

 Brent	Cabinet 12 October 2020
	Report of the Director of Finance
Quarter 2 Financial Report 2020/21	

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt:	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s):	Minesh Patel, Director of Finance minesh.patel@brent.gov.uk Tel: 020 8937 4043 Ben Ainsworth, Head of Finance ben.ainsworth@brent.gov.uk Tel: 020 8937 1731

1.0 Summary

- 1.1. This report sets out the current forecast of income and expenditure against the revenue budget for 2020/21 and other key financial data.
- 1.2. Excluding the impact of COVID-19, the Council is expecting an overspend of £0.6m on the General Fund (GF). Children and Young People are expecting to overspend by £0.6m. The HRA is expected to breakeven and DSG is expected to overspend by £3.2m before the impact of COVID-19 is taken into account.
- 1.3. The impact of COVID-19 is forecast to add an additional £35.2m of additional costs or loss of income to the general fund service areas in 2020/21. This is less than the projected cost of COVID-19 to the council as some significant costs, such as impairment of doubtful debt, have already been paid in 2019-20.
- 1.4. Offsetting this is £4.8m of COVID 19 related underspends within service areas. This brings the net overall forecast impact due to COVID-19 on the general fund to £30.4m. Overall, the projected overspend on the general fund is £31m.
- 1.5. The impact of COVID-19 on the Dedicated Schools Grant (DSG) within Children and Young People is forecast as £0.3m thereby increasing the overall DSG deficit position.
- 1.6. Currently, the impact of COVID-19 on the HRA is forecast as £2.9m, which is greater than the HRA reserves of £1.4m, therefore the HRA will need to consider mitigating

actions such as reduced or deferred capital expenditure, or some of the COVID-19 funding, detailed below will need to be used to offset this cost.

- 1.7.** Adding the £3.2m non-COVID-19 and £0.3m COVID 19 overspend on the DSG, to the £2.9m COVID-19 overspend on the HRA, and the total overspend of £31m on the General Fund gives a total forecast overspend of £37.4m (before additional COVID-19 grants).
- 1.8.** Offsetting the council's projected overspend of £37.4m is additional government funding of £27.8m for COVID-19. This includes an early estimate of £6m from central government's package of support for income losses: some income losses to be reimbursed where losses are more than 5% of a council's planned income from sales, fees and charges, with the government covering up to 75% of the remainder. Several items are excluded from eligibility for this support, such as loss of commercial rental income.
- 1.9.** In total, the Council is forecast to overspend by £9.6m.
- 1.10.** These figures are more uncertain than at any similar point in previous years due to uncertainty about how severe the impact of COVID-19 will be this winter. For the purposes of this forecast, it is assumed that the infection control measures implemented, such as social distancing, will be effective in stopping a major second wave of COVID-19 cases that necessitates a sustained local or national lockdown. A sustained second wave and/or second lockdown would significantly increase the overspend by both increasing costs and reducing income.

	Budget (£m)	Forecast Overspend / (Underspend) excluding COVID-19 (£m)	Additional costs/ loss of income due to COVID-19 and Savings shortfall (£m)	COVID-19 Related service underspends (£m)	Total Forecast Overspend/ (Underspend) (£m)
Assistant Chief Executive	7.5	0.0	0.8	(0.1)	0.7
Chief Executive Department	16.6	0.0	0.2	(0.3)	(0.1)
Children and Young People	48.2	0.6	3.2	(0.5)	3.3
Community and Well-Being	134.2	0.0	16.6	(2.4)	14.2
Customer & Digital Services	21.2	0.0	3.9	(0.6)	3.3
Regeneration & Environment	40.5	0.0	10.5	(0.9)	9.6

Subtotal Service Area Budgets	268.2	0.6	35.2	(4.8)	31.0
Central items (including Business Rates, Council Tax and Specific Grants, excluding specific COVID-19 grants)	(268.2)	0.0	0.0	0.0	0.0
Total General Fund	0.0	0.6	35.2	(4.8)	31
DSG Funded Activity	0.0	3.2	0.3	0.0	3.5
Housing Revenue Account (HRA)	0.0	0.0	2.9	0.0	2.9
Overall Position before COVID-19 funding	0.0	3.8	38.4	(4.8)	37.4
Central funding for COVID-19	0.0	0.0	(27.8)	0.0	(27.8)
Overall Position before COVID-19 funding	0.0	3.8	10.6	(4.8)	9.6

1.11. For capital, the current forecast outturn is £226.9m against the revised budget and an underspend of £20m as broken down in the table below. An explanation of the variance of current forecast to the revised budget is provided in section four.

Directorate	Original Budget (Approved Feb20) (£m)	Revised Budget (£m)	Current Forecast (£m)	Over / (Under) Spend to Budget (£m)
Corporate Landlord	22.3	17.7	9.6	(8.1)
Regeneration	18.7	26.2	25.5	(0.7)
St. Raphael's Estate	0.3	0.6	0.5	(0.2)
Housing Care Investment	191.1	150.0	150.2	0.2
Schools	11.6	14.6	12.2	(2.3)
South Kilburn	24.2	9.6	8.1	(1.5)
Public Realm	24.2	28.1	20.8	(7.4)
Total	292.4	246.8	226.9	20.0

