

Appendix 3

April 2020 COVID-19 Finance Update

1.0 Purpose of the Report

- 1.1 This report brings together the councils initial estimate of the financial impact, based on current information, of the COVID-19 outbreak. The estimates within this paper are based on a baseline assumption that the lockdown protocols will last three months and a further three months will be required to return to a form of normality.
- 1.2 In response to the outbreak, the government has been making daily announcements and more understanding of the potential impact of COVID-19 on local government finances is emerging. In addition, a COVID-19 tracker is being maintained of all additional expenditure, as well as loss of income and the impact on the delivery of savings, across the Council.

2.0 Recommendation(s)

- 2.1 For the Audit and Standards Committee to note the information within this appendix.

3.0 COVID-19 Emergency Funding

- 3.1 The table below summaries the measures announced as of 14 April 2020, based on current information.
- 3.2 An additional £1.6bn was announced for local councils by the government over the weekend of 18 April, but no specific allocation has been provided to Brent as of yet.

Table 1

Measure announced	Amount for Brent (£m)	Further detail
Additional Funding		
Share of £500m Hardship fund	£3.9	It is not clear if this grant will be subject to clawback, however the Government's expectation is that all recipients of working age council tax support will receive a further reduction of £150. Currently there are 18,280 recipients and this is expected to increase as applications of Universal Credit increase nationally.

		Currently awaiting further government guidance before re-billing can occur.
Share of £1.6b allocated from £5b Coronavirus Response fund	£9.3	This grant is not ring fenced and is intended to help address the pressures across all the services the council provides.
Business Rates Additional Discounts		
100% Expanded Business Rates Retail Relief regardless of rateable value	£53.6m	Brent, like all Local Authorities, will be fully compensated for these reliefs.
Grants to Businesses		
£10k for small businesses	£64.4	£12.3b was paid out nationally on 1 April 2020. There are no workings provided for the amount received and it is a payment on account, i.e. as authorities will be funded on outturn costs, to be confirmed in the future, with weekly monitoring required to pick up additional funding needs. Payment of grants commenced on 3 April 2020.
£25k for retail, hospitality, leisure, estate agents, lettings agencies and bingo halls		

4.0 Summary of key financial challenges

- 4.1 As a result of these extraordinary circumstances, it is expected that departments, in particular Regeneration & Environment, will experience income and expenditure pressures over and above that which their current budgets are based upon, which were agreed by Council in February 2020. The magnitude of these expenditure pressures will depend on the severity of the pandemic and how long the pandemic lasts.
- 4.2 A tracker has been created to record these additional pressures, which includes additional expenditure pressures, loss of income, impact on savings and capital programmes and treasury management issues. The table below provides a summary of the expected loss of income and costs to the council as a result of COVID-19, assuming that the current social distancing measures are in place for three months and that the financial impact is experienced for an additional three months to 30 September 2020. This is a first round of data gathering and there are significant uncertainties and some gaps in the estimates. Therefore, figures are likely to change over time as data is refreshed.

Table 2

Directorate	19/20 Impact (£m)	20/21 One-off/3 month lockdown impact to 30 Jun 20 (£m)	20/21 Additional cost if extended till 30 Sep 20 (£m)	Total impact (£m)
General fund				
Assistant Chief Executive	0.0	0.4	0.1	0.5
Children and Young People	0.0	1.4	1.6	3.1
Community and Wellbeing	0.3	3.7	3.5	7.5
Customer and Digital Services	0.0	6.1	2.3	8.4
Regeneration and Environment	0.1	6.4	5.5	12.1
Sub total	0.5	18.1	13.1	31.7
DSG	0.0	0.2	0.1	0.3
HRA	0.0	1.6	1.8	3.4
Total	0.5	19.9	15.0	35.4

- 4.3 Total additional spend to date (17th April) on Covid -19 response stands at £1.568m with a forecast of this increasing to £2.204m by the end of April. This The monthly ongoing costs at £0.982m with are current level of intervention.

