



**Cabinet  
20 July 2020**

**Report of the Director of Finance**

**Quarter 1 Financial Report 2020/21**

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Key
<b>Open or Part/Fully Exempt:</b>	Open
<b>No. of Appendices:</b>	None
<b>Background Papers:</b>	None
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**1. Summary**

- 1.1. This report sets out the current forecast of income and expenditure against the revenue budget for 2020/21 and other key financial data.
- 1.2. Excluding the impact of COVID-19, the Council was expecting an overspend of £0.9m on the General Fund (GF) which relates to Children and Young People. The HRA and DSG were expected to breakeven before the impact of COVID-19 is taken into account.
- 1.3. COVID-19 is forecast to add an additional £37.4m of additional costs or loss of income to the general fund service areas, principally in Regeneration and Environment and Community Well Being.
- 1.4. Offsetting this is additional income to date of £21.2m for COVID-19 (including £2.8m for the estimate of Brent's share of the latest funding announcement). Assuming only this additional income is provided to the council, this takes the overall forecast impact due to COVID-19 this financial year on the general fund to £16.2m.
- 1.5. In addition, the new package of support includes provision for some income losses to be reimbursed where losses are more than 5% of a council's planned income from sales, fees and charges, with the government covering up to 75% of the remainder.

The impact of this is difficult to estimate at this point in time as the details of exactly how this will be calculated are yet to be announced. This additional funding will further reduce the overspend in year.

- 1.6. The impact of COVID-19 on the Dedicated Schools Grant (DSG) is forecast as £0.1m, which is expected to be offset by savings found within the DSG.
- 1.7. Currently, the impact of COVID-19 on the HRA is forecast as £2.9m, which is greater than the HRA reserves, therefore the HRA will need to consider mitigating actions such as reduced or deferred capital expenditure.
- 1.8. In total, the two sets of forecast overspends on the General Fund are £0.9m excluding COVID-19, and £16.2m for COVID-19; these forecasts add up to £17.1m on the General Fund. Adding in the further £3.0m for the combined overspend on DSG and HRA takes the total forecast overspend to £20.1m overall. The additional funding from central government for loss of income will reduce this overspend further.
- 1.9. The COVID-19 pandemic has also resulted in a number of underspends in service area budgets due to a reduced level of non COVID-19 related activity. In May, service areas were tasked with identifying and holding these underspends. It is anticipated that these one off underspends could be in the order of £5m. Details of the underspends identified will be reported in the quarter two report.
- 1.10. At the start of the COVID-19 crisis, central government indicated that they would pay for all the costs local authorities incurred as a result of the crisis, however more recent communications have suggested that local authorities may end up picking up some of these costs themselves. At this point in time it is unclear whether or not central government will be providing the necessary additional funds. If central government does not meet all these costs, then the council would need to meet these costs by utilising its earmarked reserves. Unlike other councils, the council's current reserves would be sufficient to sustain the immediate financial viability of the council. The main downside of using reserves is that it will mean that these reserves cannot be used for the purposes that they were originally earmarked for. This may affect the service delivery by the council, especially capital expenditure such as new housing. The impact of this will be kept under review, and updates will be provided as part of the budget monitoring and budget setting processes."

	<b>Budget (£m)</b>	<b>Forecast Overspend / (Underspend) excluding COVID-19 (£m)</b>	<b>Additional costs/ loss of income due to COVID-19 and Savings shortfall (£m)</b>
Assistant Chief Executive	7.5	0.0	0.6
Chief Executive Department	16.6	0.0	0.1
Children and Young People	46.4	0.9	2.7
Community and Well-Being	133.2	0.0	12.5