2.0 Recommendation

2.1. To note the overall financial position and the actions being taken to manage the issues arising.

3.0 Revenue Detail

3.1. Assistant Chief Executive (ACE)

Assistant Chief Executive (ACE)	Budget (£m)	Actual Forecast excluding COVID-19 (£m)	Forecast Overspend / (Underspend) excluding COVID-19 (£m)	Additional costs/ loss of income due to COVID-19 (£m)	COVID-19 Related service underspends (£m)	Total (£m)
Chief Executive Office	0.5	0.5	0.0	0.0	0.0	0.0
Communications	0.4	0.4	0.0	0.7	0.0	0.7
Executive and Member Services	3.6	3.6	0.0	0.0	0.0	0.0
ACE Director	0.3	0.3	0.0	0.0	0.0	0.0
Strategy and Partnership	2.7	2.7	0.0	0.1	(0.1)	0.0
Total	7.5	7.5	0.0	0.8	(0.1)	0.7

3.1.1 Excluding the various impacts of COVID-19, the department is expected to breakeven overall.

3.1.2 Taking account of the additional costs for COVID-19, the ACE department is currently forecast to overspend by £0.8m, made up of a £0.7m overspend in the Communications department and a £0.1m overspend in the Strategy & Partnerships department. Within Communications, there has been a loss of income due to cancellation of events in The Drum as well as lower than expected income from commercial advertising, roundabout sponsors and film production sites. Within Strategy & Partnerships, there are expenditure pressures from additional funding and capacity to support the voluntary sector. Additional costs also include the need to engage and build networks with smaller organisations in the borough in identifying COVID-19 impacts on vulnerable individuals and groups.

3.1.3 ACE is required to identify £0.1m of in-year COVID-19 related underspends and so far is on track to deliver this in full, which should reduce the overspend to £0.7m. The underspends are as a result of delayed recruitment to posts, holding posts vacant, reduced purchase of stationery and other equipment, underspends against training budgets and a general reduction in civic activities as a result of COVID-19.

3.2. Chief Executive Department (CE)

Chief Executive Department	Budget (£m)	Forecast excluding COVID-19 Impact (£m)	Forecast Overspend/ (Underspend) (£m)	Additional costs/ loss of income due to COVID-19 (£m)	COVID-19 Related service underspends (£m)	Total (£m)
Legal, HR and Audit	8.9	8.9	0.0	0.2	(0.2)	0.0
Finance	7.7	7.7	0.0	0.0	(0.1)	(0.1)
Total	16.6	16.6	0.0	0.2	(0.3)	(0.1)

3.1.1 Excluding the various impacts of COVID-19, the department is expected to breakeven overall.

3.1.2 With the impact of COVID-19, CE is currently forecast to overspend by £0.2m, primarily within the Legal, HR and Audit & Investigations department. Within Legal Support, there has been a loss of income from services offered to those in the construction industry and on client debt related matters due to reduced demand. There are also additional costs expected in providing specialist advice and upgrading of electronic services due to the lockdown of courts. Within HR, additional costs are expected in providing risk assessments and additional support for specialist counselling in respect of individuals or teams suffering from PTSD.

3.1.3 CE is required to identify £0.3m of in-year COVID-19 related underspends and so far is on track to deliver this in full, which should reduce the overspend to an overall £0.1m underspend. The underspends are a result of delayed recruitment to posts where COVID-19 has resulted in a short term reduction in demand, reduced energy usage in council owned assets, bringing forward savings planned for future years and various other activities related to changes in demand as a result of COVID-19.

3.2 Children and Young People (CYP) (General Fund)

CYP Department	Budget (£m)	Forecast (£m)	Forecast Overspend / (Under spend) (£m)	Additional costs/ loss of income due to COVID-19 (£m)	COVID-19 Related service underspends (£m)	Total (£m)
Central Management	0.7	0.4	(0.3)	0.0	0.0	(0.3)
Early Help	4.6	4.6	0.0	1.0	(0.2)	0.8
Inclusion	1.6	1.6	0.0	0.0	(0.1)	(0.1)
Localities	15.4	16.2	0.8	0.2	0.0	1.0
Looked After Children and Permanency	6.3	6.4	0.1	0.1	(0.1)	0.1

Forward Planning, Performance & Partnerships	17.6	17.6	0.0	1.2	(0.1)	1.1
Safeguarding and Quality Assurance	1.9	1.9	0.0	0.0	(0.0)	0
Setting and School Effectiveness	0.1	0.1	0.0	0.7	(0.0)	0.7
Total	48.2	48.8	0.6	3.2	(0.5)	3.3

- 3.2.1 The Children and Young People department is currently forecasting an overspend position of £0.6m excluding Covid-19 related pressures and this is a reduction from the previous quarter's position of £0.9m. Due to the impact of Covid-19, the department is forecasting an overall pressure of £3.2m arising from additional costs incurred; loss of income; and slippage against 2020/21 savings target. The forecast pressure reported is mainly against demand led Care at Home and Direct Payment budgets against the Children and Young People with Disabilities (0-25). These pressures are offset by contingency budgets held in central management and in-year underspends identified of £0.5m against a £5m corporate target.
- 3.2.2 Against the in-year underspend corporate target of £5m, the CYP's allocated target is £1m and across the department underspends of £0.5m have been identified. These underspends are mainly due to 13 vacant posts identified which will be held vacant for the rest of the financial year, reduced spend against costs of events and conferences and underspends expected against travel costs and subsistence for staff as a result of fewer face to face visits during the lockdown.
- 3.2.3 The Localities service is forecasting an overspend of £0.8m at the end of the financial year. There are pressures of £0.3m against the Children and Young People with Disabilities (0-25) care at home and direct payment budgets. The forecast is based on continuing demand pressures due to growing numbers of Education Health and Social Care plans (EHCPs) and the requirement to support the social care element of the plan. As at the end of 2019/20, there were 2,173 EHCPs and as at June 2020, this number increased by 18% to 2,570 despite the overall pupil population remaining broadly the same. The forecast includes a provision for additional demands for 25 Care at Home clients and 75 Direct Payment clients currently being assessed. There is also a £0.5m forecast pressure due to the cost of agency staff covering established social worker posts. Management action taken to reduce the number of agency social workers included the offer to agency social workers to opt to move to permanent contracts, a recruitment drive, career progression arrangements and the use of key worker housing. The forecast against agency staff is higher than the previous quarter's position of £0.3m because the quarter 1 position assumed that 20 agency staff would end their contracts part way through the year and the roles be filled by permanent staff. 5 Social Worker positions have been filled on a permanent basis and the forecast has been updated to project agency staff costs till the end of the financial year.
- 3.2.4 Localities caseload modelling is based on established national good practice and the current caseload is within the caseload ceiling. Where there is scope to safely reduce agency staff levels this will be undertaken. There remains a risk of increasing temporary agency staff numbers to cover a rise in demand. The Operational Director

