2020/21 Overall Financial Position, Property Disposals And Acquisitions Report that takes account of the estimated financial impact of Covid-19 and the on-going emergency

Key Decision No. FCR R.21

CABINET MEETING DATE 2020/21 25TH JANUARY 2021	CLASSIFICATION: OPEN

WARD(S) AFFECTED: ALL WARDS

CABINET MEMBER

Deputy Mayor Rebecca Rennison

Cabinet Member for Finance, Housing Needs and Supply

KEY DECISION

Yes

REASON

Spending or Savings

GROUP DIRECTOR

Ian Williams: Finance and Corporate Resources

1. CABINET MEMBER'S INTRODUCTION

1.1 This Overall Financial Position (OFP) is based on detailed November monitoring data from directorates. Turning to this report, we are forecasting an overspend on the General Fund (i.e. excluding Housing costs) of £65m before the application of the Government's emergency funding (£32.3m). Of this, £61m relates to additional expenditure and reduced income incurred on the General Fund that is owed to Covid-19. The non-Covid-19 related overspend is £4.6m.

Further Government support to partially meet the cost of lost local authority income, together with measures allowing for Council Tax and Business Rate shortfalls to be met out of future years' budgets, mean we are able to currently forecast a year end position of a £3m overspend. It is important to note that this may well change, particularly given that current figures pre date the move to tier 4 and then the lockdown.

We will shortly be bringing forward our budget for 2021/22. While the Government has committed to further financial support in relation to coronavirus for the coming year, funding continues to fail to address the continued growth in demand faced by local authorities and on a day-to-day basis, the Government continues to pursue its commitment to austerity. This means that even in the midst of a global pandemic, we have had to identify savings of over £10m in order to balance the coming year's budget.

We also continue to call on the Government to recognise the pressures that local residents and businesses will continue to face in the coming year. In particular, the need for benefits to be paid at a level that actually meets people's needs rather than the Government's ideological preferences and for further support, including rate relief, to be extended to struggling local businesses.

We will continue to take a responsible approach to our local finances, doing everything we can to protect our residents from the Government's austerity agenda. Unlike the Government, we cannot simply borrow to increase our spending power, but have to balance our books; indeed, if the Government had to adhere to the same rules as us, they would have been served a Section 114 long before now. As it is, with national debt now at historically high levels and the Government committed to its (Un)fair Funding Review, the future for local government finances remains bleak.

2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 The OFP shows that the Council is forecast to have a £65m funding shortfall (General Fund) before the application of the Government's emergency funding. This is equivalent to 6% of the total gross budget and 19% of the net budget. This is an increase of £0.5m in the overspend from September and is owed to an increase in Covid-19 related expenditure.

2.2 As Cabinet is aware, we were awarded £17.835m of grant in the first two tranches and a further £3.516m from the third tranche of emergency funding, giving a total of £21.351m. On 12th October, the Prime Minister announced that an additional £0.919bn emergency funding would be made available for local government together with £0.1bn for local authority leisure centres most in need. Our allocation from the £0.919bn was £11m, bringing our total emergency funding to £32.349m. According to a Government announcement before Christmas, we have also been allocated a further £11m for 2021/22. The 2020/21 emergency funding is reflected in the forecasts below.

2.5 With regards to the scheme that would partially compensate councils for losses in some sales, fees, and charges previously reported to Cabinet; we are required to submit 3 returns. The first covered actual losses in April, May, June, and July; the second related to losses in August, September, October, and November. The third will cover the remainder of the financial year. We have submitted the first two returns and the first return has been accepted in full and we await confirmation (or otherwise) from MHCLG on the second. Until we have data for the final four months, we cannot accurately extrapolate to an annual allocation. So, the report continues to assume our best annual estimate of £9.6m although this could change as we receive later data and MHCLG reviews our claims.

2.6 The estimates contained within this report are very indicative and will be revised further as more information becomes available. It must also be noted that the Government funding listed in this report is intended to cover the pandemic only and funding is of a one-off nature.

2.7 The position of the General Fund is shown below. The first table shows the funding shortfall of £65m of which £61m is owed to Covid-19 while the second table analyses the impact of applying Government funding.

TABLE 1: OVERALL ESTIMATED BUDGET SHORTFALL 2020/21

Revised Budgets	Service Unit	Forecast: Change from Revised Budget after Reserves	Variance from Previous Month	Amount of variance owed to Covid	Variance excluding Covid
		£k	£k	£k	£k
61,507	Children's Services	3,644	252	2,135	1,509
25,711	Education	2,739	-256	2,739	0
95,098	ASC & Commissioning	6,752	2	4,911	1,841
33,763	Community Health	1,295	32	1,702	-407
216,079	**Total CACH**	**14,430**	**30**	**11,487**	**2,943**
36,653	**Neighbourhood & Housing**	**14,569**	**433**	**13,512**	**1,057**
19,757	**Finance & Corporate Resources**	**14,401**	**44**	**13,923**	**478**
0	**Reduced Council Tax & Business Rates Income**	**20,500**	**0**	**20,500**	**0**
8,947	**Chief Executive**	**1,499**	**0**	**1,402**	**97**
31,442	**General Finance Account**	**0**	**0**	**0**	**0**
312,878	**GENERAL FUND TOTAL**	**65,399**	**507**	**60,824**	**4,575**

