

Brent Council

Summary Draft Statement of Accounts 2019/20

Narrative Report

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Organisational overview

1. To say this has been another challenging year for local government would be an understatement. The outbreak of the COVID-19 pandemic in early 2020 has caused massive disruption to the economy and public finances.
2. Before this, the Council was already dealing with a decade of austerity measures, Business Rate reforms, a re-setting of government funding with the Fair Funding Review, Adult Social Care pressures and the impact of Brexit. The current situation is exceptional and the Council has had to make critical decisions quickly, often in response to specific and constantly evolving Government direction and guidance.
3. In response the Council has instigated the Strategic Gold Group to lead on the coordination and response to the COVID-19 Pandemic. Since early March the group has met regularly and leads on the communications to residents, staff and members. The group is represented by Strategic Directors, Human Resources, the Director of Public Health, Communications, Emergency Planning and the Operational Director for Customer Services and is chaired by the Chief Executive.
4. Alongside this London wide arrangements have been in place throughout period. A London Resilience forum was stood up and a Strategic Co-ordination Group (SCG) has overseen the response of all our partners, NHS, PHE, Police, Fire, GLA, and Central Government. The Chair of the SCG was given powers by the government to direct public services throughout this crisis and every day The Council is duty bound to return a situation report to them outlining the resilience of all our critical services. They have also provided direction in relation to issues such as shielding, PPE, testing, enforcement of social distancing and Brent have followed instructions where relevant.
5. The role of London Local Authority Gold throughout most of this period has been undertaken by the Chief Executive of Waltham Forest. This has been executed by way of a sub-regional structure with Brent being in the West London sub-region along with Harrow, Hillingdon, Ealing, Hounslow and Hammersmith of Fulham.
6. The Council's initial response to the pandemic was to follow government guidance with regard to the scientific evidence and whilst services were reduced and increasing numbers of staff were working from home we did not shut down all services until the government instituted the lockdown on 23 March 2020. Since that point the council has changed its position to one where staff are largely based at home working remotely and providing mainly critical services.
7. So far the main areas of increased Council activity have been:

- 7.1.1 *Social Care and PPE* - ensuring hospital discharges happen quickly, supporting care homes and domiciliary care, getting PPE to carers and front line staff, testing of front line staff.
 - 7.1.2 *Parks, Open Spaces & Mortuaries* - building additional mortuary capacity and working with funeral directors to ensure funerals happen as quickly as possible, enforcement of social distancing in parks and open spaces and high streets along with the effective monitoring of which shops should and should not be open, keeping the bins emptied given much higher levels of domestic waste.
 - 7.1.3 *Staff redeployment* - the redeployment of staff to ensure that increased benefits and council tax enquiries are efficiently expedited and all calls answered, contacting all 4,000+ NHS shielded residents and others referred to us as vulnerable and providing food and now medicines to those who are in need.
 - 7.1.4 *Grants and other financial assistance* - working on small grants to businesses and business rates relief and now sorting out how we will get ourselves back onto a sustainable financial footing, also have needed to ensure that we are alert to any potential for fraud as a result of monies being distributed in response to COVID-19.
 - 7.1.5 *Voluntary Sector & Partnerships* - worked with the voluntary and community sector to provide support and indeed food and transport to foodbanks, advice and support to residents and communications media, answering enquiries and ensuring information is given to residents in the Borough through the web and other social media channels.
 - 7.1.6 *Rough Sleepers* - ensure that rough sleepers have been accommodated and provided additional accommodation for those that are in danger of becoming rough sleepers; emergency repairs have continued.
 - 7.1.7 *Educational Settings* - working very closely with schools in the borough to support with PPE and provide guidance and help co-ordinate in relation to the childcare commitment for key workers and those children identified as vulnerable.
 - 7.1.8 *Communications* - information has constantly needed to be updated and sent to residents, staff, businesses and members.
8. Despite the fact that the majority of staff are now home based the Council has been able to continue to deliver the majority of services without disruption. Although some services by the nature of the public interface have been temporarily closed down e.g. Libraries and sports centres, recycling centre, whilst other services have been projected into greater prominence as a result of the shutdown, for example registrations, mortuaries.

OUR COVID-19 RESPONSE IN NUMBERS



9. In response to the outbreak, central government has been making daily announcements and the following grants have been made available to Council's to support the response:
 - 9.1.1 *COVID-19 Fund* - A £3.2 billion fund for local authorities to help in the response to coronavirus (COVID-19) pressures across all the services they deliver. Brent's share of this fund is £18.3m.
 - 9.1.2 *Hardship Fund* - A £500 million Hardship Fund to provide council tax relief to vulnerable people and households to help those affected most by coronavirus. Brent allocation £3.9m.
 - 9.1.3 *Rough Sleepers* - This is a £3.2 million fund available to all local authorities in England to reimburse them for the cost of providing accommodation and services to those sleeping on the streets to help them successfully self-isolate.
 - 9.1.4 *Business Rates Relief* - There are two business rates grants which have been announced. The Small Business Grant Fund (£53.6m) and the Retail, Hospitality and Leisure Business Grant Fund (£64.4m).