considers all requests for any new agency staff and extension requests for agency workers and there is scrutiny of activity in this area.

- 3.2.5 The Forward Planning, Performance and Partnership (FPPP) service is currently reporting a breakeven position following an expected increase of £0.8m in grant funding to support unaccompanied asylum seeking children (UASC). There remains a risk within this service area, as the main cost driver against this budget is the volatility of demand for social care placements for Looked after Children and Care Leavers. These are demand led placements and new placements may have to be found at relatively short notice, which can be expensive. The department is managing to keep the numbers of children and young people taken into care at low levels when compared to neighbouring boroughs. However, a challenge remains that the children that come into care are often teenagers who have complex needs resulting in high cost placements.
- 3.2.6 In addition, the local authority is supporting a number of care leavers in semi-independent placements as part of their transition to adulthood. A number of care leavers who it had been expected would have moved into their own tenancies have had these tenancies delayed due to Covid-19 and are likely to be accommodated for longer than anticipated. Initial analysis indicated that this would lead to a £60k pressure, but further analysis indicates the pressure could equate to £0.3m and this will be tracked as part of the Covid-19 financial pressure reporting.
- 3.2.7 Management action in place to control spend includes establishing additional sign off processes at Children's Placement Panel; undertaking further work with finance colleagues to refine the forecast; more challenge and support around stepdown arrangements from residential placements to foster placements and/or semi-independent placements, monitoring and actively supporting the transition of care leavers to their own tenancies and reviewing financial policies and payments to carers for Special Guardianship support.
- 3.2.8 The Looked after Children and Permanency service is forecast to overspend by £0.1m, arising from the costs of commissioning of some adoptive placements, based on a child's best interests, with adoption agencies other than Adopt London West.
- 3.2.9 There is also a risk in the Early Help service where a balanced budget is reliant on an increased number of successful claims for the Troubled Families reward payments. Last year, the team successfully achieved 100% of their claims target. With 59 successful claims this year, the service was below the target number of claims for Q1, but is planning to increase claims in Q2 and Q3.
- 3.2.10 The forecast reflects COVID related pressures of £3.2m, which represents additional costs, loss of income and slippage against the 2020-21 savings target. The additional costs pressures and loss of income is currently forecast as £2.3m include;
- i. an estimate for the statutory support of school travel for under18s;
 - ii. the impact on the care at home and direct payment budgets;
 - iii. placement budgets (arising from the need to ensure there is greater supervision in foster and residential placements);
 - iv. in year temporary uplift to subsistence allowance for care leavers in line with universal credit increase and emergency payments for food and utilities.

- v. It also includes the impact of the loss of income in 2020/21 from traded services i.e. Brent Music Service and the Gordon Brown Centre.

3.2.11 The slippage expected against the department's two savings targets to be delivered in 2020/21 reported against the COVID-19 impact pressures amount to £0.9m. The targets include £1.5m to develop Family Wellbeing Centres (FWC) from children's centres. It is expected that the opening of these centres will now be December 2020 instead of September 2020 and the impact of this slippage is £0.8m. The other savings target of £0.1m, relates to developing a shared fostering service with two other West London Alliance (WLA) boroughs, resulting in staffing efficiencies. Progress is primarily dependent on the DfE starting the next round of funding to assist local areas in scaling up the models that have been agreed. It is estimated that savings of £30k can be identified in this financial year as the funding is unlikely to be agreed until Autumn 2020 resulting in a £70k slippage.

Key Assumption	Downside if worse	Upside if better	Mitigations
That total caseloads in the Localities and LAC & Permanency service remain within budgeted levels of c. 2,500.	The commitment to hold safe caseloads means that if the total number of cases increased by 15% for the majority of the year, there would be an additional spend on social work staff.	Up to one third of case holding staff in some front line teams are agency. If caseloads reduce spend could be brought down.	Caseloads are being monitored across the service to allow management of social work resources.
The forecast assumes that there will be a number of agency staff within the establishment.	If the projected agency staff reduction does not occur this would add a further pressure to the budget of c£1m.	Additional reductions in agency staffing could reduce spend further	Continued management action to recruit permanent staff and reduce the reliance on agency workers.
The current mix of 600 LAC and Care Leaver placements remains broadly stable throughout the year. Unit costs remain stable.	A new individual high cost residential / secure placement can cost up to £0.3m per annum. A net increase of 10 placements with Independent Foster Agency (IFA) carers at a cost of £850 per week would cost an additional £0.4m.	A reduction in demand or reduction in the use of expensive placements will see a reduction in costs.	Brent has a track record of maintaining stable and relatively low numbers of LAC. Targeted step down work to ensure more children are supported to transition from more expensive residential placements to semi-independent placements and fostering options. WLA commissioning function is being

			used to control unit costs. Joint commissioning with Health was successfully developed in 2019/20 and this will be built on to ensure further contributions to placement costs.
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3.3 Community Well-Being (CWB) (General Fund)