2.8 In order to look at the budgetary implications of this shortfall in 2020/21 we must first adjust for Council Tax and Business Rates. The governing regulations require that any difference between the budgeted income and outturn income for these two income streams is not charged to the General Fund in 2020/21 but instead is charged in the following year. And so without changes to the regulations if we do make a shortfall of £20.5m on Council Tax and Business Rates income in 2020/21 (as currently forecast), it would all be charged to the General Fund in 2021/22 thereby increasing the budget gap by an equivalent amount in this year.

2.9 However, as noted in previous OFPs, the Government is intending to partially alleviate the burden. It is proposing to fund 75% of the shortfall on Council Tax and Business Rates, with the remaining losses being charged against the General Fund in 2021/22 and in the following 2 years. The government is proposing that the charge will be a third in each year. For illustrative purposes, if we have a shortfall of £20.5m then we will have to charge £5.125m to the General Fund over the next 3 years. If this is in equal instalments then it will be at a rate of £1.7m per annum beginning in 2021/22. Obviously, we will be able to offset against this any payments we receive in respect of 2020/21 debts in 2021/22 and beyond from local taxpayers and businesses.

2.10 The application of the emergency funding, compensatory funding and the deferral of Council Tax and Business Rates losses to future years is shown in table 2 below

TABLE 2: SHORTFALL AFTER THE APPLICATION OF GRANT

Revised Budgets	Service Unit	Forecast: Change from Revised Budget after Reserves	Amount of variance owed to Covid-19	Variance excluding Covid-19
		£k	£k	£k
61,507	Children's Services	3,644	2,135	1,509
25,711	Education	2,739	2,739	0
95,098	ASC & Commissioning	6,752	4,911	1,841
33,763	Community Health	1,295	1,702	-407
216,079	**Total CACH**	14,430	11,487	2,943
36,653	**Neighbourhood & Housing**	14,569	13,512	1,057
19,757	**Finance & Corporate Resources**	14,401	13,923	478
8,947	**Chief Executive**	1,499	1,402	97
34,403	**General Finance Account**	0	0	0
312,878	**GENERAL FUND TOTAL**	**44,899**	**40,324**	**4,575**
	Estimated Emergency Fund	**-32,349**	**-32,349**	
	Funding to Partially Compensate loss of Sales, Fees & Charges income	**-9,575**	**-9,575**	
	FUNDING STILL REQUIRED AFTER APPLICATION OF GRANT	**2,975**	**-1,600**	

2.11 The Covid-19 gap after funding is now showing a small surplus but this must be disregarded given all the uncertainties that lie ahead. It must be noted that the additional spend and income reduction estimates shown above were made prior to London being re-designated a third-tier and then fourth-tier area and the introduction of the further lockdown in November. In view of these factors, we cannot assume that at the end of the year, that the external funding allocations will cover all the additional spend and income losses arising from Covid-19 and further funding may well be needed before April.

2.12 Aside from anything else, we will make a substantial loss on business rates and council tax income which although will not impact this year (other than through reduced cash flow) will impact negatively on the General Fund in 2021/22 to 2023/24. So, the position is not as encouraging as the comparison above suggests.

2.13 Turning to the overall 2020/21 budget gap, this is now £3m (£4.6m excluding direct Covid-19 spend) as set out in table 2 above, and so it is essential that services look again at all areas of spend to drive down the outturn further to minimise any required drawdown on corporate resources which have, as noted previously, been severely impacted upon by Covid-19 and have significantly diminished our corporate flexibility. Since the September OFP was cast this pressure on corporate resources has increased as we now have to find an additional £1.6m to fund the 2020/21 2.75% pay award.

2.14 It must also be noted that the non-Covid-19 overspend is on an upward trajectory having increased by £2.7m since May. It is of paramount importance therefore that directorates take all steps to contain further spending increases as failure to do so will make an extremely challenging situation very much worse.

2.15 As reported in previous reports to Cabinet, It is by no means clear what the longer term financial impact on local government will be as a result of Covid-19 but it looks likely that the UK faces a significant recession, possibly its sharpest recession on record. It is also worth noting that the UK's debt is now worth more than its economy after the government borrowed a record amount in May. The £55.2bn figure was nine times higher than in May last year and the highest since records began in 1993 and it sent total government debt surging to £1.95trn. Income from tax, National Insurance and VAT all dived in May amid the coronavirus lockdown as spending on support measures soared.

2.16 Clearly this will have an impact on future public sector and local authority budgets. It seems that at this time there is much less of an appetite within Government for austerity than that following the financial crisis in 2008 but it remains to be seen whether sufficient resources are made available to put local government on a sound and sustainable financial footing going forward.

