



Cabinet
12th January 2021

Report of the Director of Finance

Quarter 3 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
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1. Summary

- 1.1. This report sets out the current forecast of income and expenditure versus the revenue budget for 2020/21 and other key financial data. Total pressures for the year (COVID and non-COVID) amount to £36.9m. This is partially offset by the remaining emergency grant funding tranches 1 - 4 (£25.1m), compensation for lost fees and income totaling (£3.7m) and service COVID-19 underspends (£4.8m) resulting in a net overspend of £8m for the year. The £8m pressure can be attributed to:
- COVID-19 net pressures (£3.4m),
 - General Fund (£0.6m) and;
 - DSG (£4m).
- 1.2. Approximately £6m out of the £31.3m emergency funding awarded to date was drawn down in 19/20 to fund a bad debt impairment caused by the pandemic outbreak, leaving a balance of £25.1m to be utilised in 20/21.

General Fund / Dedicated Schools Grant / Housing Revenue Account (Excluding COVID-19)

- 1.3. Excluding the impact of COVID-19 the Council is expecting to overspend by £4.6m. £0.6m relates to Children and Young People (CYP) and £4m to the Dedicated Schools Grant (DSG). The Housing Revenue Account (HRA) is forecast to breakeven before the impact of COVID-19 is taken into account.

COVID-19 Related Pressures 2020/21

- 1.4. In addition to the £4.6m noted above, the impact of COVID-19 is predicted to add a further £37.1m of costs and income losses to services in 2020/21 (and £6.2m in 2019/20).

- 1.5. These pressures are shared between the General Fund (£34.2m), DSG (£0.2m) and the HRA (£2.7m). Further details are contained in Table 1 and throughout this report.
- 1.6. The pressures have been partially offset by emergency funding from MHCLG which totals £35.1m to date and compensatory COVID-19 related underspends totaling £4.8m.

COVID-19 Related Pressures 2019/20

- 1.7. In 2019/20 the council impaired £6.2m of debt following the pandemic outbreak. This cost provision has been reported in the council's COVID cost tracker and was funded from the Tranche 1 allocation of £9.3m received on 27th March. Whilst this does not impact in 20/21 it nonetheless counts towards the councils overall position reported periodically to MHCLG. When factoring in this additional cost, overall estimated COVID costs (for 2019/20 and 2020/21) increases from £37.1m to £43.3m.

Table 1	Budget	Forecast Overspend / (Underspend) excluding COVID-19	Additional costs/ loss of income due to COVID-19 and Savings shortfall	COVID-19 Related service underspends	Total Forecast Overspend/ (Underspend)
	£m	£m	£m	£m	£m
Assistant Chief Executive	7.9	0.0	0.9	(0.1)	0.8
Chief Executive Department	16.9	0.0	0.2	(0.3)	(0.1)
Children and Young People	48.2	0.6	4.2	(0.5)	4.3
Community and Well-Being	134.2	0.0	15.6	(2.4)	13.2
Customer & Digital Services	28.5	0.0	4.2	(0.6)	3.6
Regeneration & Environment	40.5	0.0	9.1	(0.9)	8.2
Subtotal Service Area Budgets	276.2	0.6	34.2	(4.8)	30.0
Central items	(276.2)	0.0	0.0	0.0	0.0
Grand-total General Fund Budgets	0.0	0.6	34.2	(4.8)	30.0
DSG Funded Activity	0.0	4.0	0.2	0.0	4.2
Housing Revenue Account (HRA)	0.0	0.0	2.7	0.0	2.7
Position before COVID-19 funding	0.0	4.6	37.1	(4.8)	36.9

Tranche 1 - 4 (see paragraph 1.2) (25.1)

Fees & charges compensation (3.8)

Position after COVID-19 funding **8.0**

- 1.8. These figures are more uncertain than at any similar points in previous years due to uncertainty around the severity of the pandemic during the winter period. This forecast includes updated projections following the announcement of the second national lockdown, but at the time of writing it is unclear what will follow this.

2.0 Recommendation

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

3. 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	0.8	0.0	0.8
Executive and Member Services	3.7	3.7	0.0	0.0	(0.1)	(0.1)
ACE Director	0.4	0.4	0.0	0.0	0.0	0.0
Strategy and Partnership	2.9	2.9	0.0	0.1	0.0	0.1
Total	7.9	7.9	0.0	0.9	(0.1)	0.8

Summary

- 3.1.1. The ACE department is currently forecasting a net overspend of £0.8m for 2020/21 based on current trends and assumptions around COVID-19 implications. This includes a £0.9m financial pressure due to COVID-19, offset by £0.1m COVID-19 related underspends.

