Brent	**Cabinet** 19th July 2021
	Report from the Director of Finance

Financial Outturn Report 2020/21

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	N/A
Background Papers:	N/A
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1. Summary

1.1. This report sets out the outturn for income and expenditure versus the revenue budget for 2020/21 and other key financial data. Total pressures for the year (COVID-19 and non-COVID-19) amount to £47m. This was offset by utilising £37.8m of government COVID-19 funding, a £0.3m HRA non-COVID-19 underspend and COVID-19 service underspends of £3.3m resulting in a breakeven position for the year for the General Fund and the Housing Revenue Account (HRA) and a £5.6m deficit in the Dedicated Schools Grant (DSG). The capital programme spent £171.8m in 2020/21, from a budget of £224.9m, predominately due projects spending money slower than budgeted.

Non COVID-19 Related Costs 2020/21

1.2. The financial position for the council prior to accounting for the impact of COVID-19 resulted in break-even for the General Fund, a £0.3m underspend for the HRA and a £5.0m overspend for the DSG.

COVID-19 Related Costs 2020/21

1.3. The impact of COVID-19 added a further £42m of costs and income losses to services in 2020/21. This is split by £41.1m in the General Fund, £0.3m in the HRA and £0.6m in the DSG. Further details are contained in Table 1 and throughout this report.

1.4. The total service related COVID-19 funding received in 2020/21 was £51.1m, and comprised of targeted grants of £22.3m, non-ringfenced grants of £22.0m and compensation for sales, fees and charges of £6.8m. This emergency funding from government departments has been used to offset in-year COVID-19 pressures of £37.8m. In addition, £3.3m of the General Fund COVID-19 costs were offset by compensatory COVID-19 related underspends totaling £3.3m.

1.5. Of the remaining £13.3m of the COVID-19 funding (combination of ringfenced and non-ringfenced) received, £13.2m has been transferred to 2021/22 via reserves to address any unbudgeted additional costs of COVID-19 in 2021/22 and £0.1m to deferred income.

1.6. The overspend on the DSG was transferred to unusable reserves, as required by statutory regulation. It is expected that the DSG will be required to repay this deficit in future years, although the timing and mechanism for repayments remain uncertain at this point in time.

1.7. Within the HRA, a £0.3m non-COVID-19 underspend offset a £0.3m COVID-19 overspend.

Table 1	**Budget**	**Actual Overspend / (Underspend) excluding COVID-19**	**Additional costs/ loss of income due to COVID-19 and Savings shortfall**	**COVID-19 Related service underspends**	**Total Actual Overspend/ (Underspend)**
	£m	**£m**	**£m**	**£m**	**£m**
Chief Executive Department	25.3	0.0	1.3	(0.3)	**1.0**
Children and Young People	48.7	0.0	5.5	(0.2)	**5.3**
Community and Well-Being	135.5	0.0	15.5	(1.3)	**14.2**
Customer & Digital Services	28.7	0.0	2.4	(0.5)	**1.9**
Regeneration & Environment	41.8	0.0	7.2	(1.0)	**6.2**
Subtotal Service Area Budgets	**280.0**	**0.0**	**31.9**	**(3.3)**	**28.6**
Central items	(280.0)	0.0	9.2	0.0	**9.2**
COVID-19 Funding utilised	0.0		(37.8)	0.0	**(37.8)**
Grand Total General Fund Budgets	**0.0**	**0.0**	**3.3**	**(3.3)**	**0.0**
DSG Funded Activity	0.0	5.0	0.6	0.0	**5.6**

Housing Revenue Account (HRA)	0.0	(0.3)	0.3	0.0	**0.0**

1.8. The capital programme spent £171.8m in 2020/21, with an outturn of 76% against the budget. The underspend is principally due to capital projects not progressing quite as fast as planned, especially in Housing Care Investment, Schools, Corporate Landlord and Public Realm. An analysis of the underspends that are available to be re-phased to 2021/22 will be provided within the Medium Term Financial Outlook report to Cabinet.

2. Recommendation

2.1. To note the overall financial position for 2020/21.

3. Revenue Detail

3.1. Chief Executive Department (CE)

Chief Executive Department	**Budget**	**Actual excluding COVID-19 Impact**	**Actual Overspend / (Underspend) excluding COVID-19**	**Additional costs/ loss of income due to COVID-19**	**COVID-19 Related service underspends**	**Total**
	(£m)	**(£m)**	**(£m)**	**(£m)**	**(£m)**	**(£m)**
Legal, HR and Audit	9.4	9.4	0.0	0.2	(0.1)	0.1
Finance	7.8	7.8	0.0	0.1	(0.1)	0.0
Assistant Chief Executive	8.1	8.1	0.0	1.0	(0.1)	0.9
Total	**25.3**	**25.3**	**0.0**	**1.3**	**(0.3)**	**1.0**

Summary

3.1.1. The CE department had a net overspend of £1.0m for 2020/21. This includes a £1.3m financial pressure due to COVID-19, offset by £0.3m COVID-19 related underspends.