Customer & Digital Services	21.3	0.0	4.2
Regeneration & Environment	41.1	0.0	17.3
<b>Subtotal Service Area Budgets</b>	<b>266.1</b>	<b>0.9</b>	<b>37.4</b>
Central items ( including Business Rates, Council Tax and Specific Grants, excluding specific COVID-19 grants)	(266.1)	0.0	0.0
Central funding for COVID-19	0.0	0.0	(21.2)
<b>Total General Fund</b>	<b>0.0</b>	<b>0.9</b>	<b>16.2</b>
DSG Funded Activity	0.0	0	0.1
Housing Revenue Account (HRA)	0.0	0.0	2.9
<b>Overall Position</b>	<b>0.0</b>	<b>0.9</b>	<b>19.2</b>

## 2.0 Recommendation

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

## 3. Revenue Detail

### Assistant Chief Executive (ACE)

Assistant Chief Executive (ACE)	Budget (£m)	Actual Forecast excluding COVID-19 (£m)	Forecast Overspend / (Underspend) excluding COVID-19 (£m)	Additional costs/ loss of income due to COVID-19 (£m)
Chief Executive Office	0.5	0.5	0.0	0.0
Communications	0.4	0.4	0.0	0.5
Executive and Member Services	3.6	3.6	0.0	0.0
ACE Director	0.3	0.3	0.0	0.0
Strategy and Partnership	2.7	2.7	0.0	0.1
<b>Total</b>	<b>7.5</b>	<b>7.5</b>	<b>0.0</b>	<b>0.6</b>

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

**3.2.** Taking account of the additional costs for COVID-19, the ACE department is currently forecast to overspend by £0.6m, made up of a £0.5m overspend in the Communications department and a £0.1m overspend in the Strategy & Partnerships department. Within Communications, there has been a loss of income due to cancellation of events in The Drum as well as lower than expected income from commercial advertising, roundabout sponsors and film production sites. Within Strategy & Partnerships, there are expenditure pressures from additional funding and capacity to support the voluntary sector. Additional costs also include the need to engage and build networks with smaller organisations in the borough in identifying COVID-19 impacts on vulnerable individuals and groups. **Chief Executive Department (CE)**

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

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

3.2.2. With the impact of COVID-19, CE is currently forecast to overspend by £0.1m, made up of a £0.2m overspend in the Legal, HR and Audit department and a £0.1m underspend in the Finance department. Within Legal Support, there has been a loss of income by way of costs recoverable from third parties, for example in relation to s106 agreements and on client debt related matters due to reduced demand. There are also additional costs expected in providing specialist advice and upgrading of electronic services due to the lockdown of courts. Within HR, additional costs are expected in providing risk assessments and additional support for specialist counselling in respect of individuals or teams suffering from PTSD. Within Finance, electricity savings of £0.1m are expected relating to reduced use of Buildings as a result of COVID-19.

### **3.3. Children and Young People (CYP)**

<b>CYP Department</b>	<b>Budget (£m)</b>	<b>Forecast (£m)</b>	<b>Forecast Overspend / (Under spend) (£m)</b>	<b>Additional costs/ loss of income due to COVID-19 (£m)</b>
Central Management	1.4	1.0	(0.4)	0.0
Early Help	4.6	4.6	0	1.0

Inclusion	1.3	1.3	0	0.0
Localities	14.5	15.4	0.9	0.2
Looked After Children and Permanency	6.3	6.4	0.1	0.1
Forward Planning, Performance & Partnerships	16.5	16.9	0.4	0.8
Safeguarding and Quality Assurance	1.7	1.6	(0.1)	0.0
Setting and School Effectiveness	0.1	0.1	0	0.6
<b>Total</b>	<b>46.4</b>	<b>47.3</b>	<b>0.9</b>	<b>2.7</b>