COVID-19 Expenditure Tracker

10. As a result of these extraordinary circumstances, it is expected that service departments will experience income and expenditure pressures over and above that which their 2020-21 budgets are based upon, with the 2020-21 budgets having been only agreed by Council in February 2020. The magnitude of these expenditure pressures will depend on the severity of the pandemic and how long the pandemic lasts. Two scenarios have been modelled based on a lockdown period of 3 and 6 months.
11. A cost tracker has been created to estimate and record these additional pressures. It includes anticipated additional expenditure pressures, loss of income, impact on savings and capital programmes and treasury management issues. Table 1 below provides a summary of the expected loss of income and costs to the council (as at 1st May 2020), assuming that the current social distancing measures are in place for three

months and that the financial impact is experienced for an additional three months to 30 September 2020. These figures are reported fortnightly to the Ministry of Housing, Communities and Local Government (MHCLG).

Table 1

Directorate	19/20 Impact (£m)	20/21 3 month lockdown impact to 30 Jun 20 (£m) Scenario 1	20/21 Extended to 30 Sep 20 (£m) Scenario 2	Total estimated impact (£m)
General fund				
Assistant Chief Executive	0	0.4	0.1	0.5
Children and Young People	0	1.4	1.6	3.0
Community and Wellbeing	0.3	3.7	3.5	7.5
Customer and Digital Services	0	6.1	2.3	8.4
Regeneration and Environment	0.1	6.4	5.5	12
General Fund Sub-Total	0.4	18.0	13.0	31.4
Dedicated Schools Grant	0	0.2	0.1	0.3
Housing Revenue Account	0	1.6	1.8	3.4
Grand Total	0.4	19.8	14.9	35.1

12. The expected cost impacts and risks included in Table 1 are explained further below:

Assistant Chief Executive

13. There is an expectation of loss of fees and charges from Conferences and Events due to cancellations. The service is also predicting a reduction of commercial advertising income on outdoor sites and a fall in advertising fees from “Your Brent” Magazine. Additionally, there is expected to be a loss of income from film productions no longer using council sites and parking services. In addition to this, the provision of additional grants to the voluntary sector will exert further pressure on existing budgets.

Children & Young People

14. Immediate costs estimated incurred against the general fund in 2019/20 as a result of COVID-19 are minimal and includes the purchase additional cleaning products, catering costs for the Nurseries. There have also been some costs incurred on the provision of emergency food supplies and travel assistance for children in care. These costs are expected to ramp up in 2020/21 and will expand to include overtime costs for staff supporting the Emergency Duty Team.
15. There may be a potential loss of income in 2020/21 from traded services with schools such as the Brent Music Service and the Gordon Brown Centre due to the uncertainty surrounding the re-opening of schools.
16. There is also a risk to the timing of the delivery of the CYP department’s savings target for 2020/21 linked to the development of Family Wellbeing Centres and the development of a shared fostering service with other West London Authorities.
17. In 2020/21 there is predicted to be further pressures against the Dedicated Schools Grant (DSG) funded budgets as a result of the potential need for additional tutoring costs whilst Looked After Children (LAC) are out of school and until interim arrangements are in place.

18. Other costs could include staffing cost pressures to address staff absences, the replacement and/or accidental damage to equipment sent home with pupils, providing internet connection and chrome books to enable all alternative provision placed students' access online provision.

Community and wellbeing

19. For 2019/20, COVID-19 costs have mainly been incurred by Adult Social Care in relation to Personal Protective Equipment (PPE) to equip social care providers. Costs have also been incurred on reconfiguring the Peel Road property as a step down facility for patients discharged from hospital who need to continue to self-isolate. In 2020/21 further purchases of PPE will be required to support Adult Social Care in particular at care homes.
20. An increased hourly rate for Homecare providers of 5% has been agreed. This was necessary to support care providers through the pandemic and has been supported by implement immediate payment terms and in some cases making payments in advance.
21. Other expected cost pressures include the need to recruit additional staff to cover sickness and self-isolation across Adult Social Care, extra support for vulnerable social clients who cannot access supplies easily and additional social care packages which cannot be reclaimed through NHS funding.
22. In Housing there has been a need to secure accommodation for homeless individuals to enable social distancing. Whilst on the housing capital programme a reduction of planned works on the HRA housing stock as contractors are not able to work could result in an increase in responsive repairs.
23. Private Housing Service income will be impacted with landlord applications anticipated to reduce, less promotion of the service, and less enforcement activity is likely given the lockdown restrictions. Also, Income collection rates in the HRA are anticipated to fall in 2020/21 as the economy worsens and unemployment increases.
24. Financial support will be required to assist Leisure centre contractors and Bridge Park Community Leisure Centre has been re-purposed as a hub for the co-ordination and delivery of packages to support vulnerable residents on the NHS shielded list.
25. Included within the Councils savings targets for 2020/21 is the construction and delivery of new NAIL (New Accommodation for Independent Living) housing units. The achievement of these savings will be delayed by the pandemic as officer time and focus will now be centred the crisis response
26. There are plans for a number of completed properties in the NAIL to be repurposed as step down facilities for recovering patients discharged. Assuming the crisis continues for 6 months this could halve the savings realised through the NAIL programme in 2020/21.

Customer and Digital Services

27. The main pressures are expected to derive from cancelled ceremonies within the Registration and Nationalities service area which could result in substantial income loss in 2020-21 depending on the length and severity of the lockdown period.
28. Other pressures relate to the administration and implementation of recently announced measures to support businesses and individuals in receipt of the Council Tax support.