2.17 As stands, our indicative funding settlement for the coming year indicates the need for over £10m in savings and work is underway to identify these. To date, this has included the identification of £8m in corporate savings to be achieved by:

a. Application of a vacancy adjustment of 3.5% . Proposals of this nature are being implemented by various London boroughs and we have been reviewing other authorities' approaches to managing this which include a clear understanding of the financial impact of delays in recruitment, freezing some posts for a period of time, and recruitment panels (or equivalent) to determine new roles. The application of this will be monitored through the OFP (£6m)

b. Review of the added years adjustment to payroll budgets. Added years relate to pension fund members on historic enhanced terms and conditions where we pay more to the Fund. We are reviewing, in conjunction with Equiniti, whether this charge in its totality continues to be justified as the cohort of fund members this relates to has reduced and therefore so should have our charge. Our initial estimate of this reduction is a saving of £1m.

c. Reduction in the Revenue Contribution to Capital (RCCO) by £1m. A reduction in our RCCO budget will mean identifying the same amount from an alternative resource to fund the capital programme, for example CIL/S106 or capital receipts. An additional call of £1m on one of these funding streams is manageable from our balance sheet as it stands. To give a sense of scale - our current budgeted General Fund capital programme is over £100m and so a £1m change in financing therefore represents less than a 1% impact.

Further work is now taking place at directorate level to identify and agree the remaining savings needed for the 2021/22 budget and these will be brought forward in next month's OFP report and the budget.

2.18 A cumulative equalities impact assessment has been undertaken as part of savings development and the issues raised are being taken on board as part of the development of savings proposals. Each of the proposals are subject to a separate equalities impact assessment where there is a likely impact on residents and/or staff.

2.19 On 17th December, the Government published the 2021/22 Local Government Finance Settlement. It confirmed the funding announcements that were made following the publication of the 2020 Spending Review. It includes a £2.2 billion or 4.5% cash increase in core funding – including a £1 billion increase in social care funding - although much of this comes from an assumed 5% increase in council tax. In fact less than £0.3 billion is from the government with the other £1.9 billion coming from the assumed tax increase. On paper, core funding in 2021-22 would be 15% higher in cash-terms and 1% higher in real-terms than in 2015-16. Accounting for population growth though, this amounts to a 3% cut in core funding per capita over the last 6 six years, nor does it take into account the increasing demand for key services. And this follows much bigger cuts over the period 2009-10 and 2015-16. It also assumes that the Council Tax base will increase by the same average amount in the last five years which does not seem reasonable in the wake of Covid-19, the economic downturn and Brexit

2.20 The actual increase in core funding is likely to be less than 4.5% because the government's projections assume that the numbers of people claiming means-tested council tax discounts will continue to fall as they did prior to the Covid-19 crisis. This almost certainly will not be the case – indeed increases in unemployment will likely mean an increase in claimants. The government is providing £670 million as part of its £3 billion Covid-19 funding package for next year to address this issue. The plans imply a further increase in reliance on council tax for overall core funding – 61% in 2021-22, compared to 49% in 2015-16 and more like 40% back in 2009-10. Relying on council tax for funding increases potentially has distributional consequences: councils in poorer areas can raise less via council tax. It is also this increased reliance on local tax and income that has left local authorities so exposed to the financial impact of the pandemic.

2.21 Of the social care £1bn, £300m is additional grant - £240m is funding used to level the playing field between councils who have different abilities to raise funding through the council tax precept for adult social care, and £60m is distributed purely using the Adults Social care RNF. However, it should be noted that half of the new social care grant (£150m) and the new Lower Services Grant (£111m) are paid for by unused New Homes Bonus Grant (NHB) which in previous years has been paid to local authorities by way of an unspent NHB grant. So it is questionable if this is new money although we may have benefited from this distribution instead of the Settlement Funding Assessment allocation method which had been used previously to redistribute unspent NHB.

2.22 There was confirmation that the 2020-21 social care grant allocation (adults and children) of £1.4bn will be rolled forward into 2021/22 and our allocations of this and the new grant are in line with what we expected. The same position applies to IBCF.

2.23 The Government confirmed that a 3% increase in council tax for social care and a 1.999% increase for the core principle (giving a total of 4,999%) will be allowable before a referendum is required.

2.24 The announcement also confirmed the allocation of £1.55bn of Emergency Covid funding in 2021/22 and the £670 million to enable councils to help fund the cost to councils of the the additional CTRS claimants that the Government expects in 2021/22 as a result of increased unemployment and to further support those least able to pay. They are seeking views on a proposal to distribute the £670m on the basis of each billing authority's share of the England level working-age local council tax support caseload, adjusted to reflect average bill per dwelling in the area. Indicative allocations and detailed methodology note will be published "shortly".

2.26 There is also a new grant (Lower Tier Services Grant) which will allocate £111 million to councils with responsibility for services such as homelessness, planning, recycling and refuse collection and leisure services. The grant also contains a one-off minimum funding floor, so that no council – either upper or lower tier – will have less funding available in 2021-22 than this year. We get £1.1m from the former element and nothing from the latter but support the latter on grounds that we would welcome its inclusion as part of the Fair Funding methodology.