- 3.3.1. At this stage in the financial year, the Children and Young People department is currently forecasting an overspend position of £0.9m on the general fund following a £1.5m overspend in 2019/20. The 2019/20 pressure was reduced by a mitigation plan that identified £2.6m of one-off funding. This included use of reserves, holding posts vacant and raising approval thresholds. This year the department received growth funding of £1.8m and a contribution from the Social Care grant allocation of £1.7m. The forecast pressure reported is mainly against demand for looked after children's placements and cost pressures against the Children and Young People with Disabilities (0-25) care at home and direct payment budgets. These are offset by contingency budgets held in CYP central management.
- 3.3.2. The Forward Planning, Performance and Partnership (FPPP) service is at risk of overspending by £0.4m, following an overspend of £1m in 2019/20. Growth funds of £1.1m have been allocated to this budget this year and also included in the forecast is an expected increase in grant funding of £0.6m to support unaccompanied asylum-seeking children (UASC). However there remain pressures mainly due to an increase in residential placements costs. The main cost driver against this budget is the volatility of demand for social care placements for Looked after Children and Care Leavers. These are demand led placements and new placements may have to be found at relatively short notice, which can be expensive. The department is managing to keep the numbers of children and young people taken into care at low levels when compared to neighbouring boroughs. As at the end of April 2020 the number of looked after children (LAC) remains low at 295 in comparison to available data of statistical neighbours in 2018/19 of 430. However, a challenge remains that the children who come into care are often teenagers who have complex needs resulting in high cost placements.
- 3.3.3. In addition, the local authority is supporting a number of care leavers in semi-independent placements as part of their transition to adulthood. A number of care leavers who it had been expected would have moved into their own tenancies have had these tenancies delayed due to COVID-19 and more care leavers who would have been expected to move by September 2020 are likely to be accommodated for longer than anticipated. Initial analysis indicated that this would led to a £60k pressure but further analysis indicates the pressure could equate to £0.3m. This pressure is raised here as a risk and will be considered on a weekly basis as part of COVID-19 financial pressure reporting.

- 3.3.4. Management action in place to control spend includes establishing additional sign off processes at Children's Placement Panel; undertaking further work with finance colleagues to refine the forecast; more challenge and support around stepdown arrangements from residential placements to foster placements and/or semi-independent placements, monitoring and actively supporting the transition of care leavers to their own tenancies and reviewing financial policies and payments to carers for Special Guardianship support.
- 3.3.5. The Localities service is forecasted to be above its allocated budget by £0.9m at the end of the financial year - primarily due to pressures of £0.6m against the Children and Young People with Disabilities (0-25) care at home and direct payment budgets. The forecast is based on continuing demand pressures due to growing numbers of Education Health and Care plans (EHCPs) and the requirement to support the social care element of the plan. As at the end of 2018/19, there were 2,173 EHCPs and at the end of 2019/20, this number increased by 12% to 2,435 despite the overall pupil population remaining broadly the same. A separate £0.3m pressure is due to the additional cost of agency staff covering establishment posts. Current management action taken to reduce the number of agency social workers was reported to CMT on 14th May 2020, including the offer to agency social workers to opt to move to permanent contracts, career progression arrangements and the use of key worker housing. The forecast assumes that 20 agency staff will end their contracts before the end of the financial year and that these roles will be occupied by permanent staff. The overall position of permanent social work qualified staff across the department at the end of 2019/20 was 78%, an increase from 75% in 2018/19.
- 3.3.6. Localities caseload modelling is based on established national good practice and the current caseload is within the caseload ceiling. Where there is scope to safely reduce agency staff levels this is being undertaken. It is anticipated that as post COVID-19 lockdown restrictions ease there may be an increase in referrals. This could present a risk in increasing temporary agency numbers to cover a rise in demand. The Operational Director considers all requests for any new agency staff and extension requests for agency workers and there is close scrutiny of activity in this area.
- 3.3.7. The Looked after Children and Permanency service is forecast to overspend by £0.1m, arising from the costs of agency staff covering permanent roles and the commissioning of some adoptive placements, based on a child's best interests, with adoption agencies other than Adopt London West.
- 3.3.8. There is also a risk in the Early Help service where a balanced budget is reliant on an increased number of successful claims for the Troubled Families reward payments. Last year, the team successfully achieved 100% of their claims target. This year there was a reduction in the Troubled Families grant (TFG) of £0.6m however, this has been mitigated by deletion of posts and contribution from corporate funds of £0.4m.
- 3.3.9. The forecast assumes that COVID related pressures estimated at £1.2m include additional costs impacting the care at home and direct payment budgets, placement budgets (arising from the need to ensure there is greater supervision in foster and residential placements), and emergency payments for food and utilities. It also includes the impact of the loss of income in 2020/21 from traded services i.e. Brent