Forecast excluding COVID-19

- 3.1.2. The results presented in the table above show a forecast breakeven position (excluding COVID-19) expected at the year end.

Additional costs/loss of income due to COVID-19

- 3.1.3. The department's finances have been significantly impacted by the COVID-19 outbreak and the most significant attributable costs and income losses include:

- Communication - £0.8m loss of income from venue hire at The Drum; film productions not using council sites and parking services; and loss of commercial advertisers on the bridge and banner.
- Strategy & Partnership - £0.1m additional costs from capacity development support to Voluntary Sector Organisations.

3.1.4. The impact of COVID-19 was previously estimated at £0.6m in Q2 but this has been revised to £0.9m as COVID-19 restrictions are revised and the impact is further understood. The main change to the financial impact is £0.3m within Communications, cause by further loss of income due to cancellation of events held at The Drum and lower than expected income from film production sites.

COVID-19 Related service underspends

3.1.5. The £0.1m COVID-19 related underspend has been identified within the department to contribute to the one-off corporate target. This is predominately as a result of the deferring non-essential procurement, reduced stationery spend across the council and vacant posts being held within the department.

Risks and uncertainties

3.1.6. There are a number of risks and uncertainties within the service that may affect the projected outturn and assumptions made. The uncertainties around the income from conferences and events, which is heavily affected by lockdowns, continues to be reviewed as COVID -19 restrictions evolve.

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	Total
Legal, HR and Audit	9.2	9.2	0.0	0.3	(0.2)	0.1
Finance	7.7	7.7	0.0	(0.1)	(0.1)	(0.2)
Total	16.9	16.9	0.0	0.2	(0.3)	(0.1)

Summary

3.2.1. The CE department is currently forecasting a net underspend of £0.1m for 2020/21 based on current trends and assumptions around COVID-19 implications. This includes a £0.2m financial pressure due to COVID-19, offset by £0.3 COVID-19 related underspends.

Forecast excluding COVID-19

3.2.2. The results presented in the table above show a forecast breakeven position (excluding COVID-19) expected at the year end.

Additional costs/loss of income due to COVID-19

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

- Legal, HR and Audit & Investigations- £0.3m consisting of loss of income from services offered to the construction industry and on client debt related matters due to reduced demand. 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.

- Finance - £0.1m reduction in energy costs from council owned buildings.

3.2.4. The impact of COVID-19 was remains at £0.2m since the iQ2 forecast

COVID-19 Related service underspends

3.2.5. The £0.3m COVID-19 related underspends have been identified within the department to contribute to the one-off corporate target. This is a result of delayed recruitment to posts where COVID-19 has resulted in a short term reduction in demand, bringing forward savings planned for future years and various other activities related to changes in demand as a consequence of COVID -19 .

Risks and uncertainties

3.2.6. There are a number of risks and uncertainties within the service that may affect the projected outturn and assumptions made. The uncertainties around the income of Legal continues to be reviewed as COVID -19 restrictions evolve.

3.3. 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	0.7	0.0	0.0	0.0	0.0
Early Help	4.6	4.6	0.0	1.1	(0.2)	0.9
Inclusion	1.5	1.5	0.0	0.0	(0.1)	(0.1)
Localities	15.4	16.0	0.6	0.4	0.0	1.0
Looked After Children and Permanency	6.3	6.5	0.2	0.1	(0.1)	0.2
Forward Planning, Performance & Partnerships	17.7	17.7	0.0	1.8	0.0	1.8
Safeguarding and Quality Assurance	1.9	1.9	0.0	0.0	0.0	0.0
Setting and School Effectiveness	0.1	(0.1)	(0.2)	0.8	(0.1)	0.5
Total	48.2	48.8	0.6	4.2	(0.5)	4.3

Summary

3.3.1. The department is currently forecasting a net overspend of £4.3m for 2020/21 based on current trends and assumptions around COVID-19 implications. This includes a £0.6m pressure unrelated to COVID-19 and £4.2m financial pressure due to COVID-19. These pressures are offset by £0.5m COVID-19 related underspends.