Item	Spend to 17th April £m's	Forecast to end of April £m's	Additional Month cost £m's
Purchase of PPE for providers and staff	0.5	0.7	0.3
Equipping Peel Road step down facility for clients discharged from hospital and care contract for operating company	0.03	0.04	0.07
Paying for Agency staff to assist Homecare providers	0.007	0.014	0.028
Emergency Accommodation for Rough Sleepers and Homeless	0.175	0.288	0.229
Overflow mortuary	0.32	0.54	0.22
Veolia (Additional agency costs)	0.067	0.112	0.09
Additional staffing hours - Customer Access	0.013	0.018	0.01
Other IT related expenditure for Distance working	0.44	0.45	0
Shielding	0.016	0.042	0.035
Total	1.568	2.204	0.982

5.0 Impact on 2020/21 savings and MTFs

- 5.1 The budget agreed by Council in February 2020 included savings of £7.4m in 2020/21, in order to deliver a balanced budget. Assuming the baseline assumption that the lockdown protocols will last three months and a further three months will be required to return to a form of normality, the impact on the savings planned for delivery in 2020/21 have been reviewed.
- 5.2 Overall, the analysis above shows that of the £7.4m planned savings in 20/21, £1.6m have already been delivered (either delivered early or not affected by the impact of COVID-19), £2.9m are at risk of not being delivered and £2.9m will not be delivered in 20/21.
- 5.3 Further analysis will need to be conducted to understand whether (i) the savings at risk will not be delivered at all, (ii) the savings at risk will be delivered but there may be some degree of slippage and/or (iii) mitigating actions can be implemented in the short term. An initial analysis is described in the following paragraphs.

Community Wellbeing

- 5.4 A total of £4.2m savings were planned from the CWB department budgets, but £2m of these relate to the ongoing NAIL programme and were already re-profiled to the 2021/22 financial year, with reserves being used in 2020/21. In terms of those savings at risk, COVID-19 has impacted some of the budgeted measures as officers have delayed recommissioning of homecare and day care provision in order to focus on the emergency response. The opening of the Family Wellbeing centres is delayed to December 2020 so the public health recommissioning savings are also rated at risk. No significant financial savings are expected from these measures in 2020/21, creating a pressure of £0.8m.

Children & Young People

- 5.6 There are two savings targets to be delivered by the CYP department in 2020/21 and due to the impact of the COVID-19 pandemic, there will be slippage in delivery of these savings. The targets include £1.49m to develop family hubs from children's centres renamed Family Wellbeing Centres (FWC). It was expected that this savings target will slip, as the existing contracts supporting the current arrangement in place were due to expire in August 2020 with a go live date of September 2020 for the new FWCs. However, due to the COVID-19 pandemic, the contracts will be extended for a further three months with the expectation of a revised go-live date of December 2020.
- 5.7 The other savings target in CYP of £0.1m relates to developing a shared fostering service with three other West London Alliance (WLA) boroughs, resulting in staffing efficiencies. In 2019/20, a grant of £0.1m seed funding was awarded to the WLA with Brent being the lead authority to create a West London fostering agency. A business case was developed for submission to

the DfE for further seed funding allowing creation of the joint fostering service but due to the pandemic, the DfE has suspended activity on this until further notice.

Regeneration & Environment

- 5.8 A total of £0.8m in savings was expected to be delivered by the R&E department in 2020/21. Of the five savings identified, two are still on track to be delivered and are rated green. The service is still able to deliver £0.5m of savings by dimming street lights and achieving staffing efficiencies. These savings are not impacted as a result of the COVID-19 outbreak as the Council is still able to adjust LED lighting output to reduce energy costs and carbon emissions.
- 5.9 The remaining three savings amounting to £0.3m relate to income generation and have been rated at risk as the ability to achieve them has been affected by the government's social distancing measures. Both, commercial rental income and building control income generation is expected to be severely affected due to this. In addition, activity in Wembley is unlikely to increase which will have a negative impact on the ability to attain a rise in licencing income due to the same reason.