Actual excluding COVID-19

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

Additional costs/loss of income due to COVID-19

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

- Legal, HR and Audit - £0.2m due to loss of income from services offered to the construction industry and on client debt related matters due to reduced demand. Additional costs incurred in providing specialist advice and upgrading electronic services due to the lockdown of courts and within HR to provide risk assessments and additional support for specialist counselling in respect of individuals or teams suffering from PTSD.

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

- Assistant Chief Executive - Communications - £0.9m 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.

- Assistant Chief Executive - Strategy & Partnership - £0.1m additional costs from capacity development support to Voluntary Sector Organisations to help them engage and build networks with smaller organisations in the Borough to identify COVID-19 impacts on vulnerable individuals and groups.

COVID-19 Related service underspends

3.1.4. The £0.3m COVID-19 related underspend within the department is to contribute to the one-off corporate target. This was achieved from 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.

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

CYP Department	Budget	Actual excluding COVID-19 Impact	Actual Overspend /(Underspend) Excluding COVID-19	Additional costs/ loss of income due to COVID-19	COVID-19 Related service underspends	Total
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Central Management	0.1	0.0	(0.1)	0.0	0.0	**(0.1)**
Early Help	5.2	4.8	(0.4)	0.6	0.0	**0.2**
Inclusion	1.4	1.4	0.0	0.0	0.0	**0.0**
Localities	15.7	16.6	0.9	1.7	0.0	**2.6**
Looked After Children and Permanency	6.4	6.6	0.2	0.3	0.0	**0.5**
Forward Planning, Performance & Partnerships	17.9	17.9	0.0	2.1	0.0	**2.1**
Safeguarding and Quality Assurance	1.9	1.7	(0.2)	0.0	0.0	**(0.2)**
Setting and School Effectiveness	0.1	(0.3)	(0.4)	0.8	(0.2)	**0.2**
Total	**48.7**	**48.7**	**0.0**	**5.5**	**(0.2)**	**5.3**

Summary

3.2.1. The CYP (General Fund) department at the end of 2020/21 has overspent by £5.3m which is £1m more than the reported Quarter 3 forecast overspend of £4.3m due to an increase in COVID-19 related pressures. The £5.5m financial pressure is due to the additional costs and loss of income as a result of the COVID-19 pandemic and is offset by £0.2m COVID-19 related underspends.

Actual excluding COVID-19

3.2.2. The final outturn excluding COVID-19 related pressures is a breakeven position, a reduction from the projected £0.6m overspend reported in Quarter 3. The reduction is mainly due to mitigating actions taken to control spend across the department, which have reduced the pressures against the Localities and Looked after Children and Permanency budgets. The position consists of:

- £0.9m pressure against the Localities service budget is mainly due to demand led pressures against the care package costs for Care at Home and Direct Payment in Children with Disabilities, which had a net increase of 78 clients in the 2020/21 financial year. The service continues to rely on the use of agency staff to cover established social worker posts and there remains ongoing management action to look to reduce the number of agency social workers and fill positions with permanent staff.

- £0.2m pressure against the Looked after Children and Permanency budget has arisen mainly from the cost of commissioning six adoptive placements with adoption agencies other than Adopt London West. 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 was also a prior year invoice paid for the adoption contract.

- A £1.1m underspend had arisen across a number of the services to mitigate the pressures above. These include:
  - a £0.4m underspend against the Early help budgets due to a combination of staffing vacancies held and the use of one-off grant funds to meet existing costs;
  - a £0.2m underspend against a non-ring fenced grant within the Setting and School Effectiveness service and in year vacancies across the service;
  - a £0.2m net underspend due to the closure of the Gordon Brown Centre as a result of the pandemic;
  - there was an underspend against the training budget within the Safeguarding & Quality Assurance service as well as underspends against in year vacancies held of £0.2m; and
  - £0.1m underspend against the central management supplies and services budgets.

Additional costs/loss of income due to COVID-19

3.2.3. The outturn position includes additional costs of £5.5m incurred as a result of the COVID-19 pandemic and these attributable costs and income losses include:

- £2.1m pressures in Forward Planning, Performance and Partnerships consisting of £0.9m placement costs as a result of additional costs incurred for placing a child with complex needs moved from hospital due to the lockdown and increases in the demand for parent and baby placements; £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; a £0.3m pressure due to an increase in police protection cases as a result of the lockdown; and £0.1m relates to parental mental health training costs and additional key worker support for children.

- £1.7m pressures in Localities relate to:

    - £0.9m temporary staffing cost pressures across the social work teams within the Localities service to deal with increased capacity and caseloads as a result of the pandemic;
    - £0.7m additional payments for short break activities for Children with disabilities and for families with children in need (s17 Children Act 1989) who needed emergency payments for food, utilities or other hardship issues; and
    - £0.1m loss of income from other local authorities utilising the Ade Adepitan Short Break Centre in the borough.

- £0.8m pressures in Setting and School Effectiveness relate to loss of income in 2020/21 from traded services with schools with the largest losses being; the Gordon Brown Centre £0.6m; Brent Music Service £0.1m; and £0.1m from other School Compliance and Governor training income.