Music Service and the Gordon Brown Centre. Another cost pressure arising is due to a decision taken by Transport for London (TFL) to suspend free travel for under18s which will mean that the council will be required to fund statutory support for school travel from September 2020. This year the cost pressure could be in the region of £0.7m with an estimated full year financial impact of £1.1m. This decision will also have travel cost implications against the Looked after Children and the Youth Offending Service budgets, but the pressure is yet to be quantified.

3.3.10. Also reported against the COVID-19 impact pressures are the slippage expected against the department's two savings targets to be delivered in 2020/21. The targets include £1.49m to develop Family Wellbeing Centres (FWC) from children's centres. It is expected that the opening of these centres will now be December 2020 instead of September 2020 and the impact of this slippage is £0.8m. The other savings target of £0.1m, relates to developing a shared fostering service with two other West London Alliance (WLA) boroughs, resulting in staffing efficiencies. Progress is primarily dependent on the DfE starting the next round of funding to assist local areas in scaling up the models that have been agreed. It is estimated that savings of £30k can be identified in this financial year as the funding is unlikely to be agreed until September 2020.

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

	week would cost an additional £0.4m.		placements and fostering options WLA commissioning function is being used to control unit costs.  Joint commissioning with Health was successfully developed in 2019/20 and this will be built on to ensure further contributions to placement costs.
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### 3.4.

#### Community Well-Being (CWB)

CWB Department	Budget (£m)	Forecast excluding COVID-19 Impact (£m)	Forecast Overspend/ (Underspend) (£m)	Additional costs/ loss of income due to COVID-19 (£m)
Housing	8.1	8.1	0.0	5.3
Public Health	20.8	20.8	0.0	0.0
Culture	5.1	5.1	0.0	0.7
Adult Social Care	99.3	99.3	0.0	6.5
<b>Total</b>	<b>133.2</b>	<b>133.2</b>	<b>0.0</b>	<b>12.5</b>

3.4.1. Excluding the impact of COVID-19 CWB was expected to break even. COVID-19 is currently forecast to cost an additional £12.5m detailed below.

3.4.2. In Housing Needs a forecast £2.5m of additional cost will be spent on accommodating the increased demand as approx. 285 have presented as homeless and require accommodating through the outbreak. Most of these clients are considered as formerly hidden homeless, no longer able to 'sofa surf' with friends and family, who have been accommodated by the Council as part of the emergency response. The £2.5m is the result of a financial model which forecasts cost for accommodation, food and security in hotels, as well as one off costs for making permanent placements into the Private Rental Sector. This forecast is net of specific government grants and of assumed housing benefit income. The projections are based on moving on the majority of these new clients onto permanency by the end of Q2 as the emergency situation improves. However there is a cohort with no recourse to public funds (such as housing benefit) where decisions will need to be made about continuing to accommodate without any central government financial support. £1.2m of the total £2.5m forecast is made up of the cost of continuing to support the cohort with no recourse to public funds throughout Q3 and Q4.