Customer & Digital Services and Assistant Chief Executive

- 5.10 At this stage, it is assumed that all of the savings in CDS and ACE will be delivered.

Summary

- 5.11 Further analysis will be conducted and reported alongside the existing budget monitoring regime, which is due to begin in May 2020. However, an initial analysis suggests that most of the savings at risk will be subject to some degree of slippage, rather than not being delivered at all. As mentioned in section five of this report, where there is delay in the delivery of 2020/21 savings and mitigating actions are not sufficient to cover the balance required, the subsequent overspend will have to be funded from the reserves identified to manage the impact of COVID-19.
- 5.12 This short term measure is a reasonable approach that will ensure the financial position of the Council is sound for 2020/21. However, the extent to which savings will not be delivered at all, without sufficient mitigating actions, will have a longer term impact on the Medium Term Financial Strategy. Based on current budget assumptions, savings of £6.1m are required between 2021/22 and 2022/23. Therefore, the total value of savings not delivered in 2020/21 will increase the savings target in those future years.
- 5.13 The current MTFS contains a number of assumptions, the most significant being assumptions on inflation (contract inflation and demographic growth) and government funding. The MTFS position is subject to change as assumptions are reviewed as part of the budget setting process and when announcements

are made by government as part of, for example, the spending review. To date no announcements have been made by government on the future of local government finance, for example the Fair Funding Review and the reform to the business rates regime.

6.0 Funding Options

- 6.1 Table 2 shows that based on current estimates, the net cost of COVID-19 is expected to be £35.4m, which is considerably more than the £9.3m funding recently announced (£3.9m Hardship funding and associated expenditure is not recorded in the table). That being said, the Government have consistently said that it is committed to supporting local authorities to play their part in the national effort and, to do so effectively, they have implemented a monthly data collection form to record how funding is being used, any changes to income and expenditure and emerging pressures.
- 6.2 The first MHCLG data collection return was issued on 8 April 2020, with a deadline of 15 April 2020.
- 6.3 The cost estimates set out in this report are considerable and the Council is working to the assumption (based on assertions made by Chancellor of the Exchequer, Rishi Sunak) that these costs will be fully reimbursed. In the event that there is a shortfall, as a last resort there are some alternative options that could be implemented as “one off” measures in order to keep the council on a sound financial footing.

Annex 1 - Summary of financial pressures

1.0 Community Wellbeing

- 1.1 In 2019/20, Covid-19 costs to date have mainly been incurred by Adult Social Care. £0.15m has been spent on Personal Protective Equipment (PPE) to equip social care providers.
- 1.2 £0.1m has been spent on equipping the Peel Road property as a step down facility for patients discharged from hospital who need to continue to self-isolate due to Covid-19.
- 1.3 In 2020/21 further purchases of PPE will be made for Adult Social Care, it is estimated that the equipment purchased so far will last for 6 weeks, so a further £0.4m is forecast to be spent in the next 6 months.
- 1.4 Sickness and self-isolation will impact staffing levels across Adult Social Care. The Council is asking homecare providers to recruit additional staff so that they can be redeployed to nursing homes. The homecare providers will invoice the Council for these costs. An indicative £0.12m is included here as a marker for the next 6 months.
- 1.5 Supporting vulnerable social clients who cannot access supplies with shopping calls because of Covid-19 may cost the Council up to £50k.
- 1.6 It is likely that there will be additional social care packages because of Covid-19 which cannot be reclaimed through NHS funding, this is currently unquantified, but an indicative cost of £0.12m has been estimated.
- 1.7 Accommodation for homeless individuals to enable social distancing has been sourced at approximately £45 a night. With 74 individuals identified so far, and work ongoing it is estimated 100 people will be accommodated. This will cost £0.14m a month, £0.8m for 6 months.
- 1.8 Negotiations are continuing on providing financial support to Leisure centre contractors and Bridge Park Community Leisure Centre to maintain the centres whilst closed to the public will cost the Council £60k a month, so £0.18m for 3 months.
- 1.9 Private Housing Service income will be reduced with landlord applications anticipated to reduce, less promotion of the service, and less enforcement activity possible given the lockdown restrictions. If activity is minimal for the first 6 months of 2020/21, then the lost income will amount to £0.8m.
- 1.10 Delays to the capital programme will impact the rental income in the HRA as new properties do not come on scheme as planned. Reprofiling expected income means that these delays will cost £0.14m in Q1 of 2020/21, and £0.3m in Q2.