Forecast excluding COVID-19

3.3.2. The forecast £0.6m projected overspend position (excluding COVID-19), the same as the Qtr. 2's reported position of £0.6m. The forecast overspend consists of:

- £0.6m pressure against the Localities service budget which is a £0.2m reduction from the position reported at Qtr. 2 due to a transfer of unallocated growth held against the central management budget to the service. The overall pressure is mainly due to staffing pressures of £0.4m because of the use of agency staff to cover hard to fill social worker posts at the right levels and £0.2m arising from demand led pressures against the Care at Home and Direct Payment in Children with Disabilities.

There remains ongoing management action to look to reduce the number of agency social workers and fill positions with permanent staff by offering agency social workers the option to move to permanent contracts, a recruitment drive, career progression arrangements and the offer of key worker housing from 2021.

- £0.2m pressure against the Looked after Children and Permanency budget has arisen mainly from the costs of commissioning six adoptive placements with adoption agencies other than Adopt London West (ALW). This is based on a child's best interests, in line with regulatory guidance, that the most suitable adoptive placement should be found for a child, regardless of the type of adoption service provider.

There is currently management action for scrutinising and challenging ALW's performance at board meetings in relation to providing sufficient adopters to meet the needs of the children in the borough. It is expected that more adopters will be approved and numbers of local matches will increase over time.

- (£0.2m) underspend against a non-ring fenced grant within the Setting and School Effectiveness service.

Additional costs/ loss of income due to COVID-19

3.3.3. The forecast includes £4.2m additional costs incurred as a result of the Covid-19 pandemic and these attributable costs and income losses include:

- £1.7m pressures consisting of £0.5m delays in stepdown arrangements from residential placements to foster placements and/or semi-independent placements. £0.3m additional placement costs for care leavers, where the lockdown has caused a delay in bidding for and moving into their own tenancies. £0.3m pressure due to an increase in the number of looked after children cases as a result of the lockdown. £0.4m placement costs as a result of additional costs incurred for placing a child with complex needs moved from hospital due to the lockdown. £0.2m due to an increase in the number of parent and baby assessment placements.
- £0.3m additional payments for short break activities for Children with disabilities; for families with children in need (s17 Children Act 1989) who needed emergency payments for food, utilities or other hardship issues; increased subsistence allowance to care leavers by £20 per week; and providing care leavers with emergency payments at points of crisis e.g. loss of employment since March 2020.

- £0.2m temporary staffing cost pressures to deal with increased capacity needed for caseloads as a result of the pandemic. It is anticipated that this pressure will rise further by the end of Q3 due to increased workload activity for frontline child protection services. There has been a 100% increase in child protection investigations compared to October 2019. This increase in activity will result in more children subject of child protection plans, a projected growth in numbers of looked after children and a rise in caseloads for social workers. The department is closely monitoring these trends to ensure safe practice can be maintained over the medium term and whether additional Covid-19 related resource is required to manage current demand.
- £0.1m cost of keeping children centres open for an additional three months thereby extending existing contracts with the current providers and as a result of the pandemic related delay in the introduction of the Family Wellbeing Centres (FWC).
- £1.0m estimated loss of income in 2020/21 from traded services with schools with the largest losses being the Gordon Brown Centre £0.4m and Brent Music Service £0.3m due to the impact of the lockdown. There is also the loss of £0.1m income from a Council owned Nursery for fee-paying families for whom a childcare place has been discontinued. £0.2m relates to loss of revenue in issuing Education Penalty notices, training income and reduced income from other local authorities utilising the Ade Adepitan Short Break centre in the borough.
- 0.9m pressure arising from slippage in the delivery of 2020/21 savings target. £0.8m is due to the delayed opening of the FWC and £0.1m relates to the developing of a shared fostering service with three other West London Alliance (WLA) boroughs which would result in staffing efficiencies. This is delayed due to an unsuccessful funding bid to the DfE. Alternative funding sources to carry out this work are now being sought with other boroughs.

3.3.4. The Qtr 3 forecast reflects a net £1m increase from the reported Qtr 2 position and the main changes are:

- The removal of the £0.7m potential impact of Transport for London's (TFL) decision to suspend free travel for under 18s as this decision is no longer going ahead. However there is the addition of £1.6m against Looked after Children's placement costs.
- An increase in the estimated loss of income of £0.1m against the Gordon Brown Centre.

COVID-19 Related service underspends

3.3.5. £0.5m COVID-19 related in year underspends have been identified within the department to contribute to the one-off corporate target. These underspends are mainly due to vacant posts identified which can 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.