Regeneration & Environment

29. Prior to coronavirus measures being introduced, budget pressures were already identified for 2020/21 relating to an income deficit in Parking, the Brent Transport Service and the Veolia contract. The COVID-19 pandemic and the lockdown is expected to create additional pressures.

30. The main costs relate to the establishment of a temporary overflow mortuary. Other pinch points are predicted to come from reduced income, due to the government's social distancing measures. The largest of these is parking income (c £1m per month) due to reduced motoring activity and reduced penalty charge issuances.
31. The department is also predicting a rise in bad debts as a result of businesses unable to pay commercial rent, reduced activity in Building Control and Planning fee income. Neighbourhood Management are likely to be effected by the loss of income from the suspension of FPN issuing within Environmental Enforcement and a reduction in demand for permits for skips and scaffolding.
32. In addition to this savings targets for 2020-21 linked to property income, building control fees and licensing revenue are now unlikely to be met.

Capital Programme

33. As the disruption caused by coronavirus continues to spread, so does the potential to generate additional risks for construction contracts that underpin delivery of the councils capital programme.
34. The effects of the virus in the UK and internationally both in terms of the rising number affected as well as the preventative measures taken mean that it is now certain that COVID-19 will impact on construction and infrastructure projects in the UK, with labour and material shortages being expected.
35. This raises a number of potential risks and considerations for the capital programme from a contractor and council perspective.
36. For contractors, where projects are stalled for an extended period contractors could go bust resulting in significant delays and cost increases. Although main contractors are protected to some extent through the newly implemented immediate payment policies there is no guarantee of this protection being passed down to sub-contractors. Finally, if contractors down tools this could lead to substantial delays in delivery of the programme.
37. From a Council perspective, where projects are delayed this could create cost/income pressures through a reduction or delay in the receipt of rental income, capital grants, S106 and CIL receipts which are required to fund capital borrowing costs or contribute to revenue savings targets.
38. There is also a risk that the deferral of highways maintenance due to shortage of labour and materials could lead to higher long-term costs and increased insurance claims.
39. The risks noted above are routinely tracked and monitored through the various internal governance boards and committees. Whilst the Council's capital programme for 2019/20 has been largely unaffected so far, we predict that the financial risks from the COVID-19 outbreak could begin to impact from 2020/21 depending on the length of the lockdown, however several different scenarios have been modelled as set out in Table 1.

Treasury Management

40. The government is providing a series of additional funding measures in response to the challenges caused by COVID-19. This is likely to mean that from the 1 April, most Councils will receive large sums of money from central government. The Council is due to receive £18.3m from the Coronavirus Fund and £64m in relation to Business Rates Discounts.
41. The Councils Treasury Management Strategy articulates the Council's policies for managing this cash and gives priority to the security and liquidity over that of return. During this period of increased financial risk the Council will continue to work within this approved framework and will not break existing limits to cope with this inflow, nor will it leave large sums exposed to undue credit risk.

42. Whilst the Council will naturally wish to keep this extra cash secure and liquid, this is best achieved by diversifying investments across money market funds, call accounts, short-term local authority loans and by utilising safe havens such as the DMADF (Debt Management Account Deposit Facility). This is a facility run by the Debt Management Office and provides the Council with a flexible and secure facility to supplement other existing investment options while saving interest costs for central government. The Council intends to utilise the DMO for holding the majority of the additional COVID-19 funding in the short term until these cash balances run down to normal levels.

Managing the financial Impact of COVID-19 pressures

43. Table 1 shows that based on current estimates, the net cost of COVID-19 is expected to be an additional £35m in 2020-21 (£19.8m if the impact can be restricted to 3 months), which is far in excess of the £18.3m funding recently announced. That being said, the Government has consistently said that it is committed to supporting local authorities to play their part in the national.
44. The cost estimates set out in this report are considerable and the Council is working to the assumption (based on assertions made by Chancellor of the Exchequer, Rishi Sunak) that these costs will be fully reimbursed. However, in the event that there is a shortfall, contingency plans are in place to keep the council on a sound financial footing. These plans will be encapsulated in a more detailed report to Cabinet later in the year however the Council will use the full range of options available, including (but not limited to) taking steps to reduce demand for services, implementing further efficiency savings, streamlining processes wherever possible and as a last resort the re-diverting of earmarked cash reserves.

Impact on 2020/21 savings and MTFS

45. The budget agreed by Council in February 2020 included savings of £7.4m in 2020/21, in order to deliver a balanced budget. Assuming the baseline assumption that the lockdown protocols will last three months and a further three months will be required to return to a form of normality, the impact on the savings planned for delivery in 2020/21 have been reviewed.
46. The initial analysis shows that of the £7.4m planned savings in 20/21, £0.3m are at risk of not being delivered at all, £2.4m have already been delivered (either delivered early or not affected by the impact of COVID-19) and £4.7m will not be delivered in 20/21.
47. Further analysis is underway to determine whether (i) the savings at risk will not be delivered at all, (ii) the savings at risk will be delivered but there may be some degree of slippage and/or (iii) mitigating actions can be implemented in the short term. It is envisaged that this outlook will become clearer in the coming months. Along with the review and tracking of COVID-19 cost pressures throughout the period of the pandemic, the position is being monitored on a daily basis and a detailed report along with a refreshed Medium Term Financial Plan (MTFP) including revised proposals will be reported to Cabinet in July 2020.