- 1.11 Income collection rates in the HRA are anticipated to fall in 2020/21 as the economy worsens and unemployment increases. A 10% reduction in cash collection for rents could cost £3m in lost or uncollectable income across the year.
- 1.12 Increase in void properties in the HRA; increased voids in the last weeks of 2019/20 show lost income of £2k per week. The impact of voids at this increased level would be £50k for 6 months.

2.0 Children & Young People

- 2.1 The overall pressure estimated at this stage for CYP is £3.1m based on a six-month assumption. This consists of £1.8m estimated cost pressures and £1.3m potential loss of income. The table above splits the pressures assuming an initial three-month's impact, estimated at £1.4m and if services do not return to business as usual for a further three months, the pressure is then estimated to increase to £3.1m.
- 2.2 The immediate costs incurred against the general fund in 2019/20 because of COVID-19 are minimal at £4k. These costs incurred include: purchase of additional cleaning products, cost of providing catering for one of the Council's Nurseries, and providing emergency supplies for children in care and care leavers eg travel costs, food supplies. Including overtime costs for staff supporting the Emergency Duty Team in 2020/21, these costs may increase to £63k.
- 2.3 There has been a reduction in the number of referrals in the last two weeks because of partial closure of schools and reduction in other partner services. However, the risk remains that there will be a surge in the number of referrals received by the department as restrictions continue.
- 2.4 There have been estimates calculated for additional costs, which may affect the social care budgets in 2020/21. These pressures to a total of £1.7m are as follows:
- 2.5 £0.7m - In the event a child needs to enter the care system, and be placed in a setting such as foster care, residential or semi-independent accommodation because of the impact of Covid 19 related issues, such as a rise in domestic abuse incidents or cases of family breakdown. Estimated costs for an additional 10 young people for 6 months.
- 2.6 £0.5m – Should the partial closure of schools continue for a prolonged period of time it is likely that higher numbers of requests will be made from families with children with complex needs for holiday play schemes equivalents (1:1 activity). Every summer approximately 110 children receive holiday play scheme support – equivalent to one week of activity per child. This estimate is based on providing additional support, equivalent to the holiday play scheme for 110 young people for up to 10 weeks, over the course of 6 months.

- 2.7 £0.3m – Estimate for new demand that may emerge from families with children with complex needs for care at home and/or direct payments, resulting from continued partial school closures. There are 2,300 children with Education Health and Care Plans, with 500 of these children currently receiving either direct payments or care at home support. The estimate is based on an additional 75 young people being provided with support for 6 months.
- 2.8 £0.2m – for families with children in need (s17 Children Act 1989) who may need emergency payments for food, utilities or other hardship issues due to the impact of COVID-19. The estimate is based on up to 25% of open children in need cases being provided with the equivalent of £20 per week in support for 6 months.
- 2.9 The impact of the potential loss of income in 2020/21 totals £1.3m from traded services with schools with the largest losses being Brent Music Service (£360k), the Gordon Brown Centre (£693k) due to the uncertainty surrounding the date of the re-opening of schools.
- 2.10 In 2020/21, it is estimated that there may be pressures of up to £0.3m against the Dedicated Schools Grant (DSG) funded budgets. These pressures include the need for additional tutoring costs whilst Looked After Children (LAC) are out of school an estimate of agency supply staff to cover absences and ensuring children with additional needs eg visual and hearing impairment have the necessary equipment and infrastructure in their home to enable them to continue to follow a home teaching and learning schedule.