- £0.6m pressures in Early Help relate to a £0.3m net pressure arising from slippage in the delivery of the 2020/21 savings target, made up of £0.8m due to the delayed opening of the Family Wellbeing Centres (FWC) because of the pandemic, however, an in year one off virement was made corporately of (£0.5m) to fund the gap; £0.1m cost of keeping children's 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 FWC; loss of £0.1m income from a Council owned Nursery for fee paying families for whom a childcare place has been discontinued and £0.1m loss of revenue in issuing Education Penalty notices and temporary staffing costs to support backlog and COVID-19 related pressures.

- £0.3m pressure in Looked after Children and Permanency relates to £0.2m for providing care leavers with emergency payments at points of crisis and increased subsistence allowance to care leavers by £20 per week in line with universal credit; 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 was delayed due to an unsuccessful funding bid to the DfE, with alternative funding sources to carry out this work now being sought.

3.2.4. The final outturn reflects a net £1m increase in the COVID-19 related pressures from the reported Q3 position and the main changes are:

- £0.5m increase due to agency staff cost pressures because of an increase in caseloads following increased referrals within the Localities service following the wider re-opening of schools due to the impact of the pandemic as mentioned above. £0.5m increase in care package costs and emergency payments is also a knock-on effect of increased referrals and also increases in the needs of a number of children and young people as a result of the pandemic.

COVID-19 Related service underspends

3.2.5. £0.2m COVID-19 related in year underspends have been identified within the department to contribute to the one-off £5m corporate target. This is a reduction from the £0.5m reported in Q3 because £0.3m of the underspend identified has been used to offset non-COVID-19 related items first. These underspends are mainly due to in year vacant positions held 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 etc.

3.3. Community Well-Being (CWB) (General Fund)

CWB Department	Budget	Actual excluding COVID-19 Impact	Actual Overspend/ (Underspend) excluding COVID-19	Additional costs/ loss of income due to COVID-19	COVID-19 Related service underspends	Total
	(£m)	**(£m)**	**(£m)**	**(£m)**	**(£m)**	**(£m)**
Housing	8.9	8.9	0.0	1.3	0.0	1.4
Public Health	21.8	21.8	0.0	2.9	0.0	2.9
Culture	5.3	5.3	0.0	1.4	0.0	1.4
Adult Social Care	99.5	99.5	0.0	9.9	(1.3)	8.6
Total	**135.5**	**135.5**	**0.0**	**15.5**	**(1.3)**	**14.2**

Summary

3.3.1. The overall overspend of £14.2m within the Community Wellbeing department includes a £15.5m financial pressure that is fully attributable to COVID-19 and is offset by a £1.3m COVID-19 related underspend in Adult Social Care. The department has also received service specific government support of £7.6m.

Actual excluding COVID-19

3.3.2. Excluding COVID-19 related pressures, the department has achieved a break-even position for 2020/21.

Additional costs/losses of income due to COVID-19

3.3.3. In 2020/21, the department's finances have been significantly affected by the COVID-19 outbreak and the largest financial impacts included the following:

<u>Housing</u>

In total, Housing had a £1.3m overspend due to COVID-19, which is a net result of the following items:

- Increase in provision for uncollectable rental income from Housing Needs tenants. The collection rates fell from 95% prior to the start of the pandemic to 80% initially, before gradually recovering to 90% at year-end. The increased provision also takes into account the future impact of a potential prolonged recession which could increase the levels of bad debts incurred by the Council further.

- Additional spend to accommodate the increased demand in temporary accommodation for homeless people through the lockdown periods. The broadening of homelessness criteria has led to a significant increase in the requirement for temporary accommodation.

- Through the utilisation of specific COVID-19 grants a partial underspend against the main Flexible Homelessness Support grant.

In addition, the Council has received £1m in specific housing related COVID-19 grants that has helped to partially mitigate the overall £1.3m impact of the pandemic on this service.

Public Health

A £2.9m grant has been received to cover any Test and Trace and Asymptomatic Testing activities which the Council was required to provide.

Culture

Culture had a £1.4m overspend associated with COVID-19:

- £0.6m additional expenditure incurred on operational and mothballing costs for Willesden Sports Centre, Bridge Park and Vale Farm leisure centres.

- £0.5m foregone income from leisure services at Bridge Park and Vale Farm as a result of the closures and restrictions following reopening.

- £0.1m loss of libraries income and additional £0.2m costs predominately associated with increased security requirements.

Adult Social Care

Adult Social Care had a £9.9m overspend associated with COVID-19, consisting of £12.3m in additional expenditure and £2.4m of additional income. The additional expenditure of £12.3m is broken down as follows:

- £2.6m additional cost that was incurred by the Council due to supporting care providers throughout the pandemic.

- £3.2m additional cost for procuring Personal Protective Equipment (PPE) and distributing it free of charge to care providers. The Council was better able to source and buy this equipment than many care providers who would have struggled considering the competitive market. Allocating it out to providers was part of the emergency response, as well as prevented further pressures on cost of care.