- 3.4.3. Elsewhere in Housing there are potential costs of £0.3m for commissioning a homelessness support contract from the charitable sector, and the costs of additional temporary staffing in Housing needs both of which are needed to cope with the increased numbers of homeless people as described above.
- 3.4.4. £2.5m of the forecast variance is an estimate of uncollected rent from Housing Needs tenants in General Fund properties. As of week 8 the year to date collection rate was 20% below what was achieved last year, and this has been projected forward for the year. This is a severe forecast, but is not necessarily the worst case scenario, and it will continue to be monitored as the impact of the pending recession makes itself felt.
- 3.4.5. In the Culture and Leisure Service £0.6m of pressure is expected as a result of lost income from Bridge Park and Vale farm, and the cost of mothballing the Vale farm and Willesden Sports Centre to the end of Q2. A further £0.1m of library generated income is expected to be lost across the whole financial year.
- 3.4.6. In Adult Social Care, the major financial impact of the COVID-19 pandemic for CWB is the cost of procuring Personal Protective Equipment (PPE) and distributing it free of charge to care providers. The Council is better able to source and buy this equipment than many care providers who would struggle given the competitive market. Allocating it out to providers is part of the emergency response, but also prevents further pressure on cost of care as if this was left to providers themselves they may not achieve value for money and would pass on increased costs to the Council. As of the end of May £1.5m worth of PPE had been bought and the estimated usage rate is £114k per week, which results in the forecast of £5.9m. This forecast assumes that the procurement of PPE on behalf of care providers will continue until at least the end of the financial year.
- 3.4.7. For the duration of the emergency, care packages made by the CCG for clients discharged from hospital will be covered by the NHS. However once the emergency is declared over it is likely that the Council will need to cover these costs. The CCG packages agreed during the emergency are typically 20% more expensive than the usual cost to the council, and there have been approximately 3 times as many clients placed as would typically be made during this period. From Q2 to Q3, £0.4m is forecast for these excess costs as placements are continued until they can be renegotiated. There is also a forecast cost for additional staffing to come in and carry out the necessary care assessments which have not yet taken place for this cohort.
- 3.4.8. There are some other direct minor costs as a result of COVID-19 such as paying directly for care home agency staff, and for equipping the Peel Road NAIL scheme as a discharge facility. These costs total £0.1m.
- 3.4.9. Not yet included in the forecasts above are probable mitigating factors. The realigning of budgets in Adult Social Care in line with lower demand for care

packages could release £1m. This is based on the emerging drop in usage and demand for domiciliary and residential care as evidenced by falling client numbers between March and April 2020. This drop in demand reflects both COVID-19 deaths and fewer applications into the system.

- 3.4.10. There are other possible mitigations that could be included to reduce the significant pressure. £1.5m of budget was earmarked for starting to implement the London Living Wage for Homecare workers, but the staged procurement for these increased rates of pay will not take effect until later in the year freeing up a potential £0.4m of budget this year. There are also some efficiency gains expected in the last quarter of the year from both homecare and the re-ablement procurements, which could total in the region of £0.2m.
- 3.4.11. The NAIL scheme is due to deliver savings of £2m in 2021/22 but an acceleration of the scheme, focussing on learning disabled placements could potentially provide some financial mitigation in 2020/21. Further financial forecasting is required here.
- 3.4.12. Also in the MTFs, there are some reported risks to savings such as an incomplete saving on Daycare from 2019/20 of £0.25m, but this should not result in a significant financial pressure as providers are only being paid to plan, and no transport costs are being incurred at the moment. Whilst there are risks to some other in-year savings, action will be taken to find compensating measures.

<b>Key Assumption</b>	<b>Downside if worse</b>	<b>Upside if better</b>	<b>Mitigations</b>
That the additional numbers of homelessness can be brought down to c.75 people down from 285 by the end of Q2.	Each person costs on average £380 per week to accommodate, so a delay for 13 weeks (1 quarter) of 10 people will cost an additional £50k.	Faster progress on homeless pathways will reduce expenditure by £380 per person per week.	Additional support (at additional cost) is being brought in to assist moving homeless clients along the various pathways.  Use of FHSG reserves can offset the overspend.
That the YTD collection rate for Housing Needs stays at 75%, compared to 95% last year.	A 5% worsening in the collection rate will cost £0.5m	A 5% improvement in the collection rate will recover £0.5m.	Investigations into the reasons for the poor collection rate are continuing.
That the support for leisure services ends at the end of Q2, and income is received from them on.	This will cost £100k for every month the shutdown of leisure services continues.	If leisure services are resumed in full a month earlier than projected £100k will be saved and recovered.	Options will be reassessed if a longer term closure looks likely.
That the Council continues to provide PPE to social care	Any additional PPE demands will add to	Stopping the supply of PPE could save on expenditure, but	Potential to fund some expenditure