Going Concern

48. As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2019/20. In accordance with the Code the Council's Statement of Accounts is prepared on the basis that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. It therefore naturally follows that the Council expects to realise its assets and settle its obligations in the normal course of business. There are several themes worth discussing when considering the "going concern" question.

Statute and regulation

49. The Council cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for local authority financial statements to be prepared on anything other than a going concern basis. It is also extremely likely that, as in the case of other councils, central government would step in to provide support and assistance if any council ran into financial difficulties.

Current financial position

50. The financial outturn position 2019/20 shows an under spend of £0.1m. As at the 31st March 2020 the Council held general revenue reserves of £15.1m. Additionally the Council held £160m in earmarked reserves (excluding Community Infrastructure Levy (CIL) funds) which are held to meet specific identified pressures.
51. General reserves reflect the ability of the Council to deal with unforeseen events and unexpected financial pressures in any particular year and are a key indicator of the financial resilience of the Council. Given that Brent has relatively high levels of reserves this is a positive indicator. As part of the Medium Term Financial Strategy the Director of Finance has assessed that the optimum level of general reserves to be held by the Council is between 5-10% of net expenditure. At 31 March 2020 general reserves were at 5.3% of the net revenue budget for 2020/21.

Projected financial position

52. The Council set a balanced budget in 2020/21 with a total cash limit of £298.8m. The budget included £21.2m of growth and technical adjustments and required £7.4m efficiency savings, all of which have been identified. The sector has faced significant reductions in central government grant funding and the Council has successfully achieved budget savings of £170m over the last 10 years, demonstrating a good track record of strong financial management.
53. Prior to the outbreak of the pandemic a budget gap of £6m over the period 2021/22 to 2022/23 has been identified and a list of savings were agreed by Cabinet in March 2020. The progress of the savings targets along with the ongoing impact of the pandemic will be carefully monitored over the Medium Term Financial period and reported back to Cabinet periodically. In the event that the COVID-19 costs are not funded by central government the council has the option of utilising general reserves as a one-off measure. However, in this event, the councils would need to find additional savings in the short-term to replenish these reserves
54. The Council has a well-established process for the development of its Capital Strategy. As with the revenue budget it is reported to Cabinet each year along with the Treasury and Investment Strategy which ensures that the Council maintains a capital programme which is prudent, sustainable and affordable. The Council has an ambitious capital programme for 2020/21 to 2024/25 totalling £780m.

The Council's balance sheet

55. The balance sheet shows a net worth of £1,532m (excluding the pension liability of £660.2m). There are statutory arrangements for funding the pension deficit through increasing contributions over the remaining working life of the employees, as assessed by an independent actuary. Council's contributions for 2020/21 have been set at 35% which is in line with the Fund's deficit recovery plan to clear its deficit within 19 years of the balance sheet date. The Councils balance sheet position therefore remains healthy.

The Council's governance arrangements

56. The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Head of Paid Service, the Monitoring Officer and the Section 151 Officer in addition to the current political arrangements. An overview of this governance framework is provided within the Annual Governance Statement for 2019/20. This includes a detailed review of the

effectiveness of the Council's governance arrangements, including arrangements during the period of the COVID-19 pandemic.

57. Despite the challenges faced by COVID-19 which are captured throughout this statement, It is considered that having regard to the Council's arrangements summarised above and other such factors as highlighted in this report that the Council remains a going concern.

Governance

58. The urgency of the current situation has required decisions to be taken at speed and sometimes without the degree of consultation and debate that is usually considered desirable, because it is not currently practicable. As the current situation in respect of COVID-19 is clearly an exceptional one, interim arrangements were enacted that authorised the Chief Executive under the Constitution to exercise any executive or non-executive functions where the matter is urgent, unless this is prohibited by law.
59. These steps were necessary in order to protect critical and essential services, comply with the government and PHE guidance or to implement Government schemes and provisions of the Coronavirus Act 2020 and other new legislation. Full details including a list of critical services was reported to the Audit and Standards Advisory Committee at its meeting of the 5th May 2020.
60. Further details concerning the emergency governance procedures implemented following the outbreak of the pandemic can be found in the Annual Governance Statement 2019/20.

Financial Governance

61. The maintenance of financial control and stewardship of public funds will remain critical during the response to COVID-19. We have stressed that officers must continue to comply with their legal responsibilities and have regard to their duties as set out in Managing Public Money and other related guidance. Any financial mismanagement during this period will be dealt with in exactly the same way as at any other time. We have also highlighted officers to the dangers of fraud and put in place mitigations.
62. The Finance Department has undertaken periodic reviews of our financial governance arrangements to ensure decisions to commit resources in response to COVID-19 are robust. We have also tested the resilience of the finance functions and business continuity plans to make sure that the most important elements (running payroll, paying suppliers, core reporting) can continue even with significant staff absences.