- £3.1m increase in the cost of homecare due to additional hours of care provided and increasing payments to homecare providers as part of the pandemic response. The increase in homecare hours was due to closure of the day centres, increase of care packages where families could not support the client and more clients than usual coming to the Council's attention as a result of the pandemic. The increased payments to providers were the result of a 5 % uplift in payment rates to £16 per hour as an interim measure until the Council is able to implement London Living Wage, as well as payments having been made at commissioned levels for homecare packages from April to July.

- £0.9m additional social care discharge costs arising from increased hospital admissions during the COVID-19 pandemic.

- £0.6m 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.

- £0.4m additional cost associated with recruiting agency social workers to help meet additional demands in Safeguarding and Mental Health arising because of COVID-19.

- £0.1m slippage against the planned re-commissioning efficiency saving because of a delay in moving clients due to the pandemic restrictions.

- £1.4m additional expenditure was incurred due to CCG commissioning all Residential and Nursing placements during the first two quarters of the year that are typically more expensive than the usual cost to the Council.

The additional income of £2.4m is broken down as follows:

- £1.4m additional income from CCG to cover the costs associated with placements made by CCG

- A £1.0m Public Health contribution has allowed to partially cover the PPE costs

COVID-19 Related service underspends

3.3.4. The £1.3m COVID-19 related underspend within the Adult Social Care service is a result of cost reductions associated with the early termination of some care packages due to excess deaths.

3.3.5. The impact of COVID-19 was previously estimated to be £13.2m in Q3, which has since increased to £15.1m, a net increase of £1.9m, as further government support was provided and the overall impact of the pandemic on 2020/21 became known. The main changes to the Q3 estimated financial impact are:

- £3.7m reduction in Housing Needs pressures due to rent collection rates improving towards the end of the year, clearing of a backlog in registering new homeless people for Housing Benefits and achieving an underspend against the Flexible Homelessness Support grant. To address the pressures arising as a result of the pandemic, the additional COVID-19 grant funding was utilised first, which resulted in the overall underspend against the Flexible Homelessness Support grant.

- £3.7m additional cost incurred by the Council due to providing additional support to care providers throughout the pandemic. This expenditure was fully grant funded.

- £2.0m NAIL saving was re-profiled from 2020/21 to 2021/22 and £0.3m less than anticipated slippages against other MTFS savings

- £2.1m higher than anticipated pressure due to the increase in homecare costs and less than envisaged reduction in Residential and Nursing costs

- £2.9m additional costs associated with carrying out Test and Trace and Asymptomatic Testing activities. This expenditure was fully grant funded.

- £1.0m Public Health contribution has allowed to partially cover the PPE cost

- £0.5m reduction due to the Adult Social care costs associated with CCG commissioned placements having been recharged to CCG in full

- £0.5m higher than anticipated other direct staffing costs

- £0.2m higher than anticipated expenditure on additional security measurements as the libraries have started to re-open.

3.4. Customer & Digital Services (CDS)

Operational Directorate	Budget	Actual excluding COVID-19 Impact	Actual Overspend/ (Underspend) excluding COVID-19	Additional costs/ loss of income due to COVID-19	COVID-19 Related service underspends	Total
	(£m)	**(£m)**	**(£m)**	**(£m)**	**(£m)**	**(£m)**
Customer And Digital Services Directorate	0.7	0.7	0.0	0.4	(0.0)	0.4
Customer Services	16.9	16.9	0.0	0.6	(0.2)	0.4
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	0.4	(0.2)	0.2
Procurement	1.3	1.3		0.5	0.0	0.5
Transformation	3.5	3.5	0.0	0.2	(0.1)	0.1
Total	**28.7**	**28.7**	**0.0**	**2.4**	**(0.5)**	**1.9**

Summary

3.4.1. The CDS department final outturn for 2020/21 is a net overspend of £1.9m due to COVID-19 pressures. This includes a £2.4m financial pressure due to COVID-19, offset by £0.5m COVID-19 related underspends.

Actual excluding COVID-19

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

Additional costs/loss 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:

- CDS Director - £0.4m attributable to the purchasing of food and other supplies for residents who were shielding.

- Customer Access - £0.6m mainly due to increased discretionary housing payments to support tenants, admin delays in benefit processing and overpayments and reduced income from Registration and Nationality.

- SICTS (Digital Services) - £0.3m attributable to additional equipment, additional Mobile data costs and software licenses.

- ICT Client and Applications Support – £0.2m due to the loss of income from IT support service.

- Procurement – £0.5m related to cost of undertaking the purchasing of PPE for staff on behalf of the council.

- Transformation - £0.2m for Dynamics online form and power BI dashboard development, purchase of food vouchers and staff time costs.

COVID-19 Related service underspends

3.4.4. The £0.5m COVID-19 related underspend within the department is 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.