CWB Department	Budget (£m)	Forecast excluding COVID-19 Impact (£m)	Forecast Overspend/ (Underspend) (£m)	Additional costs/ loss of income due to COVID-19 (£m)	COVID-19 Related service underspends (£m)	Total (£m)
Housing	8.0	8.0	0.0	5.6	0.0	5.6
Public Health	21.8	21.8	0.0	0.3	0.0	0.3
Culture	5.1	5.1	0.0	1.2	0.0	1.2
Adult Social Care	99.3	99.3	0.0	9.5	(2.4)	7.1
Total	134.2	134.2	0.0	16.6	(2.4)	14.2

3.3.1 Excluding Covid-19 related pressures, CWB is forecast to break even. The impact of the pandemic on this department is currently estimated to be £16.6m.

3.3.2 COVID-19 is forecast to have the following impacts on the housing general fund totalling £5.6m: £2.5m for loss of rental income, £0.3m for reduced income from enforcement activities, £1.4m in additional costs tackling homelessness, £0.2m commissioning a homelessness support contract and £1.2m cost from delays in implementing the Temporary Accommodation reform plan.

3.3.3 The loss of rental income from Housing Needs tenants in General Fund properties is forecast to be £2.5m. The rent collection rates across broader Temporary Accommodation have dropped from circa 95% prior to the Covid-19 outbreak down to 77%. This can be partially attributed to delays in newly homeless people registering and receiving Housing Benefit towards their accommodation costs. However, another factor in the decline in rent collection is that tenants ineligible for Housing Benefit may be less able to pay rent due to the wider economic impact of Covid-19. The forecast also takes into account that a potential prolonged recession may impact the collection rates further in future quarters and increase the levels of bad debts incurred by the

Council. These projections will continue to be closely monitored as the impact of the pandemic and potential recession becomes more certain.

- 3.3.4 In addition to the rental income losses, a reduction in income is anticipated from enforcement activities, creating a funding gap of £0.3m in the Private Housing Services.
- 3.3.5 Within the Housing Needs service, an additional £1.4m is forecast to be spent on accommodating the increased demand and providing temporary accommodation to homeless people through the outbreak. Most of these clients are considered to be formerly hidden homeless and have been accommodated by the Council as part of the emergency response. The £1.4m includes cost of accommodation, food provision and security in hotels, as well as one-off costs for making permanent placements into the Private Rented Sector. However, whilst a significant proportion of clients will have their rents covered by Housing Benefit or EEA nationals grant, a residual ineligible group will result in ongoing housing costs to the Council. This forecast is net of specific secured government grants and assumed Housing Benefit income.
- 3.3.6 Of the total £1.4m forecast, £0.8m relates to the cost of continuing to support a cohort with no recourse to public funds (including housing benefit). Members have made a decision not to continue to accommodate this cohort post 1 July and the service will be lobbying MHCLG for additional funding to support this cohort. If successful, more of the costs above would be covered.
- 3.3.7 There are also potential costs of £0.2m forecast to be incurred on commissioning a homelessness support contract from the charitable sector and additional temporary staffing resource, both of which are necessary to cope with the increased demand.
- 3.3.8 The ongoing pandemic has also affected the deliverability of the planned savings. In Housing, £1.2m of planned savings that form part of the Temporary Accommodation reform plan, are at risk. The crisis has caused delays to the construction and procurement of new properties. The threshold for TA placement has also been reduced due to Covid-19, which has temporarily increased demand through the lockdown period. Whilst alternative plans and mitigations are in place, there is a risk that the full savings target will not be achieved in 2020/21 due to Covid-19. Covid-19 is also forecast to put £0.3m public health recommissioning savings at risk.
- 3.3.9 The Culture service, which encompasses Libraries and Leisure Centres, is expected to be impacted by Covid-19 by £1.2m. Sports centres have forgone their expected income during the lockdown and support has been provided for operational and mothballing costs for the leisure centres. The loss of income from leisure services at Bridge Park and Vale Farm is estimated to be £0.4m, and the cost of mothballing Vale Farm and Willesden Sports Centre is forecast to be £0.7m. In addition, £0.1m of income generated by libraries is expected to be lost across the full financial year.
- 3.3.10 The Covid-19 outbreak has not resulted in significant extra costs for Public Health. However, £0.3m of savings linked to re-procurement of contracts will not be delivered in 2020-21. The total grant for 2020-21 is £21.8m.