Performance in 2019/20

63. As set out in the table below, overall revenue expenditure on services was contained within budget.

Revenue Expenditure

Table 2

Directorate	Full year Budget £m	Expenditure £m	Over / (under) spend £m
(GF) Children and young people	48.7	50.3	1.6
(GF) Community wellbeing	136.6	137.2	0.6
Performance policy & partnerships	7.8	7.8	0.0
Regeneration & environment	40.2	37.9	(2.3)
Resources department	37.7	37.7	0.0
General Fund Sub Total	271.0	270.9	(0.1)
Housing Revenue Account	2.5	2.5	0.0
Housing Revenue Account Sub Total	2.5	2.5	0.0
Grand Total	273.5	273.4	(0.1)

General Fund

64. The Children and Young People department overspent by £1.6million. This pressure has arisen because of two main cost drivers, the national challenge of recruitment and retention of social workers and demand for placements. This is part of a national pattern and most Councils in England and Wales are reporting similar pressures due to demand for care services. This reflects a growing body of evidence of difficulties in maintaining existing care standards without substantial additional funding as part of the Spending Review.
65. Community Well Being overspent by £0.6m. This is attributable to unachieved savings on Adult Social Care due to delays in the retender of Homecare and Day care contracts, and a delay in the deregistration of Tudor Gardens as a residential home to turn it into a supported living scheme.
66. The risk of the overspends in children's services and adult social care was identified early in the year and compensatory measures were taken elsewhere, principally within the Regeneration and Environment department to ensure that service expenditure was kept within the agreed budget for the year.
67. The other departments within the general fund achieved spend to budget.

Housing Revenue Account (HRA)

68. The Housing Revenue Account (HRA) is a ring-fenced account, which manages income and expenditure in relation to 7,848 units of council owned housing stock. Stock levels increased by 43 units overall compared to the previous year following major new investment in the affordable housing programme.
69. The HRA reported a break-even position for 2019-20. The HRA operating reserve balance remains unchanged from last year at £1.4m.
70. Within the HRA, there were some minor in-year overspends against the planned budgeted expenditure. These related to enhancing services for residents by bringing the estate cleaning services team in-house from September 2019, and committing to paying this team at the London Living Wage for estate cleaning team. The in-year budgetary pressure was managed through the cost reductions achieved by the IT transformation project.

71. The end of the financial year coincided with the early stages of lockdown in response to Covid-19, however there was no material impact on the collection rates of rent and service charges. However, looking ahead the impact of the pandemic on rent and service charge collections is a key risk area for the HRA budget and this will be kept under close review with an updated position reported in the MTFP.

Schools and DSG

72. Dedicated schools grant (DSG) funds local authority schools' budgets and is the main source of income for schools. In 2019/20 Maintained school reserves have fallen by £3million to £13.8m as school budgets remain under considerable pressures due to funding not keeping pace with rising costs. In 2019/20, the DSG reported a deficit of £4.9million. This is mainly within the High Needs Block which has come under increased pressure in supporting children with special educational needs. The reported DSG deficit is disclosed within reserves.
73. The HN block has been impacted by the increasing number of Education, Health and Care plans (EHCP) being undertaken. This is a national challenge and locally in Brent, there has been a 35% growth in the number of EHCPs in the last 5 years. In 2019/20, this growth was 12%. This has led to spend which is significantly higher than the funding provided by the Department for Education (DfE).
74. In line with regulations the School and Early Years Finance (England) Regulations 2020). This deficit will be disclosed as an earmarked reserve and funded from future year's funding and/or recovery plans as agreed with the DfE. This Council is barred from funding deficits from the general fund without the secretary of state's approval. Given this, the deficit of £4.9million will be carried forward to 2020/21. Longer-term actions will be required to recover the deficit and a task group has been set up by the Council to co-ordinate, monitor and oversee a recovery plan.

Capital Expenditure

Table 3

Directorate	Full year Budget £m	Expenditure £m	Over / (under) spend £m
Corporate Landlord	10.6	5.3	(5.3)
Regeneration	4.0	4.2	0.2
St. Raphael's Estate Regeneration	1.0	0.7	(0.3)
Housing Care Investment	203.0	186.0	(17.0)
Schools	10.8	9.6	(1.2)
South Kilburn	10.6	8.8	(1.8)
Public Realm	21.2	17.4	(3.8)
Grand Total	261.2	232.0	(29.2)

75. The Council has an ambitious five year capital investment programme totalling £1.1bn which is financed from a combination of capital receipts, Council's resources and external borrowing. For 2019/20 the Council spent £232m, which equates to 89% of the approved capital programme budget and was under spent to budget by £29.2m or 11% as shown in Table 3 above.

Corporate Landlord

76. Reporting a £5.3m underspend due to delays in protracted commercial and legal negotiations which has caused delays in agreeing the final terms of the loan to the United College Group (UCG) for proposed development works on a new campus.

Regeneration

77. A small overspend in year caused by the Morland Gardens scheme incurring design fee and other costs earlier than originally planned. The scheme is still expected to come in on budget over the life of the project. This is offset by an equivalent underspend on the St Raphael's Estate regeneration budget due to design and procurement work pushed back to 2020-21.

Housing, Care and Investment

78. The £17m underspend in housing is due to several projects. They include the acquisition and street properties programme underspending by £6m due to difficulties in identifying and securing a suitable pipeline of street properties. Approximately £6m relates to delayed works at the following sites: (Honey Pot Lane, Learie Constantine securing vacant possession and agreeing leases, BICC redevelopment and Brondesbury Road clinic). Lastly following the acquisition of 235 new units at Gloucester and Durham the Council secured a saving of c £5m compared to the original budget by agreeing an SDLT exemption with

Schools

79. The £1.2m underspend is caused by slippage on a number of projects within the annual maintenance programme and schools expansion programme now planned to be carried forward and completed in 2020/21.