Risks and uncertainties

3.3.6. There are a number of risks and uncertainties within the department that may affect the projected outturn such as:

- The volatility of the placement budgets for Looked after Children and Children with Disabilities as an individual high cost residential or secure placement can cost over £0.3m per annum;
- The forecast assumes a level of Unaccompanied Asylum Seeker Children (UASC) grant income from the Home Office and if there are fewer UASC within the LAC cohort, this will reduce the income expected from the Home Office;
- Caseloads in the Localities and LAC & Permanency service excluding the impact of Covid-19, remain within budgeted levels of circa 2,500 but a significant increase in caseloads will require an increase in the number of social work staff as described in paragraph 3.3.3 above;
- The 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 and the service continues to work towards this.

3.4. 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	5.0	0.0	5.0
Public Health	21.8	21.8	0.0	0.0	0.0	0.0
Culture	5.1	5.1	0.0	1.2	0.0	1.2
Adult Social Care	99.3	99.3	0.0	9.4	(2.4)	7.0
Total	134.2	134.2	0.0	15.6	(2.4)	13.2

Summary

3.4.1. Based on current trends and assumptions around COVID-19 implications, the Community Wellbeing department is forecasting a net overspend of £13.2m for 2020/21. This overspend is fully attributable to COVID-19 and includes a £15.6m financial pressure which is offset by underspends of £2.4m.

Forecast excluding COVID-19

3.4.2. The table above shows an expected break-even position across the department (excluding COVID-19) at year-end.

Additional costs / losses of income due to COVID-19

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

Housing

- £3.0m loss of rental income from Housing Needs tenants. This is based on extrapolating the current drop in rent collection rates (from 95% to 80%) and also takes into account the future impact of a potential prolonged recession increasing the levels of bad debts incurred by the Council further.
- £0.6m additional spend over budget to accommodate the increased demand in temporary accommodation for homeless people through the first lockdown period. The broadening of homelessness criteria has led to an increased number of people being housed, not all of whom were eligible for Housing Benefit. This forecast is net of specific secured government grants and assumed Housing Benefit income. The total cost that would have been incurred by the Council is estimated to be £1.4m, however £0.8m of this relates to expenditure incurred on supporting a cohort with no recourse to public funds (including housing benefits), which will be funded from the homelessness specific government grants received.
- £0.9m potential additional cost for providing temporary accommodation to homeless people through any further lockdowns. Earlier in the year, the Homelessness Duty criteria was relaxed during the first lockdown, leading to a significant increase in the requirement for temporary accommodation. If this was to reoccur to a similar level in Q4, it would result in this additional cost to the Council.
- £0.3m reduction in income from enforcement activities in the Private Housing Services
- £0.2m costs associated with 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

Culture

- £0.6m additional expenditure on operational and mothballing costs for Willesden Sports Centre, Bridge Park and Vale Farm leisure centres
- £0.5m forgone income from leisure services at Bridge Park and Vale Farm
- £0.1m expected loss of libraries income across the full financial year

Adult Social Care

- £3.2m additional cost for 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 providers may not achieve value for money on their own and would pass on increased costs to the Council. As of the end of October £3m worth of PPE had been bought. The Government announced in September that it would provide PPE at no cost to all care homes for the remainder of this financial year. Therefore, the Council is no longer providing PPE to care homes who are able to source PPE from the Government's PPE portal. However, the Council has a strategic stockpile of PPE available to any providers who are either unable to

source their own PPE, or need additional PPE at short notice which they are unable to source from their regular supply channels.

- 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 may need to cover these costs. It is estimated that the CCG have made 56 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 been 33% more expensive than the usual cost to the council. The Council is still determining with the CCG who is responsible for the cost of these placements. 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.
- £0.8m of potential additional social care costs arising from increased hospital admissions during the second wave of the Covid-19 pandemic.
- 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.
- 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.
- 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.
- There are some other direct 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. The Council has also procured some agency social workers to help meet additional demands in Safeguarding and Mental Health arising because of Covid-19. These costs total a further £0.3m.

Public Health

- To date, there has been no financial impact on the pre-existing activities of Public Health as a result of the COVID-19 outbreak. A £2m grant has been provided to cover any Test and Trace activities which the Council may be required to provide.