providers free of charge at a cost of £114k per week.	the forecast £5.9m spend.	providers are likely to then demand higher fees.	from the Public Health grant.
That the additional cost of CCG placements reverts to the council from Q3.	If this happens a month earlier than projected it could add c. £75k of expense.	Projected at £200k a quarter, so if the NHS continues to fund this will bring the forecast cost down.	Work with the CCG to prevent excessively priced care packages.

### 3.5. Customer & Digital Services (CDS)

Operational Directorate	Budget (£m)	Forecast excluding COVID-19 Impact (£m)	Forecast Overspend/ (Underspend) (£m)	Additional costs/ loss of income due to COVID-19 (£m)
Customer And Digital Services Director	0.7	0.7	0.0	0.0
Customer Services	9.9	9.9	0.0	2.4
Shared ICT Service	0.0	0.0	0.0	0.1
ICT Client And Applications Support	6.3	6.3	0.0	0.0
Procurement	1.3	1.3	0.0	0.4
Transformation	3.0	3.0	0.0	1.3
<b>Total</b>	<b>21.3</b>	<b>21.3</b>	<b>0.0</b>	<b>4.2</b>

3.5.1. Excluding the impact of COVID-19, the expectation is to break-even by year end.

3.5.2. The department is forecasting an overall impact of £4.2m due to COVID-19, including £1.3m shielding cost and £1.7m additional discretionary housing payments and cost of delays from processing housing benefit payments. The year to date cost of COVID-19 is estimated as £0.8m.

### 3.6. Regeneration & Environment (R&E)

R&E	Budget (£m)	Forecast excluding COVID-19 Impact (£m)	Forecast Overspend/ (Underspend) (£m)	Additional costs/ loss of income due to COVID-19 (£m)
Environmental Services	30.8	30.9	0.1	6.6
Regeneration Services	0.5	0.4	(0.1)	1.4
Property Services	6.1	6.1	0.0	0.6
R&E Directorate	2.2	2.2	(0.0)	8.7

<b>Total</b>	<b>39.6</b>	<b>39.6</b>	<b>(0.0)</b>	<b>17.3</b>
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- 3.6.1. The department is currently forecasting a net overspend of £17.3m for 2020/21 based on current trends and assumptions around COVID-19 implications. This is comprised of a £17.3m financial pressure due to COVID-19 and a break even position for the rest of the department. The break-even position includes £0.9m of non-COVID-19 related budgetary pressures which will be offset by efficiencies across the department.
- 3.6.2. The £0.9m financial pressure within the Environmental Service is a result of the following:
- £0.5m under-recovery of parking income. This budget gap pre-dates coronavirus and is caused by a continuing shortfall in permit income against budget
  - £0.2m unbudgeted additional cost as a result of rebasing of the recycle in line with the Public Realm contract
  - £0.2m within the Highways service
- 3.6.3. The above pressures are offset by efficiencies - predominantly a result of additional income generated by the Cemeteries and Mortuaries service and underspends of staffing budgets as a result of held staff vacancies.
- 3.6.4. The department is significantly impacted by the COVID-19 outbreak and the largest attributable costs and income losses include:
- i. £6.6m is the worst case potential additional cost for SEN transport (Brent Transport Service). This relates to a need to maintain social distancing within buses which reduces overall capacity and could mean that additional vehicles and drivers are required.
  - ii. £4.7m estimated reduction in income for parking due to reduced motoring activity
  - iii. £1.1m reduction in Highways & Infrastructure fees and charges - scheme delivery could be impacted should contractor experience resource issues
  - iv. Public Realm: acceptance of liability for increased residual tonnage, agreement to pay Veolia agency staffing costs and loss of income from garden waste and bulky waste
- 3.6.5. The introduction of social distancing measures has affected the ability to achieve £0.3m of MTFs savings by additional income relating to commercial rental, building control and licencing income.
- 3.6.6. There are a number of risks and uncertainties within the service that may affect the projected outturn and assumptions made. There are uncertainties around the SEN transport spend and the way the service will operate due to social distancing