- 3.3.11 The forecast impact of COVID-19 on additional costs or loss of income in Adult Social Care is £9.5m. This consists of: £4.4m costs for PPE, £1.4m for additional residential and nursing placements, £0.4m in increased homecare payment rates, £0.6m for commissioned homecare packages from April to July, £2m in delayed NAIL savings, £0.4m in delays to daycare savings, and £0.3m in other small items. These additional costs are explained further in the paragraphs below.
- 3.3.12 In Adult Social Care, the major financial impact of the COVID-19 pandemic for CWB is the cost of procuring Personal Protective Equipment (PPE) and distributing it free of charge to care providers. The Council is better able to source and buy this equipment than many care providers who would struggle given the competitive market. Allocating it out to providers is part of the emergency response, but also prevents further pressure on cost of care as if this was left to providers themselves they may not achieve value for money and would pass on increased costs to the Council. As of the end of August £2.5m worth of PPE had been bought and the estimated usage rate is £58k per week, which results in a forecast of £4.4m for the year. This is somewhat reduced from the forecast in Q1 of £5.9m as the costs of PPE have reduced since the height of the pandemic and providers are able to source some of their own PPE through their supply chains. It is expected that this forecast could reduce further as the Government has recently announced that it will be able to provide PPE at no cost to all care homes for the remainder of this financial year but the forecast is currently unchanged as the Authority awaits further clarification of how this will be delivered.
- 3.3.13 For the duration of the Covid-19 pandemic period from March 19th until August 31st Brent CCG commissioned all Residential and Nursing placements. However from 1st September the Council will need to cover these costs. It is estimated that the CCG have made fifty-six more Residential and Nursing placements than what the Council would typically make during the same period. Additionally during the pandemic period the placements made by the CCG have typically 33% more expensive than the usual cost to the council. If all of these placements have to be funded by the Council from September onwards this creates a cost pressure of £0.2m per month which equates to £1.4m for this financial year.
- 3.3.14 As part of the response to the pandemic the payment rates for all homecare providers was uplifted by 5% to £16 per hour as an interim measure until the Council is able to implement London Living Wage. The above-inflation cost of this measure is £0.4m for this financial year. A further support measure was to pay homecare providers at commissioned levels for homecare packages from April to July which has an approximate cost of £0.6m. Homecare providers are being paid based on actual delivery of care from August onwards. Both measures are being funded out of £1.5m of budget was earmarked for starting to implement the London Living Wage for Homecare workers as these contracts will not be rolled out until quarter 4.
- 3.3.15 Also in the MTFs, there are some reported risks to savings such as an incomplete saving on Daycare from 2019/20 of £0.3m and a further Daycare saving of £0.3m for this year, but the delivery of these savings is dependent upon how Daycare will be delivered in a post-Covid environment. This is expected to create additional costs of

£0.4m in 2020-21, of which £0.3m can be mitigated by additional savings found from COVID-19 related underspends as detailed below.

- 3.3.16 There are some other direct minor costs as a result of COVID-19 such as paying directly for care home agency staff, equipping the Peel Road NAIL scheme as a discharge facility and providing shopping calls for those service users who were self-isolating. These costs total £0.3m.
- 3.3.17 The NAIL programme has been delayed because of Covid-19 as it has not been possible to move any clients into NAIL schemes for the duration of the pandemic period. It had previously been agreed that the £2m NAIL savings could be re-profiled from 2020/21 to 2021/22, this creates an overspend of £2m. In addition, due to the delays in moving clients some of these savings may be further delayed.
- 3.3.18 It is expected that Adult Social Care will be able to identify in-year COVID -19 related underspends of £2.4m largely from a reduction in demand from Residential and Nursing placements. Adult Social Care had been set a target of funding £2.1m savings, so the additional saving will be used to offset most of the £0.4m cost of not achieving the Daycare saving.
- 3.3.19 From March to July there has been a reduction in demand of 64 Residential and Nursing placements because of additional COVID-19 deaths. This equates to an annualised saving of £2m and an in-year saving of £1.5m.
- 3.3.20 The remainder of the target will be met through the £0.9m funding that the Council is expecting from Brent CCG arising from a pooled budget that has been created between the Council and the CCG to enable the Council to claim back additional costs arising from hospital discharges made during the Covid-19 pandemic.

Key Assumption	Downside if worse	Upside if better	Mitigations
That the additional numbers of homelessness can be brought down to c.25 people by the end of Q2, down from 50 at the moment.	Each person costs on average £380 per week to accommodate, so a delay for 13 weeks (1 quarter) of 10 people will cost an additional £50k.	Faster progress on homeless pathways will reduce expenditure by £380 per person per week.	Additional support (at additional cost) is being brought in to assist moving homeless clients along the various pathways. Bids for additional government funding and use of FHSG reserves can offset the overspend.
That the YTD collection rate for Housing Needs stays at 77%, compared to 95% last year.	A 5% worsening in the collection rate will cost £0.8m	A 5% improvement in the collection rate will recover £0.8m.	Collection rates are being closely monitored and investigations into the drivers for the movements in the collection rates are ongoing.

That the Council continues to provide PPE to social care providers free of charge at a cost of £58k per week.	Any additional PPE demands will add to the forecast £4.4m spend.	Stopping the supply of PPE could save on expenditure, but providers are likely to then demand higher fees.	Potential to fund some expenditure from the Public Health grant.
That the additional cost of CCG placements reverts to the council from September onwards.		Projected at £200k a month, so if the NHS continues to fund this will bring the forecast cost down.	Work with the CCG to prevent excessively priced care packages and review all care placements to ensure that social care only are responsible for funding those costs .

3.4 Customer & Digital Services (CDS)

Operational Directorate	Budget (£m)	Forecast excluding COVID-19 Impact (£m)	Forecast Overspend/ (Underspend) (£m)	Additional costs/ loss of income due to COVID-19 (£m)	COVID-19 Related service underspends (£m)	Total (£m)
Customer And Digital Services Director	0.7	0.7	0.0	0.6	(0.0)	0.6
Customer Services	9.9	9.9	0.0	2.3	(0.3)	2.0
Shared ICT Service	0.0	0.0	0.0	0.2	0.0	0.2
ICT Client And Applications Support	6.3	6.3	0.0	0.1	(0.2)	(0.1)
Procurement	1.3	1.3	0.0	0.6	0.0	0.6
Transformation	3.0	3.0	0.0	0.1	(0.1)	0.0
Total	21.2	21.2	0.0	3.9	(0.6)	3.3

3.4.1 Excluding the impact of COVID-19, it was expected that the department would break-even overall by year end.

3.4.2 The department is forecasting an overall impact of £3.9m due to COVID-19, primarily made up of £0.6m cost of supplies for residents who are shielding, £1.5m additional discretionary housing payments and cost of delays in processing housing benefit applications. In addition, the procurement team are now undertaking the purchasing of PPE on behalf of the council and is currently forecast to spend £0.6m.