2.27 The government has committed £622 million to continue the New Homes Bonus scheme in 2021-22 and our allocation is in line with what we expected. But they are using the unspent NHB topslice to fund £150m of the £300m Social Care Grant; and the lower tier services grant worth £111m. The Government is committed to reforming the NHB grant next year.

2.28 Revenue Support Grant will be increased in line with CPI inflation which is in line with expectations.

2.29 The Government confirmed that it will compensate local authorities for an estimated 75 percent of the irrecoverable loss of council tax and business rates revenues in 2020-21 which will cost an estimated £800m and that it will provide £254 million of additional resource funding to tackle homelessness and rough sleeping in 2021-22 (£103m of this had been previously announced).

2.30. With regards to grants outside the Settlement, Public Health Grant allocations have been delayed and are expected to be published in the near future. Details of the Flexible Homelessness Support Grant and Homelessness Reduction Grant will be confirmed and the Lead Local Flood Authorities Grant has been discontinued. No decision has been made on whether to continue the Independent Living Fund and on the Domestic Abuse Bill funding, £125m was announced but there is no confirmation on distribution yet

2.31 On another matter, the Deputy Mayor (Rebecca Rennison) and the Group Director of Finance and Resources were appointed as Non-Executive Directors to London Energy Limited on 21st January 2021. The appointments will be for a three year period. The primary role will be to assist the Board to promote the success of the Company by providing leadership within a framework of prudent and effective controls for risk assessment and management. In addition, both will work with the Board to set the strategic aims and objectives of the Company, and will be expected to participate fully in ensuring that the Board exercises effective leadership of and control over the Company and its subsidiaries and properly monitors its executive management.

3.0 RECOMMENDATIONS

3.1 To note the update on the overall financial position for November, covering the General Fund and HRA.

3.2 To approve the corporate savings noted at 2.17

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances and approve the corporate savings

4.2 CHILDREN, ADULT SOCIAL CARE AND COMMUNITY HEALTH (CACH)

Summary

The CACH directorate is forecasting an overspend of £14.69m after the application of reserves and grants. Covid-19 related expenditure accounts for £11.74m of the reported overspend.

Children & Families Service

Children's Services (CS) is forecasting a £3.64m overspend (5.9%) as at the end of November against budget after the application of reserves totalling £7.075m. Covid-19 related expenditure accounts for £2.135m of the reported budget overspend. The draw down from reserves includes:

- £3.869m from the Commissioning Reserve, set up to meet the cost of placements where these exceed the current budget.
- £1.6m for additional staffing required to address a combination of increased demand across the service and management response to the Ofsted inspection.

The forecast also incorporates £4.650m of Social Care Grant funding (that is an additional £3.450m in 2020/21 when compared to last year). Set against this, there is a significant increase in spend driven by looked-after children (LAC) and leaving care (LC) placements costs within Corporate Parenting where the net overall spend is forecast to increase by £5.2m compared to last year (excluding reserves and Social Care grant, however £1.34m has been identified as relating to Covid-19). There is also an increase in forecast spend on staffing across CS of £3.4m when compared to last year (£0.6m has been identified as relating to Covid-19 and £0.67m relates to an increase in the employer pension contribution from 15.6% to 18.5% and a further £0.77m for pay inflation of 2.75%). £1.6m is linked to increased staffing levels agreed in response to increased demand and additional posts agreed to assist in responding to the Ofsted recommendations arising from the inspection in November 2019 in which the Council received a ‘requires improvement’ judgement.

Corporate Parenting (CP) is forecast to overspend by £3.6m (including £1.34m of Covid-19 expenditure) after the use of £3.9m of commissioning reserves. This position also includes the use of £2.9m of social care funding that was announced in the October 2019 Budget - £0.6m is in relation to staffing costs and the remaining £2.3m is for placements. The overall position for Corporate Parenting has increased by £0.5m since October and is largely due to increased placements costs linked to Covid-19.

Gross expenditure on Looked After Care (LAC) and Leaving care (LC) placements (as illustrated in the table below) is forecasted at £25.6m compared to last year’s outturn of £20.4m – an increase of £5.2m (this includes £1.34m of Covid-19 expenditure).

Table 3: Placements Summary for LAC and Leaving Care

Service Type	Budget	Forecast	Forecast Variance	Funded Placements	Current Placements
Residential	3,131	7,712	4,581	15	40
Secure Accommodation (Welfare)	-	21	21	0	-
Independent Foster Agency	6,488	7,804	1,316	128	155
In-House Fostering	2,400	2,222	(178)	102	95
Semi-Independent (Under 18)	1,570	3,316	1,746	24	54
Semi-independent (18+)	1,370	2,555	1,185	73	94
Family & Friends	569	956	387	27	43
Residential Family Centre (P & Child)	-	256	256	-	4
Other Local Authorities	-	85	85	-	3
Overstayers (18+)	290	498	208	61	61
Staying Put (18+)	200	492	292	19	35
Extended Fostering (18+)	-	57	57	-	2
UASC	-	(404)	(404)	52	45
Expenditure	16,018	25,568	9,550	501	631

**based on the average cost of placements.*

This is the gross position of £9.5m above forecast for CP placements including UASC income. The UASC income is in excess of the placements costs incurred for the 45 UASC placements in the service. As we met the threshold last year for UASC numbers (the trigger was 0.07% population of the child population), this meant that we then were eligible for an increase in the funding rate (up from £114 last year to £143 in 2020/21 per person per night). Of the additional funding received this year, £200k has been used to fund the additional UASC staffing unit within the Looked after Children service, and the remaining funds have been used to carry out age assessments and meet additional needs of UASCs.