measures in vehicles and therefore additional service costs that are likely to arise as a result. The Parking Account is expected to incur a significant loss of income due to less motoring activity, however the impact is difficult to quantify at this stage and further analysis will be conducted as more data is obtained. Rental income is likely to suffer as tenants may be unable to pay rent and the recent introduction of new legislation that prevents the Council taking possessions for non-payment is also a factor. The impact on income anticipated from building control applications is also uncertain due to slow progress on current Major Projects and a potential reduction in the number of new Major Projects received

<b>Key Assumption</b>	<b>Downside if worse</b>	<b>Upside if better</b>	<b>Mitigations</b>
For the financial worst case scenario: SEN schools reopen fully in September and those on school transport are required to be socially distanced (2m) requiring additional drivers and buses	The financial worst case scenario is presented	If the additional capacity could be created by double runs using existing staff and vehicles, the additional cost would reduce from £950k per month to £275k per month	Distancing on buses is a national issue. Brent will work with Harrow and other Councils to seek mitigations.
Reduction in motoring activity seen in Apr 2020 will continue until mid-August followed by a return to pre-COVID-19 levels of motoring activity	Every additional month of reduced motoring activity in line with April actuals would lead to an additional £1m reduction in income	If motoring activity returns to pre-COVID-19 levels sooner than mid-August, the financial impact would be £1m per month less than anticipated	Parking charges or enforcement cannot be used for the purpose of generating income.  Regular reviews of the actual parking charges and motoring activity will take place in order to assist forecasting

### **3.7. Central items - Collection Fund**

- 3.7.1. The budgeted net collectible amount for Council Tax (after exemptions, discounts and Council Tax support) is £160.5m. The actual net collectible amount as at May 2020 has not changed since April 2020. It is expected that this figure may decrease during the year if new properties are not completed as expected and additional Council Tax Support granted to residents increases substantially due to COVID-19 . This is being closely monitored to assess the overall impact over the timeframe of the medium term financial plan. As at the end of May 2020 the amount collected was 19.4% and in line with the revised in-year target. The amount collected in the same period last year was 21.8%.
- 3.7.2. The budgeted net collectible amounts for Business Rates (after exemptions, reliefs and discounts) is £130.5m. The actual net collectible amount as at June 2020 is £81.3m, a decrease of £49.2m since April 2020. This reduction is a direct result of additional reliefs granted to businesses as a result of COVID-19, where the council

will receive a grant to compensate for the loss of income. In any case, this figure can vary during the year as new assessments are made, which may include additional premises, or reductions due to successful appeals.. As at the end of May 2020 the amount collected was 11.75%, significantly lower than the amount collected in the same period last year, at 20.0%. This is primarily due to payment deferrals that have been granted to support businesses through the impact of COVID-19.

3.7.3. Movements between the budget and actual collectable amounts affect the overall level of balances held on the Collection Fund at year end after deducting charges. The income due to the General Fund from the Collection Fund is forecast on budget with no variation expected. As a result of COVID-19, it is expected that there will be a significant impact on the collection of council tax and business rates for the remainder of 2020/21. The impact of this reduction in income would be felt in 2021/22 as a one off deficit repayment to the Collection Fund, in line with the national accounting rules governing the collection of council tax and business rates. Further details on the short and medium term impact is described in more detail in the Medium Term Financial Outlook report on the same agenda.