3.4.3 CDS is required to identify £0.6m of in-year COVID-19 related underspends and so far is on track to deliver this in full, which should reduce the overspend to £3.3m. These understands have been found as a result of delayed recruitment to posts, holding posts

vacant, reduced use of ZIP cars, reduced use of resilience contracts and various other activities related to changes in demand as a result of COVID-19.

3.5 Regeneration & Environment (R&E)

R&E	Budget (£m)	Forecast excluding COVID-19 Impact (£m)	Forecast Overspend/ (Underspend) (£m)	Additional costs/ loss of income due to COVID-19 (£m)	COVID-19 Related service underspends (£m)	Total (£m)
Environmental Services	32.3	32.3	0	6.1	(0.2)	5.9
Regeneration Services	0.5	0.5	0	1.0	(0.5)	0.5
Property Services	6.1	6.4	0.3	0.3	0	0.6
R&E Directorate	1.6	1.3	(0.3)	3.1	(0.2)	2.6
Total	40.5	40.5	(0.0)	10.5	(0.9)	9.6

3.5.1 The department is currently forecasting a net overspend of £9.6m for 2020/21 based on current trends and assumptions around COVID-19 implications. This includes a £10.5m financial pressure due to COVID-19, offset by £0.9m COVID-19 related underspends.

3.5.2 The forecast breakeven position (excluding COVID-19) consists of:

- i. £0.3m overspend within Property & Assets due to additional staffing costs and an unbudgeted water bill.
- ii. Offsetting £0.3m underspend from the R&E directorate due to small efficiencies across the directorate, and releasing money set aside for the projects that are not expected to materialize.

3.5.3 The £0.9m COVID-19 related underspend has been identified within the department to contribute to the one-off corporate target. This is predominantly as a result of additional income generated by planning fees, the Mortuaries service, and underspends of staffing budgets from held staff vacancies.

3.5.4 The department's finances have been significantly impacted by the COVID-19 outbreak and the largest attributable costs and income losses include:

- i. £1.6m potential additional cost for SEN transport (Brent Transport Service). This relates to possible social distancing measures and additional buses required.

- ii. £3.3m estimated reduction in income for parking due to reduced motoring activity during 2020/21
- iii. £1.0m reduction in Highways & Infrastructure fees and charges
- iv. £1.3m pressure in Public Realm for acceptance of liability for increased residual tonnage, agreement to pay Veolia agency staffing costs and loss of income from garden waste and bulky waste

3.5.5 The impact of Covid-19 was previously estimated at £17.3m in Q1, but this has been revised down significantly as Covid-19 restrictions are revised, and the impact is further understood. The main changes to the financial impact are:

- i. Social distancing has not been required on SEN transport services. This reduced the worst-case scenario of £6.6m of additional costs for BTS, down to £1.6m.
- ii. Motoring activity has increased more quickly than expected in June, which combined with the redeployment of parking enforcement has meant the loss of anticipated income for the parking service has been revised down from £4.7m to £3.3m
- iii. The impact on planning fee income, previously forecast at £0.5m loss, has been removed. This is largely because three major developers have agreed costs in principle improving the PPA income forecast, and there has been confirmation that the GLA funding will be available for the full financial year.

3.5.6 There are a number of risks and uncertainties within the service that may affect the projected outturn and assumptions made. The uncertainties around SEN transport and Parking have been mentioned above. These continue to be analyzed as Covid-19 restrictions evolve. Commercial rental income is likely to suffer as tenants may be unable to pay rent and the recent introduction of new legislation that prevents the Council taking possessions for non-payment is also a factor. The longer-term impact on income anticipated from building control applications is also uncertain due to slow progress on current Major Projects and a potential reduction in the number of new Major Projects received

3.6 Central items - Collection Fund

3.6.1 The budgeted net collectible amount for Council Tax (after exemptions, discounts and Council Tax support) is £160.5m. The actual net collectible amount as at August 2020 has not changed since May 2020. It is expected that this figure may decrease during the year if new properties are not completed as expected and additional Council Tax Support granted to residents increases substantially due to COVID-19. This is being closely monitored to assess the overall impact over the timeframe of the medium term financial plan. As at the end of August 2020 the amount collected was 38.6% and in line with the revised in-year target. The amount collected in the same period last year was 41.8%.

3.6.2 The budgeted net collectible amounts for Business Rates (after exemptions, reliefs and discounts) is £130.5m. The actual net collectible amount as at August 2020 is £80.3m, a decrease of £50.2m since May 2020. The reduction is a direct result of additional reliefs granted to businesses as a result of COVID-19 which reduces their tax burden. The council will receive a direct grant to compensate for the loss of income from the government. This figure can vary during the year as new assessments are made, which may include additional premises, or reductions due to successful appeals. As at the end of August 2020 the amount collected was 32.14%, significantly lower than the amount collected in the same period last year, at 46.88%. This is primarily due to payment deferrals that have been granted to support businesses through the impact of COVID-19.

3.6.3 Movements between the budget and actual collectable amounts affect the overall level of balances held on the Collection Fund at year end after deducting charges. The income due to the General Fund from the Collection Fund is forecast on budget with no variation expected. As a result of COVID-19, it is expected that there will be a significant impact on the collection of council tax and business rates for the remainder of 2020/21. The impact of this reduction in income would be phased over three years as the deficit is repaid to the Collection Fund, in line with the revised national accounting rules governing the collection of council tax and business rates.

