amenities.

COMMUNITY SOLUTIONS	1,269	490	1,559	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
CONTRACTED SERVICES	1,0000		1,000	Loss of court costs income, increased collection risk
Unachieved Savings	5,723	0	5,723	Risks or delays to Core, COMSOL, My Place and Public Realm savings
Rents, Dividends and Returns		6,919	6,919	Reduced planning fees (Be First), catering/cleaning income (BDTP), risks to IAS and Commercial rents
TOTAL GENERAL FUND COVID PRESSURES	**24,062**	**10,625**	**32,137**	
Income from Central Government				
General Grant Funding	(22560)		(14,574)	
Income Loss underwritten	(1,363)	(1,687)	(3,049)	
NET IMPACT	**139**	**8,939**	**9,078**	**To be funded from reserves**

7 Impact on Reserves

7.1 The potential range of outturn variance therefore is between £1.5m at the most optimistic end to £10.465mm 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 £6m (ie assuming that half of the future risks come to pass).

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

7.3 The worst case scenario of £10.5m would fully deplete both these reserves and reduce the General fund reserve from £17.031m to £13.65m which is still 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. Dedicated Schools Grant update

9.1 At the beginning of the Autumn term the Dedicated Schools Grant is forecast to be on balance in all blocks. Schools and Early Years providers have been receiving funding based on their expected attendance numbers (even during the period of lockdown.)

9.2 In previous years the High Needs Block has been under severe pressure. However the block funding increased by 17% this year as the transition to the new formula means that Barking is at last receiving a level of funding that more closely reflects need. However it is still early in the academic year so further pressures could emerge if growth in need is above the remaining provision for this.

10. Legal Implications

Implications completed by Dr Paul Feild, Senior Governance Lawyer

10.1 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.

10.2 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.

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

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.