This gross position is mitigated by reserves of £3.9m and £2.3m Social Care Grant to get to a net reported position for CP placements of £3.3m.

Placement Type	Annual Forecast £ 000	Weekly Cost £ 000	Weekly Unit Cost (Avg)	Current YP No	Last month YP No
Residential Care	7,712	159	3,987	40	39
Secure Accommodation (Welfare)	21	-	0	0	0
Independent Foster Agency	7,804	150	969	155	145
In-House Fostering	2,222	43	453	95	92
Semi-Independent (Under 18)	3,316	68	1,267	54	52
Semi-independent (18+)	2,555	34	358	94	94
Family & Friends	956	17	406	43	43
Residential Family Centre (P&Child)	256	10	2,394	4	3
Other Local Authorities	85	1	406	3	3
Overstayers (18+)	498	19	310	61	58
Staying Put (18+)	492	16	461	35	36
Extended Fostering (18+)	57	1	498	2	2
UASC	(404)	34	727	45	45
Total	25,568	553	12,236	631	612

One of the main drivers for the cost pressure in Corporate Parenting continues to be the rise in the number of children in costly residential placements which has continued to grow year-on-year and the number of under 18s in high-cost semi-independent placements. Where children in their late teens are deemed to be vulnerable, and in many cases are transitioning from residential to semi-independent placements, they may still require a high-level of support and in extreme circumstances bespoke crisis packages. We are also seeing an increase in the number of Independent Fostering Agency (IFA) placements and a stagnation in the number of in-house fostering placements. The annual cost of an IFA placement (£50k) is twice as much as an In-house fostering placements (£25k).

The forecast for LAC and LC Placements is a net increase of £5.2m compared to last year (excluding reserves and Social Care Grant funding). This is largely attributed to increases in Semi-independent placements (both under and over 18s) of £2.1m; Residential care £2.2m; and IFAs £0.7m. This forecast includes additional expenditure of approximately £1.34m in relation to Covid-19. If we exclude the Covid-19 expenditure, the increase compared to the 2019/20 outturn is £3.8m. Management actions are continuing to be developed by the service to reduce the number and unit cost of residential placements. Given that the average annual cost of a residential placement is approximately £200k, a net reduction in placements would have a significant impact on the forecast.

This year we continue to see significant pressures on staffing, however this has been partly offset by the Social Care Grant funding which has been allocated to the service. This is mainly due to over-established posts recruited to meet an increase in demand (rise in caseloads), additional capacity to support the response to the Ofsted focused visit in 2019 and cover for maternity/paternity/sick leave and agency premiums. Given the outcome of the inspection referred to above, alongside further increased demand in the system, as well as the ongoing impact of Covid-19, it is likely that staffing costs will continue to be above establishment and this is being reviewed by the service to ensure there is sufficient capacity for the following year.

Directorate Management Team is forecast to overspend by £354k after a drawdown of £712k reserves for post Ofsted staffing pressure and £166k Social Care Grant funding for the creation of two Service Manager posts. £276k of staffing pressure in relation to Covid-19 is forecast in this area, and this includes an estimate of additional staffing relating to delays in closing cases during this period.

Disabled Children's Service is forecast to overspend by £155k after the use of £476k of reserves. Staffing is projecting an overspend of £160k due to additional staff brought in to address increased demand in the service. This is offset by £215k of additional Social Care Grant funding. Commissioning is projecting a £625k overspend attributed to care packages (£292k Home Care, £353k Direct Payments, Short Breaks and other commissioning £-20k). Other operating costs pressures come to £60k.

Access and Assessment is forecast to underspend by £139k after the use of reserves which relates to staff vacancies in the team, delays in recruitment and the emergency duty team demand being projected to be lower than anticipated for the year. There are significant levels of non-recurrent funding in the service including £564k of reserve funding to provide additional capacity following the Ofsted inspection.

Safeguarding and Learning Service is forecast to underspend by £104k. Staffing is underspent by £118k, which is due to vacancies in the team and delays in recruitment. Supplies and Services are also forecast to underspend by £14k (mainly due to Security Services and Hire of Room / Halls not being incurred due to Covid-19).

Children In Need is forecast to overspend by £38k after the use of reserves. There are significant levels of non-recurrent funding in the service including £687k of Social Care Grant funding in recognition of staffing pressure at the start of the financial year. Recruitment to permanent Social Worker posts is in progress which should address the high numbers of agency staff currently in this service.