3.5. Regeneration & Environment (R&E)

R&E	Budget	Actual excluding COVID-19 Impact	Actual over/ (under) spend excluding COVID-19 Impact	Additional costs/ loss of income due to COVID-19	COVID-19 Related service under-spends	Total
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Environmental Services	32.3	32.3	0.0	4.8	0.0	**4.8**
Regeneration Services	1.3	1.1	(0.2)	0.3	0.0	**0.1**
Property Services	6.2	6.7	0.5	0.6	0.0	**1.1**
R&E Directorate	2.0	1.7	(0.3)	1.5	(1.0)	**0.2**
Total	**41.8**	**41.8**	**0.0**	**7.2**	**(1.0)**	**6.2**

Summary

3.5.1. The outturn position for the R&E service is a net overspend of £6.2m. This includes £7.2m financial pressures due to COVID-19; offset by £1.0m underspends achieved by the service in order to offset the COVID-19 impact.

Actual excluding COVID-19

3.5.1. When excluding the impact of COVID-19, R&E reports a break even position:

- Break-even in Environmental Services including offsetting under and overspends within the services, the largest of which are:
  - £0.6m overspend in parking largely due to lower than budgeted income which is not thought to be linked to COVID-19. This is because car ownership and usage has not grown in line with estimates made by the Council within the 2018/19 budget;
  - £0.4m costs incurred on the Redesigning Local Services (RLS) project;

  - £0.4m underspend in Regulatory Services due the movement of staff to COVID-19 projects that were funded by COVID-19 funding;
  - £0.4m underspend in Public Realm partly due to the insourcing of cemeteries grounds maintenance staff;
  - £0.3m underspend in Neighborhood Management due to higher than budgeted Fixed Penalty Notice, license and permit income.

- £0.5m overspend within Property & Assets primarily due to higher than budgeted business rates relating to the Civic Centre (£0.2m), additional staffing costs (£0.1m) for surveyors employed as agency staff, and an unbudgeted water bill (£0.1m);

- £0.2m underspend in Planning & Development Services due to vacancies within Transportation, and higher than forecast pre-app income; and

- £0.3m underspend from the R&E directorate due to small efficiencies across the directorate and releasing money set aside for the projects that did not materialise.

Additional costs/loss of income due to COVID-19

3.5.2. The department's finances have been significantly impacted by the COVID-19 outbreak, leading to additional costs and loss of income of £7.2m.

3.5.3. Of the £4.8m COVID-19 costs and loss of income in Environmental Services, the largest attributable income losses include:

- £5.2m estimated reduction in income for parking due to reduced motoring activity during 2020/21

- £1.3m relating to costs incurred on overflow mortuary at Marsh Road and additional pan London Mortuary costs

- Offset by a COVID-19 related underspend of £2.8m in Brent Transport Service, which offset the department's COVID-19 related costs. This was due to reduced demand for school transport during lockdowns.

3.5.4. Of the £1.5m of COVID-19 related costs recorded under R&E Directorate, £0.7m costs relate to Public Realm for acceptance of liability for increased residual tonnage, agreement to pay some Veolia agency staffing costs to cope with the staffing impact of COVID-19 and loss of income from garden waste and bulky waste.

3.5.5. The financial impact of COVID-19 was estimated at £9.1m at the end of Q3, compared to outturn of £7.2m. The main movements were in the following areas:

- Parking – loss of income increased from forecast £3.2m to £5.2m, this was due to further government restrictions in Q4 reducing motoring activity.

- Highways & Infrastructure – Impact reduced from £1.0m to £0.3m as the risk of reduced fee income did not materialise to the fullest extent.

- Brent Transport Service – As shown above, the service had reduced operation in 2020/21, which meant the service was able to contribute to reducing the COVID-19 impact by £2.7m, an increase of £2.2m from the Q3 forecast

COVID-19 Related service underspends

3.5.6. The £1.0m COVID-19 related underspend was the result of efficiency savings imposed across the Directorate, based on the mid-year outturn forecast. Discretionary directorate-wide expenditure was put on hold in order to offset the financial impact of COVID-19. In addition, this included top-slicing all budgets which contain salary expenditure. Each service therefore made modest savings within a strict budget monitoring regime.

3.6. Central items - Collection Fund and other central items

3.6.1. The budgeted net collectible amount for Council Tax (after exemptions, discounts and Council Tax support) was £160.5m in 2020/21. The actual net collectible amount as at 31 March 2021 reduced to £158.2m, a reduction of £2.3m since April 2020. The decrease during the year was due to new properties not being completed as expected and the additional Council Tax Support payments to residents, which increased substantially due to COVID-19, producing a cumulative Council Tax deficit on the Collection Fund of £7.7m after accounting adjustments for items such as impairment for doubtful debt, and write-offs. The in-year collection was 92%, 3.9% lower than the amount achieved in the previous year, although collection will continue to be attempted in future years.

3.6.2. The government's 75% compensation scheme and the spreading of deficits over three years are intended by Central Government to bring the Collection Fund back into balance in the next three years. An assessment will be made as to the impact on future budget setting when the Medium Term Financial Strategy is updated as the government scheme is unlikely to cover all the losses.