3.7 Central items - Capital financing and other central items

3.7.1 It is expected that people and organisations who owe the council money will be slower to pay these debts. In some cases council initiatives, such as payment deferrals and reduced recovery actions, will have a direct impact on debt collection and ultimately fewer debts will be repaid in full. Some of the council's debt has already been impaired to recognise this, but these costs are uncertain and could increase. As a result of the postponement of normal debt recovery action, it is too early to be able to estimate the short and long term impact on collection. However, the data will continue to be monitored and analysed accordingly as recovery action resumes.

3.7.2 The capital financing budget for 2020/21 is £23.4m and is currently forecast to spend to budget, as set out below.

	£m
Interest Payable	23.1
Interest Receivable	(7.2)
Capital Financing and Minimum Revenue Provision	7.5
Total	23.4

3.8 Dedicated Schools Grant (DSG)

Funding Blocks	DSG Funding (£m)	Forecast excluding Covid-19 related pressures (£m)	Over/ (Under) spend (£m)	Additional costs/ loss of income due to Covid-19 (£m)	COVID-19 Related service underspends (£m)	Total (£m)
Schools Block	233.8	233.8	0	0	0	0
High Needs Block	62.2	65.4	3.2	0.3	0	3.5
Early Years Block	22.9	22.9	0	0	0	0
Central Block	2.2	2.2	0	0	0	0
Total DSG	321.1	324.3	3.2	0.3	0	3.5

- 3.8.1 The DSG is forecast to overspend by £3.5m against grant funding due to increased demand on the High Needs Block and additional costs incurred due to Covid-19. The High Needs block funding allocation for 2020-21 increased by £5m which represents an 8% increase however further growth in Education Health Care plan (EHCP) numbers has resulted in forecasted overspends in top-up funding predominantly in out of borough special schools, mainstream schools, independent residential schools and post-16 placements. There has been an 18% increase in the number of EHCPs, which have risen from 2173 at the end of 2019/20 to 2570 as at the end of June 2020 and numbers are still rising.
- 3.8.2 The growth in EHCPs is a London and national trend whereby the number of children assessed as meeting the threshold for support continues to increase, but High Needs funding has not increased in line with the exponential growth in overall pupil numbers creating financial pressures. The average cost of funding the services required by an EHCP is £20k and costs currently range from £4k for support in a mainstream school to £176k in specialist independent out of borough settings
- 3.8.3 Apart from the pressures arising from EHCPs, there is a projected overspend of £0.5m against the SEN service budgets primarily due to spot purchases in the Speech and Language Therapy service to accommodate needs of children over and above the budgeted contract value and there are also pressures against the under 5s specialist nursery panel due to increased demand.
- 3.8.4 There is an estimated cost against the high needs block of £0.3m incurred to support the vulnerable children and young people during the COVID-19 pandemic lockdown and support post lockdown to fund additional tuition, therapy and specialist equipment costs.
- 3.8.5 At the end of 2019/20, the DSG budget was in deficit of £4.9m and including the current forecast overspend this could result in an overall DSG deficit of £8.4m at the end of 2020/21. The regulations make clear that the deficit can be carried forward to be funded from future year's funding and/or recovery plans agreed with the DfE. A task group has been set up by the council to coordinate and monitor actions that may

recover the deficit. The blocks will continue to be monitored and reported to the Schools Forum in addition to Cabinet.

3.9 HRA

HRA	Budget (£m)	Forecast excluding COVID-19 Impact (£m)	Forecast Overspend/ (Underspend) (£m)	Additional costs/ loss of income due to COVID-19 (£m)	COVID-19 Related service underspends (£m)	Total (£m)
HRA	0.0	0.0	0.0	2.9	0.0	2.9

- 3.9.1 The budgets for the Housing Management function are contained within the ring-fenced Housing Revenue Account (HRA), which has a balanced budget set for 2020-21. The total potential budgetary pressure as a result of the ongoing pandemic is currently estimated to be £2.9m.
- 3.9.2 Of the total £2.9m potential budgetary impact, £2m is attributed to an increase in rent arrears. This is based on the decline in rent collection rates experienced to date, extrapolated to forecast the impact for a full year, and accounting for the potential future impact of a possible recession depressing the collection rates and increasing the levels of bad debts further.
- 3.9.3 Setbacks to new build developments are expected to result in a delay in letting new properties out to tenants, therefore increasing the loss of rental income further by £0.2m. However, it is not anticipated that the expenditure on new builds will be significantly lower than the annual capital budgets.
- 3.9.4 In addition, it is forecast that 10% of service charges income will be under-recovered, which is estimated to be £0.5m. This is in line with Bank of England forecasts on consumer credit and debt recovery.
- 3.9.5 Additional costs of £0.2m are forecast to be incurred on providing estate caretaking services through the pandemic without compromising on the standards of service. This includes sourcing additional personal protective equipment and employing additional temporary staffing resource to provide cover for colleagues staying in isolation.
- 3.9.6 The HRA operating reserve currently stands at £1.4m and the identified pressures will continue to be closely monitored. Mitigating action, such as re-scheduling major works and new build capital investments, will be considered if required, to avoid the HRA going into deficit.

4 Capital Programme

- 4.1 Table 2 below capital programme shows the forecast to budget position as 31 July 2020. The original approved capital programme for 2020/21 totaled £292.5m. It should be noted that the revised budget reported at July cabinet for 2020/21 was £350.9m.