3.4.4. The impact of COVID-19 was previously estimated to be £16.6m in Q2, which has now been re-evaluated as COVID-19 restrictions are revised, government support is being provided and the overall impact is understood further. The main changes to the previously estimated financial impact are:

- £1.8m reduction due to additional government support allocated towards supporting homeless people with no recourse to public funds and revising assumptions around the deliverability of Housing and Public Health savings.
- £0.9m potential additional cost for providing temporary accommodation to homeless people through any further lockdowns.
- £1.2m reduction relating to PPE as the Government announced it would provide PPE at no cost to all care homes for the remainder of the financial year.
- £0.8m potential additional social care costs arising from increased hospital admissions during the second wave of the Covid-19 pandemic.
- £0.3m additional cost from agency social workers in Safeguarding and Mental Health.

COVID-19 Related service underspends

3.4.5. 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.

3.4.6. 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.

3.4.7. 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.

Risks and uncertainties

3.4.8. There are a number of risks and uncertainties within the service that could affect the assumptions made and the overall forecast outturn. The key risks and uncertainties relate to:

- The time required for the significant fall in rental income collected to reverse. Any improvement to rent collection rates will need to be sustained in order to provide assurance that the upward trend will continue. Further lockdowns or a recession are likely to slow this recovery in collection rates, leading to a greater income shortfall within the Housing service. The current housing forecast assumes that the rent collection rate experienced to date will follow a similar trend for the rest of the year. Collection rates are being closely monitored and there are continuous investigations to better understand the drivers for the movements.

- Any potential future relaxations of the eligibility criteria for accommodation, similar to those which occurred during the first lockdown, are likely to lead to increased costs which may not be covered by Housing Benefit income.
- The impact on leisure centres due to further lockdowns or restrictions on activity. These additional measures could lead to both an impact on income during further closures and a potential increase in costs to support the Council's leisure centre partners where necessary. The Council continues to work closely with its leisure centres in order to minimise their costs and to maximise the opportunities so that the centres can re-open safely and promptly when permitted.
- £0.9m of the Covid-19 related underspend is dependent upon Brent Council agreeing a pooled budget with Brent CCG for Covid-19 hospital discharges. However, until this pooled budget is formally signed off, the Council cannot invoice Brent CCG for these additional costs.

3.5. 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	16.6	16.6	0.0	2.5	(0.3)	2.2
Shared ICT Service	0.0	0.0	0.0	0.3	0.0	0.3
ICT Client And Applications Support	6.3	6.3	0.0	0.1	(0.2)	(0.1)
Procurement	1.3	1.3		0.6	0.0	0.6
Transformation	3.6	3.6	0.0	0.1	(0.1)	0.0
Total	28.5	28.5	0.0	4.2	(0.6)	3.6

Summary

3.5.1. The CDS department is currently forecasting a net overspend of £3.6m for 2020/21 based on current trends and assumptions around COVID-19 implications. This includes a £4.2m financial pressure due to COVID-19, offset by £0.6m COVID-19 related underspends.

Forecast excluding COVID-19

3.5.2. The results presented in the table above show a forecast breakeven position (excluding COVID-19) expected at the year end.

Additional costs/loss of income due to COVID-19

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

- £0.6m attributable to the purchasing of food and other supplies for residents being shielded.
- Customer Access - £2.5m mainly due to increased discretionary housing payments (£1.2m), additional staff costs (£0.7m), admin delays in benefit

processing and benefit overpayments (£0.3m) and reduced income from Registration and Nationality (£0.2m).

- SICTS (Digital Services) - £0.3m attributable to additional equipment, additional Mobile data costs and software licenses.
- ICT Client and Applications Support – £0.1m due to the loss of income from IT support services.
- Procurement – £0.6 related to cost of undertaking the purchasing of PPE on behalf of the council for council staff.
- Transformation - £0.1m for Dynamics online form and power BI dashboard development.

3.5.4. The impact of COVID-19 was previously estimated at £3.9m in Q2 but this has been revised to £4.2m, as COVID-19 restrictions are revised and the impact is further understood. The main change to the financial impact is:

- Customer Access –£0.4m increase in staffing costs, £0.1m Discretionary Housing payments to support tenancy arrears and a revised reduction of £0.3m in housing benefit administration cost.

COVID-19 Related service underspends

3.5.5. The £0.6m COVID-19 related underspend has been identified within the department to contribute to the one-off corporate target. This has been achieved through 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 consequence of COVID-19.

Risks and uncertainties

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 the income from the Registration and Nationality department continues to be reviewed as COVID -19 restrictions evolve.