3.6.3. The budgeted net collectible amounts for Business Rates (after exemptions, reliefs and discounts) was £130.5m. The actual net collectible amount as at 31 March 2021 reduced to £64.8m, a reduction of £65.7m since April 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 has left the Collection Fund with an in-year deficit of around £81.1m. As at the 31 March 2021, the amount collected was 87.3%, this is significantly lower than the amount collected in the same period last year, at 98.2%. This is primarily due to payment deferrals that had been granted to support businesses due to the impact of COVID-19, as well as restricted enforcement activity and closure of courts.

3.6.4. 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. For Business Rates, the income due to the General Fund from the Collection Fund exceeded the budget by £20.1m due to a timing difference. This will be used over the next three years as described in paragraph 3.6.2.

3.6.5. The Central Items net position includes various COVID-19 grants from central government. These include the Additional Restrictions Grant (ARG), Clinically Extremely Vulnerable grant, Contain the Outbreak Management Fund (COMF) and other non-ringfenced COVID-19 grants. Restricted grants are being utilised first to maximise the flexibility in the general grants. The grants received and used in the year are summarised in paragraph 3.6.7. Grants of £13.2m that are allowed to be carried forward into 2021/22 to support the recovery have been carried forward after offsetting COVID-19 pressures of £41.1m in General Fund as reported in Table 1.

3.6.6. The £9.2m Central Items overspend is primarily due to COVID-19; in particular, an increase in the bad debt provision for housing benefit overpayments and sundry debts, summons income losses in relation to business rates and council tax due to court closure and restricted enforcement activities, additional spend on discretionary housing payments and subsidy loss in processing housing benefit claims.

3.6.7. COVID-19 Funding and Use Summary

COVID-19 Grant Receipt and Utilisation Summary 2020/21				
	Targeted Grant	**General**	**Sales, Fees & Charges**	**Total**
	£m	**£m**	**£m**	**£m**
Grant Received	22.3	22.0	6.8	51.1
Amount Used	(18.5)	(12.5)	(6.8)	(37.8)
Balance Unspent	3.8	9.5	0.0	13.3
Transfer to Reserves & Creditors	**(3.8)**	**(9.5)**	**0.0**	**(13.3)**

3.7. Capital financing and other items

3.7.1. The recovery of outstanding amounts due to the Council is calculated based the debt recovery experience over the previous twelve months, categorised according to the age and profile of the debt. An additional 10% impairment for doubtful debt has been allowed due to the impact of COVID-19. The expectation is that payment performance for debts outstanding as at 31st March 2021 will be significantly worse than compared to 2019/20 by a variety of debtors. The bad debt provision as at 31 March was £87.0m.

3.7.2. The capital financing outturn for 2020/21 is £23.4m, in line with the overall budget. This mainly consists of £6.9m interest receivable, £20.9m interest payable, and other financing expenditure including MRP, non-enhancing capital expenditure offset by the HRA contribution.

Capital Financing Budget	**£m**
Interest Payable	20.9
Interest Receivable	(6.9)
Capital Financing and Minimum Revenue Provision	9.4
Total	**23.4**

3.8. Dedicated Schools Grant (DSG)

Funding Blocks	DSG Funding	Actual excluding COVID-19 related pressures	Actual Over/ (Under) spend excluding COVID-19 Impact	Additional costs/ loss of income due to COVID-19	COVID-19 Related service underspends	Total
	(£m)	**(£m)**	**(£m)**	**(£m)**	**(£m)**	**(£m)**
Schools Block	233.8	233.3	(0.5)	0.0	0.0	**(0.5)**
High Needs Block	62.2	67.8	5.6	0.6	0.0	**6.2**
Early Years Block	22.9	23.4	0.5	0.0	0.0	**0.5**
Central Block	2.2	1.6	(0.6)	0.0	0.0	**(0.6)**
Total DSG	**321.1**	**326.7**	**5.0**	**0.6**	**0.0**	**5.6**

Summary

3.8.1. The DSG spend has exceeded the 2020/21 allocation by £5.6m, mainly due to pressures in the High Needs block. This is an increase from the Quarter 3 reported position of £4.2m and includes a £0.6m pressure due to COVID-19 implications.

3.8.2. This will lead to an increase in the DSG deficit from £4.9m to £10.5m by the end of the financial year. The DSG budget set for 2021/22 does not recover any of the deficit and the deficit will be disclosed as an earmarked usable reserve in line with DfE regulations (the School and Early Years Finance (England) Regulations 2020). The regulations make clear the requirement for any DSG deficit balance to be held within the local authority's overall DSG and carried forward to be funded from future year's funding and/or recovery plans agreed with the DfE. This arrangement is only in place for three years, ending at the end of 2022/23. It is currently unclear what arrangements will follow this, but DfE expects councils to use this time to address overspends in the DSG.