South Kilburn

80. A £1.8m underspend due to delays in securing property acquisitions on William Dunbar and Saville, Crone Court and Austen House schemes.

Public Realm

81. There is a £3.8m underspend across a number of infrastructure improvement programmes. A large proportion of this sum relates to planned footways works which were paused in March due to the pandemic outbreak.
82. The Council continues to review the capital programme to assess the financial and delivery implications of the crisis on programmes and projects planned to be completed within the next financial year. With the exception of a few contractors that ceased working on site or reduced their site activities but are now resuming as from May onwards, most of our capital programmes and projects have been progressing albeit within the social distancing constraints. Other than some of the savings targets (linked to securing rental income) now being delayed, there are no material impacts anticipated from the recent review undertaken.

Other significant financial results and information

Staffing

83. Following the end of the 4 year housing estate cleaning contract and subsequent contract performance review the Council took steps to bring this contract in-house. This involved the transfer of c 75 staff to the Council.
84. During the year the number of school staff and council officers paid over £50,000 in 2019/20 has increased by 17 compared to 2018/19, this is in part due to inflationary pay rises and to greater permanency in professional roles such as social work and accountancy.

85. The number of exit packages decreased from 228 in 2018/19, at a cost of £4.8m, to 116 in 2019/20 at a reduced cost of £2.4m. The 2018/19 figures include 107 employees who opted to take voluntary redundancy from the Council, following a major programme in 2017/18 to reduce costs via staffing reductions, whilst for 19/20 uptake fell to 87 individuals.

Borrowing

86. The Council's external borrowing increased to £598.8m (2018/19: £385.8m), an increase of £213m. This includes PWLB (Public Works Loan Board), LOBO and Fixed Rate loans, a debut £80m Private Placement loan secured in March 2020 and short term loans with other Councils totalling c£130m.

Table 4

Loans	2019/20 £m	2018/19 £m
PWLB	300.3	300.3
LOBO Loans	70.5	70.5
Fixed Rate Loans	228.0	15.0
Grand Total	598.8	385.8

87. The Council's external borrowing rose significantly over the year mainly to fund the growing capital programme which includes over £100m spend on in borough acquisition programme comprising of 235 affordable homes in South Kilburn and purchase of 153 Key Worker units block in Wembley by i4B, the Council's wholly owned subsidiary company.

Private Placement

88. As part of a drive to save debt servicing costs and increase diversification the Council sought alternative forms of finance to PWLB. The Council raised £80m unsecured, fixed rate, amortised notes from Private Placement market in March 2020. The Council achieved credit spreads of over 60-80bps on the margins offered by the PWLB and an all-in coupon of under 2% for 20 years and 2.01% for 25 years average life funds raised. This borrowing will fund the Council's ambitious housing and regeneration plans which will have a pivotal role to play in the recovery plans of the borough post COVID-19.
89. The Council's MTFP provides for regular reviews of the capital financing budget and the minimum revenue provision to ensure that capital investment remains sustainable and affordable. In the past the Council has always minimised its interest costs by utilising internal cash resources over the short-term instead of undertaking more expensive external borrowing however due to the reduction of cash reserves combined with the need for additional borrowing to finance the council's capital programme, and the availability of cheap borrowing, new borrowing has been undertaken this financial year.

Pension Fund

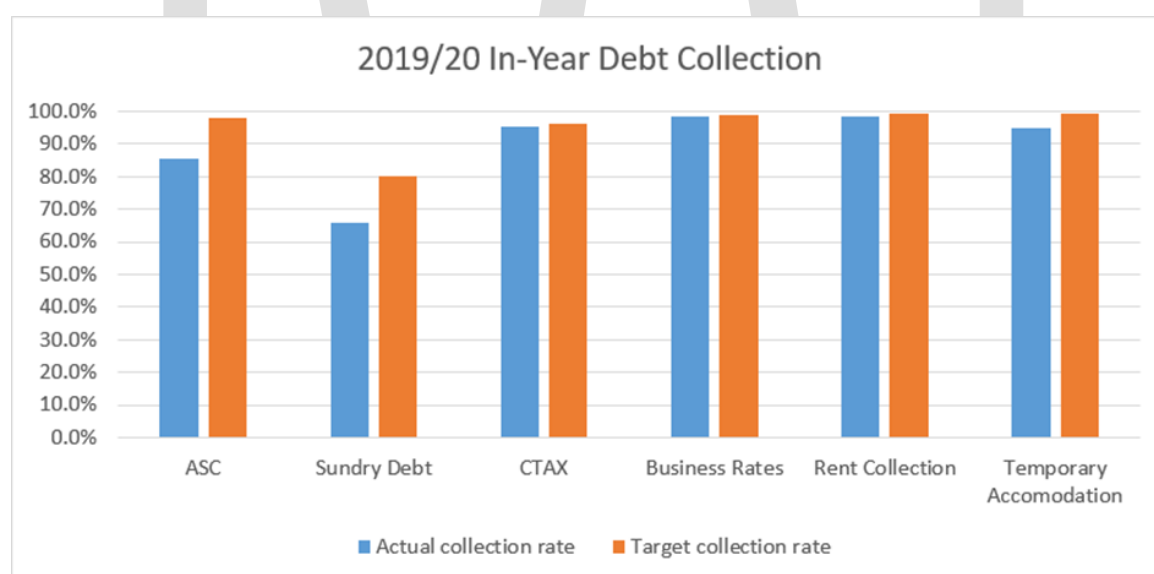
90. The Pension Fund is a contributory defined benefit pension scheme administered by Brent Council to provide pensions and other benefits for pensionable employees of Brent Council and a range of other scheduled and admitted bodies.
91. During 2019/20, the value of the Pension Fund's investments has decreased to £835m (2018/19 £856m). This is due to the poor performance of equity markets in the final quarter of the year related to COVID-19. At the end of December 2019, investments were valued at £935m.
92. Total contributions received from employers and employees was £60m for the year, an increase from the previous year. Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, was £48m, an increase on the previous year's £46m. As in 2018/19, the Pension Fund is in a positive cash-flow