Hackney Education

Hackney Education has a budget of £25.7m net of budgeted income of circa £240m. This income is primarily Dedicated Schools Grant of which the majority is passported to schools and early years settings or spent on high needs placements.

As at the end of November 2020, Hackney Education is forecasting to overspend by around £8.8m. Approximately £2.7m of this is the forecast financial impact of the Covid-19 outbreak. The balance of the overspend (£6.1m) is mainly as a result of a £8m forecast over-spend in SEND, offset by forecast £2m of savings in other areas of Hackney Education. The £8m over-spend in SEND is a result of previously reported factors, mainly a significant increase in recent years of children and young people with Education Health and Care Plans (EHCP's). The forecast is consistent with the forecast reported in the previous period.

The Government has formally confirmed its intention to ensure that local authorities are not left with the burden of SEND cost pressures and have issued new funding regulations which state that deficits arising from DSG shortfalls will not be met from local authorities' general funds unless Secretary of State approval is gained. The finance teams are working on what exactly this will mean for the Council's finances and are also consulting with the auditors and other Councils. At this time it is thought that it is unlikely these changes to funding regulations will have a material impact on the forecast.

The Government's expectation is that the DSG overspend will remain in the Council's accounts as a deficit balance which will then reduce in future years as additional funding is received. However, Government's commitment to this additional funding and the level this will be at is not clear. There is therefore a financial risk to the Council of carrying this deficit forward and we will need to consider options for mitigating this risk which might include setting aside a reserve equivalent to the deficit at year end.

Covid-19 Winter Grant. On 8 November 2020, the Government announced a package of extra targeted financial support for those in need over the winter period. This includes the £170 million Covid-19 Winter Grant Scheme, which has been made available in December 2020 and covers the period until the end of the financial year. DWP will provide the grant scheme funding to county councils and unitary authorities (including metropolitan councils and London boroughs) who will administer the scheme and provide direct assistance to support families with children, other vulnerable households and individuals. The grant will be used to support those most in need across England with the cost of food, energy and water bills and other associated costs.

The Council has received £1.1m and decisions have been made on the strategy to target low-income vulnerable families with children and

Hackney Education is issuing food vouchers to families of some 14,000 children aged 0-16. The working group established to administer this funding is continuing to look at ways in which to provide further support to families of Post-16 children with SEND and families from the Orthodox Jewish community who attend independent schools.

A summary of the latest budgetary position is shown below.

	Variance £'000	Variance due to COVID £'000	What the variance might have been excluding C19 £'000
SEND Forecast (excluding transport)	7,755	250	7,505
SEND Transport	578	70	508
Hackney Education forecast other	441	2,419	(1,978)
Net variance	**8,774**	**2,739**	**6,035**

The table below provides a breakdown of the forecast against service areas in Hackney Education and an explanation for significant variances.

Table 6 - Budget Commentary Excluding the C19 Impact

Service area	**2020/21 budget £k**	**Forecast Year-end Exp Excl C19 £k**	**Variance Excluding C19 £k**	**Budget commentary**
High Needs and School Places	48,147	56,160	8,013	The forecast assumes an increase in spend by around £3.8m from what was incurred in 2019/20. A group of key Council officers will meet to develop/refine the forecast.
Education Operations	3,684	3,729	45	Immaterial variance
Early Years, Early Help and Wellbeing	42,435	43,039	604	This reflects forecast spending in children's centres and residual costs associated with an in-year closure of a school-based children's centre where the full-year budget was vired as savings so is partly offset under contingencies and recharges.
School Standards and Performance	1,843	1,774	(69)	Immaterial variance
Contingencies and recharges	10,875	9,258	(1,617)	Forecast under-spends in contingency and savings delivered in previous years.
Delegated school funding to maintained mainstream schools	134,360	133,417	(944)	Forecast variance reflects Schools Forum agreement to vire from Schools Block of the DSG to the High Needs block to contribute to the SEND

				pressure.
DSG income	(215,633)	(215,633)		
TOTAL	**25,711**	**31,745**	**6,033**	

Adult Social Care & Community Health

The November 2020 revenue forecast is a £6.75m overspend. Covid-19 related expenditure accounts for £4.9m of the reported overspend. To note this overspend does not include Covid-19 NHS discharge related spend of £2.6m where there is an agreement to fully recharge the cost to the CCG as well as care provider support from the Infection Control Fund (£1.5m).

The overall position for Adult Social Care last year was an overspend of £4.027m. The revenue forecast includes significant levels of non-recurrent funding including iBCF (£1.989m), Social Care Support Grant (£4.644m), and Winter Pressures Grant (£1.405m).

Announcements on social care funding as part of the Spending Reviews in 2019 and 2020 provided further clarity on funding levels till the end of Parliament, however, it is still unclear what recurrent funding will be available for Adult Social Care after this period.

The non-recurrent funding was only intended to be a ‘stop-gap’ pending a sustainable settlement for social care through the Green Paper, however this is subject to ongoing delay. The implications of any loss of funding will continue to be highlighted in order that these can be factored into the Council’s financial plans. This will include ensuring that it is clear what funding is required to run safe services for adults. Alongside this the service continues to take forward actions to contain cost pressures. Some of these management actions are outlined in the table below.