Actual excluding COVID-19

3.8.3. The overall £5m pressure has mainly arisen against the High Needs block because of growth in Education Health and Care plan (EHCP) numbers, which has resulted in 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 the High Needs funding has not increased in line with the rapid growth in overall pupil numbers, creating financial pressures. There has been a 16% increase in the number of EHCPs, which have risen from 2426 in 2019/20 to 2805 as at the end of 2020/21, and numbers are still rising.

3.8.4. The pressure in the High Needs block is summarized in the table below.

DSG High Needs Block	Budget (£m)	Outturn (£m)	Variance (£m)
Place funding in Brent Special Schools and ARPs	9.0	9.0	0.0
Top up funding in Brent Special Schools and ARPs	19.6	21.4	1.8
Top ups to mainstream settings in Brent	8.0	8.0	0.0
Residential and independent settings	8.6	9.4	0.8
Out of Borough Top ups	5.5	6.5	1.0
Post 16 Top ups	3.2	4.6	1.4
Targeted Funding	0.1	0.3	0.2
Education Otherwise / Awaiting Placement	0.6	0.8	0.2
Recoupment Income	(1.2)	(1.3)	(0.1)
Early Years Inclusion Fund	1.1	1.0	(0.1)
Support for Inclusion	1.0	0.8	(0.2)
SEN Services	6.7	6.8	0.1
High Needs Block – Income reduction	0.0	1.1	1.1
Total Expenditure: High Needs Block	**62.2**	**68.4**	**6.2**

3.8.5. The main pressures within the High Needs Block are as follows:

- £3.6m pressures have been incurred against the top up funding for Brent special schools and ARPs, against independent settings, and out of borough special schools due to increased numbers;

- £1.4m 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;

- £1.1m High Needs Block income reduction where a recoupment import-export adjustment has been made which accounts for school place funding for Brent pupils in other local authority areas;

- £0.1m pressure against SEN support services is as a result of a £1m pressure arising from the Speech and Language Therapy service, due to spot purchases to accommodate needs of children over and above the budgeted contract value and agency staffing costs pressures in the Education Psychology services, which are the knock-on effects of the increased demand. This pressure has in turn been offset by a £0.9m underspend against SEN transport as a result of wider one-off savings achieved against the corporate contract during the COVID-19 pandemic.

3.8.6. £0.5m pressure against the Early Years Block. In March 2020, the Government confirmed that local authorities should continue to fund the NEG entitlements despite some settings having to close due to the COVID-19 pandemic. Therefore, in Brent, all Early Years providers have continued to receive Nursery Education Grant (NEG) funding over the Summer Term 2020, based on their Spring term 2020 headcount and for the Autumn 2020 term based on Autumn 2019 headcount data. This has led to the block reporting a deficit of £0.8m as amounts paid to providers has exceeded the income allocation. This pressure has in turn been offset by additional income received where income has been increased by £0.1m relating to a prior year adjustment, and the 2020/21 allocation was increased by £0.2m following confirmation of the January 2019 Early Years census.

3.8.7. £0.5m underspend against the Schools Block mainly due to a £0.7m underspend against the growth fund for Academies not being recouped. This is because of the timing difference between Academies and Local Authority financial years, where funding for Academies are adjusted to take into account the additional 5 months of growth funding required by Academies, but not maintained schools. This will therefore net off the pressure against the growth fund of £0.2m, due to pressures arising from rising rolls payments for growth in secondary pupil numbers.

3.8.8. £0.6m underspend against the Central Block, mainly relating to lower than expected employment termination costs, which were used to mitigate the COVID-19 related pressures within the DSG.

3.8.9. 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 are being reviewed by the task group set up by the Strategic Director of CYP and key strategies for recovery plan have been presented to the School Forum and will be monitored termly. These strategies include:

- Managing the rate of growth in the number of EHCP, 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) in order to secure provision locally to meet the needs of Brent children;
- 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

3.8.10. The costs against the high needs block to support the vulnerable children and young people during the COVID-19 pandemic lockdown and support post lockdown by funding additional tuition, therapy and specialist equipment amounts to £0.6m.

3.9. HRA

HRA	Budget	Actual excluding COVID-19 Impact	Actual Overspend/ (Underspend) excluding COVID-19 Impact	Additional costs/ loss of income due to COVID-19	COVID-19 Related service underspends	Total
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
HRA	0.0	(0.3)	(0.3)	0.3	0.0	**0.0**

3.9.1. Summary

The budgets for the Housing Management function are contained within the ring-fenced Housing Revenue Account (HRA), which had a balanced budget set for 2020/21.

Overall, the HRA reports a break-even position for 2020/21, which includes £0.3m COVID-19 related pressures offset by a £0.3m non-pandemic related surplus.