3.6. 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	31.8	31.8	0.0	6.4	0.0	6.4
Regeneration Services	0.1	(0.1)	(0.2)	0.6	0.0	0.4
Property Services	6.0	6.4	0.4	0.4	0.0	0.8
R&E Directorate	2.6	2.4	(0.2)	1.7	(0.9)	0.6
Total	40.5	40.5	0.0	9.1	(0.9)	8.2

Summary

3.6.1. The department is currently forecasting a net overspend of £8.2m for 2020/21 based on current trends and assumptions around COVID-19 implications. This includes a £9.1m financial pressure due to COVID-19, offset by £0.9m underspends.

Forecast excluding COVID-19

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

- £0.4m overspend within Property & Assets due to higher than expected business rates relating to the Civic Centre (£0.2m), additional staffing costs and an unbudgeted water bill;
- £0.2m underspend in Planning & Development Services due to vacancies within Transportation and higher than forecast pre-app income; and
- £0.2m 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.

Additional costs/ loss of income due to COVID-19

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

- £3.2m estimated reduction in income for parking due to reduced motoring activity during 2020/21
- £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
- £1.2m relating to costs incurred on overflow mortuary at Marsh Road and additional pan London Mortuary costs
- £1.0m reduction in Highways & Infrastructure fees and charges.

3.6.4. The financial impact of COVID-19 was previously estimated at £10.5m in Q2. Since then it is no longer estimated that there will be additional costs relating to COVID-19 for SEN transport. The impact if social distancing was required on school transport was estimated as £1.6m for 2020/21.

COVID-19 Related service underspends

3.6.5. The £0.9m COVID-19 related underspend has been identified within the department to contribute to the one-off corporate target. This is a result of efficiency savings imposed across the Directorate based on recent outturn figures and subject to a strict budget monitoring regime.

Risks and uncertainties

3.6.6. 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. These uncertainties are exacerbated by the November lockdown. Commercial rental income is likely to suffer as tenants may be unable to pay rent and the introduction of legislation that prevents the Council taking possessions for non-payment is also a factor. The longer-term impact on income anticipated from planning

applications and 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.

3.7. Central items - Collection Fund

- 3.7.1. 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 October 2020 has reduced to £159.9m, a reduction of £0.6m since May 2020. It is expected that this figure may decrease further 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, producing a small cumulative council tax deficit on the collection fund of £0.3m. This is the position before accounting estimates are taking into account such as impairment for doubtful debt. However, if this were to transpire, under the new regulations this would be paid off over three years rather than one year under the previous regulations. This is being closely monitored to assess the overall impact over the timeframe of the medium term financial plan. As at the end of October 2020 the amount collected was 61.3%, 3% lower than the revised in-year target. The amount collected in the same period last year was 67.6%.
- 3.7.2. The budgeted net collectible amounts for Business Rates (after exemptions, reliefs and discounts) is £130.5m. The actual net collectible amount as at November 2020 is £76.3m, a decrease of £4.0m since August 2020. This reduction is a direct result of additional reliefs granted to businesses, due to COVID-19, where the council will receive a grant to compensate for the loss of income. The reduction to the overall rateable value will initially leave the collection fund in deficit of around £66m, a timing difference to reflect the difference between the amount of business rates estimated and actually collected. As at the end of October 2020 the amount collected was 49.5%, significantly lower than the amount collected in the same period last year, at 65.19%. This is primarily due to payment deferrals that have been granted to support businesses through the impact of COVID-19. The in-year collection rate for 2020/21 is forecast to be between 80-90% of amounts due by the end of the year, increasing the levels of debt outstanding that will be pursued over time.
- 3.7.3. 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 to exceed the budget by around £20m due to a timing difference between the additional COVID-19 reliefs that it will receive directly from central government (to compensate for NDR discounts) on top of the precept demand (agreed at the beginning of the year). The surplus will be transferred to a reserve at year-end to repay the collection fund, which together with contributions from other preceptors and a new irrecoverable lost income compensation scheme announced by the government, will bring it back into balance over three years, in line with the revised national accounting rules governing the collection fund.

3.8. Central items - Capital financing and other central items

- 3.8.1. 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 monitor and analyse accordingly as recovery action resumes.

3.8.2. 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	23.5
Interest Receivable	(7.6)
Capital Financing and Minimum Revenue Provision	7.5
Total	23.4

3.9. Dedicated Schools Grant

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	0.0	0.0
High Needs Block	62.2	66.2	4.0	0.2	0.0	4.2
Early Years Block	22.9	22.9	0.0	0.0	0.0	0.0
Central Block	2.2	2.2	0.0	0.0	0.0	0.0
Total DSG	321.1	325.1	4.0	0.2	0.0	4.2

Summary

3.9.1. The DSG is forecast to overspend by £4.2m against grant funding for 2020/21 based on current trends and includes a £0.2m forecast pressure due to COVID-19 implications.