Care Support Commissioning (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £5.4m pressure. Covid-19 related expenditure accounts for £4.1m of the total budget pressure. The forecast also includes £1.4m of the Winter Pressures grant to fund the ongoing additional care package cost as a result of hospital discharges. The full £1.4m has already been committed at the beginning of the financial year.

Service type	2020/21 Budget	Nov 2020 Forecast	Full Year Variance to budget	Variance from Sep 2020	Management Actions
Learning Disabilities	16,735	18,091	1,356	267	- ILDS transitions/demand management and move on strategy - Three conversations
Physical and Sensory	13,748	16,615	2,868	(184)	

Memory, Cognition and Mental Health ASC (OP)	8,297	9,249	952	13	- Review of homecare processes - Review of Section 117 arrangements - Personalisation and direct payments - increasing uptake
Occupational Therapy Equipment	740	653	(87)	(11)	
Asylum Seekers Support	170	486	316	47	
Total	39,690	45,094	5,405	132	

Physical & Sensory Support is forecasting an overspend of £2.9m. This includes a forecast of £2.4m of additional funding support for care providers in response to the Covid-19 pandemic. The remaining pressure of £0.5m relates directly to the number and complexity of care support packages in Physical and Sensory Support. The overall position is broadly consistent with the previously reported September/October position, with a small forecast decrease of £184k. The gross forecast spend on care packages in Physical Support is £18.9m (£17.8m in 19/20) and in Sensory Support is £1.21m (£1.04m in 19/20). The forecast also includes £350k of iBCF and £755k of Winter Pressure funding towards care packages in 20/21.

Memory, Cognition and Mental Health ASC (OP) is forecasting an overspend of £0.95m. The overall position has remained broadly unchanged (£13k forecast change) since the last reported September/October position. The gross forecast spend on care packages for 20/21 is £12.2m (£12.2m in 19/20). The forecast also includes £650k of Winter Pressure funding and £400k of iBCF towards care packages in 20/21.

The Learning Disabilities service is forecasting an overspend of £1.36m, which reflects an adverse movement of £267k on the September/October reported position. This continues to be primarily driven by the increasing complexity of care needs for new and existing Learning Disability clients and inflationary pressures experienced by providers. The gross forecast spend on care packages in Learning Disabilities is £32.8m (£30.9m in 19/20). The forecast also includes significant non-recurrent funding from the iBCF (£1m) and Social care (£4.6m) grants. In addition a contribution from the NHS of £2.7m (£2.1m in 2019/20) for jointly funded care packages for service users has been factored into the forecast. This is building on the work completed in 2019/20 to agree the share of funding for complex care packages.

The Mental Health service is provided in partnership with the East London Foundation Trust (ELFT), and is forecast to overspend by £1.0m. The overall position is made up of two main elements - a £1.36m overspend on externally commissioned care services and £354k underspend across staffing-related expenditure. The gross spend on care packages in Mental Health (ELFT) is £4.98m (£4.9m in 19/20).

Provided Services is forecasting a £232k overspend against a budget of £10.1m. This is largely attributed to:

- Housing with Care overspend of £757k, of which the majority is in relation to the significant cost of additional agency staff cover employed for staff absences including staff shielding or self-isolating at present due to Covid-19.

- Day Care Services are projected to underspend by £525k. The Oswald Street day centre re-opened in October but is currently supporting a much reduced number of service users. Consequently staff vacancies that were forecast to be filled across the day care service are now forecast to remain vacant across the financial year.

Preventative Services is forecasting an underspend of £232k. Forecast underspends on Concessionary Fares (£57k) and the Interim Bed facility at Leander Court (£178k) are offset by pressures of staff costs within the Integrated Discharge service and the Information and Assessment team.

ASC Commissioning is forecasting a £62k underspend but this underspend masks significant one-off reserve funding of £1.95m in 20/21 supporting activity within commissioning - across teams and projects including the project management office, the commissioning team, the direct payments team and supporting the Lime Tree and St Peters' care scheme prior to recommissioning. Disabled Facilities Grant funding has been applied in 20/21 to the Telecare contract. Additional grant funding of £95k has been received for domestic violence services.

Care Management and Adult Divisional Support is forecasting a £403k overspend which is driven primarily by staffing costs within the Integrated Learning Disabilities team (£302k). The team had a relatively high number of agency staff which the service is actively addressing with planned recruitment campaigns.

Public Health

Public Health is forecasting a breakeven position, and this includes £55k for the Covid-19 triage service and delays in the delivery of planned savings (£375k). There are some other miscellaneous Covid-19 related costs in the service that have been captured in the forecast this month.

The Public Health grant increased in 2020/21 by £1.569m. This increase included £955k for the Agenda for Change costs, for costs of eligible staff working in organisations such as the NHS that have been commissioned by the local authority. The remaining grant increase has been distributed to Local Authorities on a flat basis, with each given the same percentage growth in allocations from 2019/20. There is a separate grant allocation for PrEP related activity that was subsequently announced and the local authority will receive £344k to fund the costs incurred this year.