3.9.2. Actual excluding COVID-19

The £0.3m overall surplus (excluding COVID-19) is the net result of a £2.4m overspend being more than offset by a £2.7m underspend. The individual variances consist of:

- £1.0m additional spend over budget on void works
- £1.0m additional spend on responsive repairs backlog
- £0.1m 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
- £2.3m underspend associated with deferred major works in relation to lift replacements as a result of a delay in leasehold consultation on external works and contractors' set up
- £0.3m underspend on mechanical and electrical communal repairs
- £0.1m underspend against staffing budgets due to vacancies

3.9.3. Additional costs/ losses of income due to COVID-19

In 2020/21, the HRA finances have been impacted by the COVID-19 outbreak and the financial pressures included:

- £0.2m loss of rental income due to delays to new build completions arising from stoppages on site during the first lockdown, which resulted 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

3.9.4. The impact of COVID-19 was previously estimated to be £2.7m in Q3, which has since reduced by £2.4m. This is predominately due to significantly less than anticipated losses of rental income, as the collection rates have remarkably improved towards the end of the year. This is attributed to further government support and extensions of the furlough scheme that have helped to reduce the overall impact on the economy.

4. Capital Programme

Capital Programme Outturn for 2020/21

Directorate	Original Budget (£m)	Revised Budget (£m)	Expenditure in year (£m)	Over/ (under) spend in year (£m)
Corporate Landlord	22.1	12.6	10.2	(2.4)
Regeneration	18.7	8.1	6.9	(1.2)
St. Raphael's Estate	0.3	0.7	0.5	(0.2)
Housing Care Investment	190.2	155.1	116.5	(38.6)
Schools	11.5	14.8	9.4	(5.4)
South Kilburn	24.0	8.1	6.7	(1.4)
Public Realm	23.9	25.5	21.6	(3.9)
Capitalisation	1.8	0.0	0.0	0.0
Grand Total	**292.5**	**224.9**	**171.8**	**(53.1)**

4.5.1. The Council has an ambitious five-year capital investment programme totaling £672.7m, which is financed from a combination of capital receipts, grants, contributions, reserves and external borrowing.

4.5.2. The Council spent £171.8m, which equates to 59% of the original capital programme budget and 76% of the revised budget. The programme has progressed well during a very challenging year with the reasons for the variances explained below. A separate report will be brought to Cabinet to review the underspends available that can be re-profiled and repurposed in future years.

Corporate Landlord

4.5.3. A number of projects within the programme have not progressed as anticipated. The Oracle Cloud Programme delivery profile changed since the budget was set, driven by changes in the scope of the project and the availability of the contractor resource due to COVID-19, resulting in slippage of £0.9m into the next financial year. The Energy Programme has been impacted by delays in procuring a delivery contractor causing slippage of £0.6m. The additional underspend is £0.4m for digital strategy, £0.3m on facilities management in house delivery and £0.2m on IT investment, which will be spent in the new financial year.

Regeneration

4.5.4. The Morland Gardens project incurred delays in the materials procurement and commencement of works due to COVID-19, resulting in slippage of £0.1m. The Housing Zones programme has been delayed whilst the Council awaits the outcome of a de-designation of land from Central Government, resulting in budget slippage of £0.3m. Delays in the operator procurement for Picture Palace have caused delays in the refurbishment works, and delays in commencing the consultation on Design Works resulted in slippage for the Harlesden Regeneration Programme of £0.8m.

St Raphael's

4.5.5. The slippage of £0.2m is due to a delay in procurement of the Design Team for Phase 1 of the programme.

Housing, Care and Investment

4.5.6. The actual was lower than budget by £38.6m due to:

- The Private Rented Sector Programme had been working on purchasing a new build opportunity which did not materialise, resulting in slippage of £19m.

- The underspend of £15m within the New Council Homes Programme was due to site delays (such as new planning permission being required to move the site boundary and site activity delays due to COVID-19), delays in agreeing Heads of Terms for Learie Constantine Centre and Brent Indian Community Centre and unused contingency.

- There was an underspend of £3.9m on the major repairs and works scheme due to changes in the programme following full surveys and consultation with leaseholders. COVID-19 also caused delays in the delivery of materials, with some suppliers experiencing a 16-week delay in manufacturing lead times.

- Empty Property - £0.7m slippage due to some large schemes being withdrawn by the developers/landlords and delay in some projects.

Schools

4.5.7. The Uxendon Manor project experienced delays in the completion as additional works were identified which will be completed early in the new financial year. There is also an underspend on the schools asset management programme, the Council's Ark Elvin contribution and devolved formula capital works, owing to delays in the scheduling of the work caused by COVID-19. The £5.4m budget will be used in the new financial year.

South Kilburn

4.5.8. There is an underspend of £2.2m on the Neville and Winterlys project due to property acquisitions expected to complete in March being delayed until the new financial year. This was partially offset by overspends in Austen & Blake Court and Carlton & Granville of £0.8m with the schemes having progressed further than expected, requiring the use of future years budget.

Public Realm

4.5.9. There was a £3.9m underspend on public realm consisting of:

- An underspend of £2.2m in the highways programme primarily on the footways project due to delays in delivery. The remaining budget is projected to be spent in the new financial year.
- The highways S106 projects also have a £0.7m underspend. These projects are being reviewed to ensure any funding that is not required will be reallocated.

- There are additional underspends in other areas including £0.5m in parking and street lighting and £0.4m in landscaping, due to delays caused by COVID-19. These are forecast to be spent in the new 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 a 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