**3.8. Central items - Capital financing and other central items**

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

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

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

### 3.9. Dedicated Schools Grant (DSG)

Funding Blocks	DSG Funding (£m)	Outturn £m	Over/ (Under)spend £m	Additional costs/ loss of income due to COVID-19 (£m)
Schools Block	234.7	234.7	0	0
High Needs Block	61.3	61.3	0	0
Early Years Block	22.9	22.9	0	0
Central Block	2.2	2.2	0	0.1
<b>Total DSG</b>	<b>321.1</b>	<b>321.1</b>	<b>0</b>	<b>0.1</b>

- 3.9.1. There have been increases to the main DSG funding blocks for 2020/21, and budgets have been allocated and agreed by Schools Forum to address financial pressures caused by rising costs, pupil mobility and to provide a growth fund sufficient to support the rising pupil rolls in secondary schools. The Schools Block also contributed 0.46%, which is £0.9m, towards High Needs block expenditure to support the pressures in this block.
- 3.9.2. The DSG is currently reflecting a balanced budget. The main risk of variance to budget is within the High Needs Block. As well as a contribution from the Schools Block, the High Needs Block income received £5m more than in 2019/20, representing an 8% increase as nationally the pressure in this area is recognised. This is due to the exponential increases against Education, Health and Care Plans (EHCP), which specifies the amount, and type of support a SEND pupil requires thereby dictating costs. The risk remains that increases in the number of EHCPs as seen in previous years will result in increased costs and the trend over the last 5 years evidenced locally in Brent is a 35% growth in the number of EHCPs. At this stage, there is an estimated pressure against the central block of £0.1m because of the COVID-19 pandemic. The blocks will continue to be monitored and reported to Schools Forum in addition to Cabinet.
- 3.9.3. At the end of 2019/20, the DSG budget was in deficit of £4.9m and the budget set for 2020/21 does not recover any of the deficit incurred. The deficit has been disclosed as an earmarked usable reserve in line with DfE regulations (the School and Early Years Finance (England) Regulations 2020). The regulations make clear that the deficit can be carried forward to be funded from future year's funding and/or recovery plans agreed with the DfE. At the end of 19/20 the decision to establish a task group had been taken to coordinate and monitor these actions. Due to the COVID-19 pandemic, there has been a delay in the action.

### 3.10. HRA

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

- 3.10.1. The HRA has a balanced budget set for 2020-21. The potential budgetary impacts of the ongoing pandemic are currently estimated as a cost of £2.9m. This is based on the decline in rent collection rates experienced to date, extrapolated to forecast a full year impact of £2m.
- 3.10.2. Delays to new build developments are expected to push back the dates when properties are let out to tenants. It is estimated to add to loss of rental income by £0.2m, while the expenditure on new builds is not anticipated to underspend significantly against the annual capital budgets.
- 3.10.3. It is also forecast that service charges will be under recovered by 10% of all invoiced income, which is an estimated £0.5m. This is in line with the Bank of England forecasts on debt recovery.
- 3.10.4. There are additional costs (£0.2m) associated with providing estate caretaking services through the pandemic without compromising on service standards. For example, ensuring there is adequate personal protective equipment and temporary staffing resources above establishment to provide cover for colleagues staying in isolation. These costs are forecast to the end of the year.
- 3.10.5. There has been some disruption experienced on planned major works during the lockdown period. The asset management plan will be re-profiled to catch up with budgeted £17m of improvement works in this financial year.
- 3.10.6. The total forecast overspend of £2.9m will continue to be monitored through the changing environment. The HRA operating reserve stands at £1.4m, so mitigating action such as re-scheduling major works and new build capital investments will have to be considered if the position does not improve, to avoid HRA going into deficit.

## 4. Financial Implications

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

## 5. Legal Implications

- 5.1. The law requires that the Council must plan to balance its spending plans against resources to avoid a deficit occurring in any year. Members need to be reasonably satisfied that expenditure is being contained within budget and that the savings for the financial year will be achieved, to ensure that income and expenditure balance.



## 6. Equality Implications

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

**Report sign off:**

**MINESH PATEL**  
Director of Finance