3.0 Regeneration & Environment

- 3.1 The recent Covid-19 pandemic will create significant pressure to R&E budgets. The full picture of this is still emerging. There is initially likely to be a circa £1.2m cost of the establishment of an overflow mortuary, although it is expected that a large proportion of this will be recharged to neighbouring local authorities. In addition, additional costs of circa £240k per month are anticipated relating to the public realm Veolia contract (due to acceptance of liability for increased residual tonnage and agreement to pay Veolia agency staffing costs).
- 3.2 The additional pressures within R&E are likely to come from reduced income due to the government's social distancing measures. The largest of these is parking income (£1m per month) due to reduced motoring activity and reduced penalty charge issuance as a result of Serco staff shortages. The largest other impacts include:
- 3.3 Loss of garden waste and bulky waste income if services are stopped (£100k per month)
- 3.4 Bad debt as a result of businesses unable to pay commercial rent
- 3.5 Loss of income relating to permits and monitoring of highway costs (£56k per month)

- 3.6 Environmental enforcement income from Fixed Penalty Notices, since issuing Fixed Penalty Notices has been suspended (£50k per month)
- 3.7 Planning are likely to face a pressure of £42k a month due to reduced fee income.

4.0 Customer & Digital Services

- 4.1 The forecast pressures in 2020/21 are expected to come from the Customer Services department, primarily as a result of implementing the Government's recently announced measures to support businesses and those in receipt of the Council Tax support.
- 4.2 With the impact of COVID-19 unknown at this stage, financial modelling has been undertaken to understand the impact of an increase in CTS claims generally, excluding the £150 hardship fund. Based on current caseloads and costs, it is estimated that a 2% increase in the cost of CTS would lead to a loss of £4.1m.
- 4.3 Benefits processing might be delayed (LA error) due to an increase in the volume of claims. The current range for LA error for Brent over the last few years is £0.4m - £1.4m (based on c£350m of expenditure). If caseloads increase, the upper LA error threshold could be hit, and possibly be higher, if benefits are not processed in the usual 10 days deadline. This additional cost has been estimated at £1.4m
- 4.4 The current discretionary housing pot for Brent is £2.7m. For some claimants claiming Universal Credit and Housing Benefit for the first time, the process can be overly bureaucratic and late claims can result in large rent arrears. An estimate based on 10% of 23,000 caseloads at £868 per caseload in 26 weeks has been included at £1.5m.
- 4.5 The Customer Services team has seen an increase in number of calls for Local Welfare Assistance and in the number of awards it has made due to COVID-19 in the last two weeks. An estimated additional £0.25m is envisaged to increase the current level of reserves from £0.1m to £0.35m in order to fund the increase in demand.
- 4.6 Overtime for call centre staff has been estimated at £0.5m for 30 staff members working additional hours over a six month period.
- 4.7 Whilst there have been a few cancelled ceremonies within the Registration and Nationalities service area, these have not been significant enough to have an impact on the 2019/20 budget. However, based on the income generated in the last financial year, a projected loss of £0.5m income from bookings could materialise for the first 6 months of 2020/21.
- 4.8 Within Digital Services, £0.1m of additional expenditure is expected to be incurred on equipment, licenses and service desk engineers.

5.0 Assistant Chief Executive

- 5.1 Conference and Events: Loss of fees and charges income due to cancellation of events, meetings and conferences in the Drum. This is estimated to represent a loss of income of £0.2m from cancelled events alone. There is likely to be a further impact due to a reduction in new bookings.
- 5.2 Communications: Loss of commercial advertising income on outdoor sites and a reduction of paid for advertising in Your Brent Magazine. Additionally, there is expected to be a loss of income from film productions using council sites and parking services. Total estimated loss of £0.1m is expected in the first quarter of 2020/21. If the lockdown and social distancing measures are extended a further loss of income could materialise.
- 5.3 The Strategy and Partnerships service is considering developing additional capacity to support voluntary sector organisations. At this stage it is estimated that this will incur a one off cost of approximately £44k.