position because its contributions exceed its outgoings to members. This means that the Pension Fund is able to invest some of the contributions from members in order to further increase the assets available to pay future benefits. This is in contrast to some Local Government Pension Scheme funds, who have to use some of their investments each year, reducing the assets on which they can make returns.

93. The Brent Pension Fund is revalued every three years by an independent actuary. This is a detailed appraisal that uses economic and demographic assumptions in order to estimate future liabilities and set employer contribution rates. It was agreed in this valuation that the employer contribution rate would remain stable at 35% for the next 3 years. This is consistent with the Fund's deficit recovery plan to clear its deficit within 19 years of the balance sheet date.
94. This Triennial Valuation revealed that the Fund's assets, at 31 March 2019, were sufficient to meet 78% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. This is a significant increase on the 55% funding level as at the March 2016 valuation.
95. Since March 2019, the investments of the pension fund have generated a return lower than the returns assumed by the fund actuary as part of the valuation. This is due to steep falls in some markets (particularly global equity markets) following the outbreak and global spread of COVID-19 in early 2020. The Fund holds a well-diversified portfolio, which has been invested in line with its investment strategy, therefore some assets have increased in value helping to mitigate impact of market falls.

In Year Debt Collection

96. The council collected 95.1% of the 2019/20 council tax due during the year, a 1% reduction in collection rate from last year. Business rates and housing rents collection have seen a slight drop in performance compared to 99% collection rate last year and below targets of 98.7% and 99.5% respectively. Performance in the collection of sundry debts remains low at 65.9%, a further drop from the 71% achieved last year, compared to a target collection rate of 80%. The table below reflects actual performance against targets set for in year collection.



	ASC	Sundry Debt	CTAX	Business Rates	Rent Collection	Temporary Accommodation
Actual collection rate	85.4%	65.9%	95.1%	98.2%	98.6%	95.0%
Target collection rate	98.0%	80.0%	96.1%	98.7%	99.5%	99.5%

97. Across various categories of debts, a total of £24m arrears was collected in year, with a large proportion generated from sundry debts.

Outstanding debt			
Debt Categories	Debts as at 31st Mar 2019 £m	Debts as at 31st Mar 2020 £m	Increase/ (Reduction) £m
Council Tax	48	44	(4)
Housing Benefits overpayments	29	24	(5)
Business Rates	9	7	(2)
Sundry Debt	16	3	(13)

98. For 2019/20 the provision for debt was uplifted by c 10% to reflect emerging issues arising from the pandemic. As part of the Council's immediate response we have temporarily paused any debt enforcement action and in some cases allowed payment holidays. This is a temporary measure to provide support during the outbreak and will gradually be scaled down as situation improves.

Looking Ahead

Recovery

99. Whilst we do not yet know for certain how long the lockdown will continue for the council is now operating stably in the "new normal". It is therefore crucial that we consider the many options open to the Council once the lockdown (either partial or total) ends. Recovery planning will need to cover both internal i.e. council and external i.e. community recovery and will probably have to be done in a phased way. It will be very important to ensure that all councillors and all staff are involved in this discussion as we move forward.
100. The Council is already looking ahead and actively planning for this by identifying elements of what has happened in recent months that we would like to retain e.g. even more flexible working that is currently the case, quicker decision making and more generic roles for some officers, less traffic on the road and improved air quality, a stronger sense of communities looking after each other. Equally there will be some other areas where we may put things back in place as before but that we now know we can do them differently and better.
101. As part of this initiative, reporting through the Senior Leadership Team (SLT) departments have been identifying potential actions or processes that could be adopted as the Council transitions through this recovery phase in the coming months.

Table 4

Restore <i>(Gradual transition away from crisis management arrangements)</i>	Retain <i>(Identifying those aspects of work that staff wish to maintain)</i>	Re-invent <i>(Aspects of work that staff should retain, re-invent or stop)</i>
<ul style="list-style-type: none"> • Responding to national directives • Maintaining social distancing • Ongoing support for shielded cohort • Managing phasing out of crisis services (e.g. food delivery) • Ramping up business as usual • Recognising staff and community contributions • Recovering from areas where income has been lost 	<ul style="list-style-type: none"> • Increased home working • Empowering the workforce • More collaborative working across service areas and with partners • Rapid and effective roll out of new technology solutions • Effective internal communication methods 	<ul style="list-style-type: none"> • Different use of the Civic Centre work space • Flexible start and finish times • Leaner working, removing tasks that don't add value • Greater use of technology to communicate and collaborate • Better decision making by empowering staff at all levels

102. The results of this collaborative review will shape the way that the Council is structured and services delivered for years to come.