3.9.2. This will lead to an increase in the DSG deficit from £4.9m to £9.1m by the end of the financial year.

Forecast excluding COVID-19

3.9.3. The £4m pressure has mainly arisen against the High Needs block because of growth in Education Health Care plan (EHCP) numbers which 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. 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. There has been a 19% increase in the number of EHCPs, which have risen from 2173 at the end of the financial year 2019/20 to 2680 as at the end of September 2020 and numbers are still rising. The forecast position is due to the following pressures:

- £1.7m forecast pressures against independent, out of borough special schools and top up funding due to increased numbers;

- £1.3m forecast pressure due to growth in the numbers of young people remaining in education in post-16 who have EHCPs and who may have to be supported from the High Needs block until the age of twenty-five;
- £0.6m DSG income reduction and the most significant variance is on the High Needs Block, where a £0.9m recoupment import-export adjustment has been made which accounts for school place funding for Brent pupils in other local authority areas. This is offset by some underspends on forecast Early Years Block income, where income has been increased by £0.1 million relating to a prior year adjustment, and the 2020/21 allocation has been increased by £0.2 million following confirmation of the January 2019 Early Years census.
- £0.4m forecast pressures against SEN support services which include the Speech and Language Therapy service due to spot purchases to accommodate needs of children over and above the budgeted contract value, the Education Psychology services and transport costs are the knock on effects of the increased demand;

3.9.4. The DfE requires Local Authorities to have a management plan agreed by the Schools Forum in place to recover the deficit over a number of years. To recover the deficit, options being reviewed by the task group set up by the Strategic Director of CYP include;

- Looking to establish more SEND provision in the borough as part of the School Place Planning Strategy Refresh including developing new Additionally Resourced Provisions (ARPs);
- Ensuring there is full cost recovery from other local authorities that place pupils in Brent special schools including administration and other specific costs;
- Review of the DSG funded SEN support services currently underway;
- Continued central government lobbying.

Additional costs/ loss of income due to COVID-19

3.9.5. There is an estimated cost against the high needs block of £0.2m 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.

3.10. 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	2.7	0.0	2.7

Summary

3.10.1. 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.

- 3.10.2. The total budgetary pressure is forecast to be £2.7m and is fully attributable to the effects of the ongoing pandemic. Excluding the financial pressures arising as a result of COVID-19, the HRA is expected to break-even.
- 3.10.3. The HRA operating reserve currently stands at £1.4m and the identified pressures will continue to be closely monitored. Mitigating actions to avoid the HRA going into deficit., such as re-scheduling major works and new build capital investments are being considered. In addition, the COVID-19 support grant received from the government is not ring-fenced against the General Fund and could be used to relieve pressures within the HRA if required.

Forecast excluding COVID-19

3.10.4. The forecast break-even position (excluding COVID-19) is the net result of a £0.7m overspend being mitigated through a £0.4m underspend and utilising a £0.3m provision. The individual variances consist of:

- £0.4m overspend arising from settling a backlog of disrepair cases
- £0.1m additional spend over budget to increase borough wide waste bin capacity in response to tenant complaints
- £0.1m additional spend over budget for the implementation of estate parking enforcements on 5 pilot sites
- £0.1m reduction on service charge billing to leaseholders, reflecting reduced volume of responsive communal repairs
- (£0.3m) underspend on external works and communal responsive repairs
- (£0.1m) underspend against staffing budgets due to vacancies
- (£0.3m) anticipated utilisation of disrepairs provision

Additional costs/ losses of income due to COVID-19

3.10.5. The HRA finances have been significantly impacted by the COVID-19 outbreak and the recognised and forecast pressures include:

- £2m forecast increase in rent arrears based on extrapolating the decline in rent collection rates experienced to date to forecast the impact for a full year, and accounting for the potential future impact of a second wave of COVID-19 and a possible recession
- £0.4m (10%) forecast under-recovery of service charges, which is in line with the Bank of England forecasts on consumer credit and debt recovery
- £0.2m loss of rental income due to delays to new build completions arising from stoppages on site during the first lockdown resulting in delays in letting new properties out to tenants
- £0.1m additional costs incurred on employing additional temporary staffing resource in estate caretaking services to provide cover for colleagues staying in isolation

3.10.6. The estimated impact of COVID-19 was previously estimated to be £2.9m in Q2, which has now been revised down by £0.2m. The revised impact of delays to new build schemes and slippages on rental income resulted in a £0.1m reduction to the previous forecast. The cost of PPE for estate caretaking services is now accounted for centrally and amounts to £0.1m.