4.2 The budget has been revised to £246.8m to reflect the programme slippage, additions and re-profiling of schemes since July cabinet. The main changes are set out and explained in table 1 below.

Table 1

Directorate	Revised Budget (Cabinet July 2020)	Revised Budget	Budget Movement
	£m	£m	£m
Corporate Landlord	27.8	17.7	(10.1)
Housing Care Investment	226.4	150.0	(76.4)
Public Realm	28.1	28.1	0.0
Regeneration	22.2	26.2	4.0
Schools	19.3	14.6	(4.7)
South Kilburn	26.5	9.6	(16.9)
St Raphael's	0.6	0.6	0.0
Total	350.9	246.8	(104.1)

4.2.1 Corporate Landlord - £11m loan planned to be advanced to United Colleges Group (UCG) has been re-profiled to future years.

4.2.2 Housing Care Investment:

- i. General Fund – realignment and re-profiling of planned spend to future years undertaken on a number of schemes (£20.8m Allotment Roundwood scheme, £11.5m Learie Constantine, Brent Indian Community Centre (BICC) and Preston Community Library schemes and £5.4m on Honey Pot Lane and £2m on Clock Cottage).
- ii. HRA – realignment and re-profiling of planned spend to future years undertaken on a number of schemes (£18.8m New Homes Programme, £1.2m Major works). In addition £14m planned spend on Infill schemes will not be required. HCIB has agreed the underspend from the Infill schemes to be repurposed to fund Grand Union homes.

4.2.3 Regeneration – £8.7m Olympic Way Improvements budget has been brought forward, this is being offset by the re-profiling of the £3.4m Brent contribution to the CCG medical centres and £1.7m on Picture Palace to future years.

4.2.4 Schools – Due to the Secondary School expansion project being put on hold for a year the planned spend of £6.8m has been re-profiled to future financial years. The Asset Management Programme (AMP) budget has been accelerated by £0.5m in addition to £1.3m from the contingency budget and a new budget of £0.2m was requested for Roundwood Free School Provision.

4.2.5 South Kilburn – Due to delays the planned spend has been re-profiled to reflect the progress on property acquisitions across the schemes.

Table 2

Directorate	Original Budget (Approved Feb20) (£m)	Revised Budget (£m)	Current Forecast (£m)	Over / (Under) Spend to Budget (£m)
Corporate Landlord	22.3	17.7	9.6	(8.1)
Regeneration	18.7	26.2	25.5	(0.7)
St. Raphael's Estate	0.3	0.6	0.5	(0.2)
Housing Care Investment	191.1	150.0	150.2	0.2
Schools	11.6	14.6	12.2	(2.3)
South Kilburn	24.2	9.6	8.1	(1.5)
Public Realm	24.2	28.1	20.8	(7.4)
Total	292.4	246.8	226.9	20.0

4.3 The current forecast outturn is £226.9m against the revised budget and an underspend of £20m. An explanation of the variance of current forecast to the revised budget is provided in the paragraphs below.

4.4. Corporate Landlord

4.4.1. Reporting £8.1m underspend due primarily to the £7.5m Utilising Surplus property budget which has not been spent. It is proposed that the budget is paused as part of the capital programme review. In addition there is £0.8m underspend on the Energy programme which is offset by historic overspends in ICT projects.

4.5. Regeneration

4.5.1. Reporting £0.7m underspend due to £0.4m on Bridge Park and £0.2m for Liveable Neighbourhoods programme which has been paused indefinitely by TFL but has not been cancelled officially.

4.6. St Raphael's

4.6.1. Reporting £0.2m underspend to budget due to the impact of COVID-19 on our ability to engage with residents to support decisions internally about viability of redevelopment.

4.7. Housing, Care and Investment

4.7.1. The New Council Homes Programme (HCHP) is underspending by 0.8m due to delays in start on sites at Kings Drive Mason Court, Gloucester Close, Frontenac and Hindhurst Close schemes. In addition due to increase in demand, Disabled Facilities Grant (DFG) is expected overspend by £1m. HCIB recommended an increase in the DFG budget to be funded from the DFG reserve.

4.8. Schools

4.8.1. Reporting £2.3m underspend of which £1.9m is projected on the phase 3 Primary Schools projects at Uxendon Manor and Elsley. In addition there are underspends of £0.4m forecasted on the AMP programme and Ark Elvin project.

4.9. South Kilburn

4.9.1. The £1.5m is underspend due to delays in securing property acquisitions on the whole programme. The forecast has been revised down to reflect progress on property acquisitions.

4.10. Public Realm

Reporting a £7.4m underspend across a number of infrastructure improvement programmes. £2.3m relates to the LIP grant allocation for 2020/21 paused by Transport for London (TfL) due to the COVID-19 outbreak. Instead TfL has replaced this with funding for the Mayor's Streetspace Plan for improvement in infrastructure to enable social distancing on high streets and walking and cycling routes. In addition, £3m spending on planned footways works which were paused due to the pandemic outbreak has been re-profiled to next financial year. There are also additional underspends of £2.1m forecasted in landscaping, sports and street lighting.

4.11. The capital programme is continually reviewed to assess the financial and delivery implications of the COVID-19 crisis on programmes and projects planned to be completed during this financial year. There are some savings anticipated from the recent review undertaken. A report will be brought to CMT once the review has been completed.

5 Financial Implications

5.1 This report is about the Council's financial position in 2020/21, but there are no direct financial implications in agreeing the report.

6 Legal Implications

6.1 Managing public money responsibly is key legal duty, but there are no direct legal implications in agreeing the report.

7 Equality Implications

7.1 There are no direct equality implications in agreeing the report.

Report Sign Off

MINESH PATEL
Director of Finance