Core Statements

The Council's accounts are presented in 4 main statements in line with statutory requirements and supported by additional notes.

Balance Sheet

31-Mar 2019 £m		Notes	31-Mar 2020 £m	
1,670.1	Property, Plant & Equipment	1	1,835.6	Non-current Assets
0.5	Heritage Assets		0.5	
3.6	Intangible Assets		4.8	
23.4	Long Term Investments	25	62.4	
115.6	Long Term Debtors	25	132.3	
1,813.2	Long Term Assets		2,035.6	
61.0	Short Term Investments	25	104.7	Current Assets
107.3	Short Term Debtors	2	158.4	
53.3	Cash and Cash Equivalents	3	30.5	
221.6	Current Assets		293.6	
(14.4)	Short Term Borrowing	25	(140.9)	Liabilities
(143.9)	Short Term Creditors	7	(125.1)	
(0.0)	Grant Receipts in Advance- Revenue	20	(8.3)	
(2.6)	Provisions	9	(2.2)	
(160.9)	Current Liabilities		(276.5)	
(33.2)	Long Term Creditors	25	(30.0)	
(19.8)	Provisions	9	(14.5)	
(385.8)	Long Term Borrowing	25	(462.1)	
(941.8)	Other Long Term Liabilities	8	(674.3)	
(1,380.6)	Long Term Liabilities		(1,180.9)	
493.3	Net Assets		871.8	
	Reserves			Reserves
(368.4)	Usable Reserves		(398.4)	
(124.9)	Unusable Reserves		(473.4)	
(493.3)	Total Reserves		(871.8)	

The Movement in Reserves Statement

	General Fund Balance	School Balances	Earmarked General Fund Reserves	HRA Balance	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 31 March 2019	(15.1)	(18.6)	(233.8)	(1.4)	(1.7)	(25.4)	0.0	(72.4)	(368.3)	(124.9)	(493.2)
Movement in reserves during 2019/20											
(Surplus) or deficit on the provision of services	(70.2)	0.0	0.0	(19.6)	0.0	0.0	0.0	0.0	(90.3)	0.0	(90.3)
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(288.6)	(288.6)
Total comprehensive income & expenditure	(70.2)	0.0	0.0	(19.6)	0.0	0.0	0.0	0.0	(90.3)	(288.6)	(378.9)
Adjustments between accounting basis & funding basis under regulations	31.9	0.0	0.0	17.2	0.0	13.8	0.0	(3.0)	59.9	(59.9)	0.0
Net (increase)/decrease before transfers to earmarked reserves	(38.3)	0.0	0.0	(2.4)	0.0	13.8	0.0	(3.0)	(30.4)	(348.5)	(378.9)
Transfers (to)/from earmarked reserves	38.3	10.3	(48.6)	2.4	(2.4)	0.0	0.0	0.0	0.0	0.0	0.0
(Increase)/decrease in 2019/20	0.0	10.3	(48.6)	0.0	(2.4)	13.8	0.0	(3.0)	(30.4)	(348.5)	(378.9)
Balance as at 31 March 2020	(15.1)	(8.3)	(282.4)	(1.4)	(4.1)	(11.6)	0.0	(75.4)	(398.4)	(473.4)	(871.8)

Comprehensive Income and Expenditure Statement

2018/19 Restated

Gross Expenditure £m	Gross Income £m	Net Expenditure £m
9.2	(1.8)	7.4
15.7	(1.1)	14.6
76.0	(24.2)	51.8
233.9	(213.4)	20.5
216.4	(90.1)	126.3
72.1	(55.1)	17.0
38.7	(19.3)	19.4
93.7	(44.9)	48.8
352.3	(373.9)	(21.6)
1,108.0	(823.8)	284.2
		63.2
		36.0
		(328.7)
		54.7
		(98.9)
		56.6
		(42.3)
		12.4

Assistant Chief Executive
Chief Executive Department
Children & Young People (GF)
Children & Young People (DSG)
Community Wellbeing (GF)
Community Wellbeing (HRA)
Customer & Digital Services
Regeneration & Environment
Central Items
Cost of Services
Other operating expenditure
Financing and investment income & expenditure
Taxation and non-specific grant income
(Surplus) or Deficit on Provision of Services
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets
Actuarial (gains)/losses on pension assets and liabilities
Other Comprehensive Income and Expenditure
Total Comprehensive Income and Expenditure

2019/20

Gross Expenditure £m	Gross Income £m	Net Expenditure £m
11.8	(2.2)	9.6
18.2	(0.9)	17.3
79.7	(30.2)	49.5
215.4	(202.3)	13.1
212.5	(79.8)	132.7
30.7	(55.6)	(24.9)
38.8	(17.9)	20.9
84.2	(48.1)	36.1
304.6	(358.5)	(53.9)
995.9	(795.5)	200.4
		1.2
		38.2
		(329.5)
		(89.7)
		0.0
		(288.6)
		(288.6)
		(378.3)

Notes

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