Risks and uncertainties

3.10.7. There are a number of risks and uncertainties within the HRA that could affect the projected outturn and assumptions made. The impact on rental income collection rates and the subsequent increase in arrears due to the ongoing pandemic is uncertain. Scenario analysis has been undertaken in order to evaluate a range of potential options and explore the extent of possible mitigating actions required.

3.10.8. Any further reduction of planned and major works will further reduce the level of service charges collected, which will consequently reduce the HRA's borrowing capacity and the ability to deliver improvements in future years.

3.10.9. Following court rulings in relation to local authorities' water charge agreements with water companies, it was determined that these local authorities, including Brent, have been overcharging social housing tenants for water and sewerage and will therefore need to reimburse them. For Brent, the financial exposure has been estimated to be between £5m and £7m. In 2019/20, Brent set aside a provision of £2.7m for the water case, however additional mitigating actions, such as re-profiling planned works and utilising unreserved capital receipts, may need to be considered in order to fund the full reimbursement.

4. Capital Programme

4.1.1. The table below sets out the capital programme current forecast to revised budget position at 30 September 2020.

4.1.2. As set out in the table below the current revised budget is £226m. This reflects programme slippages, additions and re-profiling of schemes undertaken in year. The budget changes were reported in previous reports to Cabinet for noting and approval.

Capital Programme Monitoring at 30 September 2020

Directorate	Original Budget (Approved Feb20) (£m)	Revised Budget (£m)	Current Forecast (£m)	Over / (Under) Spend to Budget (£m)
Corporate Landlord	22.3	11.2	11.0	(0.2)
Regeneration	18.7	17.9	17.2	(0.7)
St. Raphael's Estate	0.3	0.6	0.6	0.0
Housing Care Investment	191.2	148.5	146.4	(2.1)
Schools	11.6	14.6	12.6	(2.0)
South Kilburn	24.2	8.4	7.6	(0.8)
Public Realm	24.2	24.8	21.6	(3.2)
Total	292.5	226.0	217.0	(9.0)

- 4.1.3. An underspend of £9m is being forecast against the current revised budget. An explanation of the variance of current forecast to the revised budget is provided in the paragraphs below.

Corporate Landlord

- 4.1.4. Reporting £0.2m underspend due primarily to pausing of College of North West London planned spend.

Regeneration

- 4.1.5. Reporting £0.7m underspend comprising of £0.4m on Bridge Park and £0.3m for Liveable Neighbourhoods programme which has been paused indefinitely by TFL but has not been cancelled officially.

St Raphael's

- 4.1.6. Reporting forecast spend come in line with budget.

Housing, Care and Investment

- 4.1.7. Reporting £2.1m underspend due to £1.6m slippage in major works and repair programme (£0.6m on external fabric work, £0.7m on lifts installation and £0.3m on Kilburn Square Tower Block) and New Council Homes Programme (NCHP) which is underspending by £0.5m due to delays in start on sites on some schemes (Anuerin Bevan Court and HRA - Pharamond Fho).

Schools

- 4.1.8. Reporting £2.0m underspend of which £1.3m is projected on the phase 3 Primary Schools projects at Uxendon Manor and Elsley. In addition £0.6m underspend is forecast on the Asset Management Programme (AMP) programme and Ark Elvin project.

South Kilburn

- 4.1.9. Reporting £0.8m underspend due to delays in securing property acquisitions and design works on various schemes. The forecast has been revised down to reflect progress on property acquisitions.

Public Realm

- 4.1.10. Reporting a £3.2m underspend across a number of infrastructure improvement programmes (including parks, sports and culture, landscaping and street lighting) and TfL/LIP funded projects. £2.3m of the underspend relates to the TfL/LIP formula grant allocation for 2020/21 paused by Transport for London (TfL) due to the COVID-19 outbreak. TfL has confirmed that the Council will be reimbursed for its sunk costs and a decision is awaited on future funding allocations including the Mayor's Streetspace programme July bid.

- 4.1.11. 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.

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