The service has pressures in demand led services including sexual health, and is working closely with commissioners to ensure future provision remains within the allocated sexual health budget in future financial years. In this year this is being offset by underspends in other areas of the service and from the increased grant allocation.

Hackney has been allocated £3.1m of the total £300m announced by Government to support Local Authorities to develop and action their plans to reduce the spread of coronavirus in their local area as part of the launch of the wider NHS Test and Trace Service. This funding will enable the local authority to develop and implement tailored local Covid-19 outbreak plans. A working group has been established and plans are being developed to allocate these funds accordingly. To date, £1.3m has been committed against various projects.

Mortuary costs have substantially increased during Covid-19, and the response to the pandemic plan required the Mortality Management Group to activate the Dedicated Disaster Mortuary (DDM) plans for London. Additional capacity was required rapidly to ensure that there was enough capacity to meet predictions in the initial wave. This has come at an increased cost of approximately £23m to date across London, and based on ONS figures, Hackney's estimated additional cost is likely to be £752k. In anticipation of a potential second spike, a further £16m has been created as a provision across London, and Hackney's share of this will be a further £510k. This has been factored into the reporting position.

Detailed impact of Covid-19 on CACH

This is set out below

Impact of Covid-19 on CACH Costs and Income

Additional Spend	Reduced Income	Net Effect	Sub-Service	Variance Narrative
674	-	674	FLIP Young Hackney and DAIS CIN, A&A and DCS DMT	**Workforce Pressure** Termination dates for some Family Learning Intervention Project (FLIP) staff have been extended and support is being provided to other service areas via Rapid Support. This is for an additional YH business support officer and DAIS intervention officer due to a peak in workload created by Covid-19 Delays in CIN and A&A agency staff leaving due to Covid-19 lockdown; additional DCS staff due to increase in workload. Increase staffing pressure due to workload cases that are not closed as a result of Covid-19.
1,090	-	1,090	Corporate	**LAC placement costs**

			Parenting (LAC)	This relates to CP placements costs, and is due to delays in step-downs, placements being extended as well as additional support hours. We have also reflected the increased residential placements due to unavailability of foster carers/ IFAs during this period.
281	-	281	Corporate Parenting (LC) NRPF	**Care Leavers & NRPF** From April to August, £28k was provided to eligible residents with nrpf by increasing the subsistence payment by 25%, £25 internet allowance for each family and Free School Meal allowance for children who were not receiving a school meal allowance from their school.
90	-	90	DCS / Short Breaks	**Other** This assumes pressure to apply a 10% increase to DCS home care packages in line with home care for adults providers (90k).
2,400	-	2,400	ASC - Care Support Commissioning	**ASC - Supporting the Market** Additional funds provided to care providers - estimated across 12 months
648	-	648	ASC - Provided Services & ASC Commissioning	**ASC - Workforce Pressures** Cost of engaging additional care staff to cover permanent officers shielding or self-isolating. Estimated cost of support workers for Covid-19 Urgent Housing Pathway (£53k)
1,413	-	1,413	ASC - Care Support Commissioning	**ASC - Additional Demand** A number of care packages across ASC are now being funded by NHS discharge funds. This is the full year estimate of the additional demand cost of care packages not being supported by NHS discharge funding.
-	300	300	ASC - Care Support Commissioning	ASC - Loss of care charges income (10% estimated reduction in the collection rate).
150	-	150	ASC Commissioning	Delay in delivery of Housing Related Support savings
65	-	65	PH	**PH - COVID 19 Triage Service** Contracted cost for the year £55k + 10k other Covid-19 related costs
1,262	-	1,262	PH	**PH - Additional Mortuary costs**
375	-	375	PH	Delay in delivery of PH savings in Substance Misuse and the Healthier City and Hackney Fund
30	290	320	HE	**High Needs and School Places** Kench Hill Charity grant and loss of SEND traded income.
-	193	193	HE	**Education operations** Loss of traded income and additional ICT costs

-	1,018	1,018	HE	**Early Years, Early Help and Wellbeing** Loss of childcare income in children's centres.
-	502	502	HE	**Schools Standards and Performance** Loss of traded income.
906	-	706	HE	**Contingencies and Recharges** Mainly potential payments to schools to compensate for loss of children centre income and potentially supporting schools with additional costs through Covid-19 in areas not covered by Government schemes.
9,384	**2,303**	**11,487**	**Total**	

4.3 NEIGHBOURHOODS AND HOUSING

The forecast position for the Neighbourhoods and Housing Directorate as at November 2020 is a £14.3m overspend primarily as a direct result of Covid-19. The forecast includes the use of £1.1m of reserves, the majority of which are for one off expenditure/projects. The estimated total Covid-19 impact in Neighbourhoods and Housing as of October 2020 is £13.5m of which £10.6m is an income shortfall and £2.9m additional expenditure.

Directorate Management continues to show an underspend but this figure has reduced significantly due to the virements to move budgets into other service areas within the directorate to help rightsize existing shortfalls in service budgets.

Environmental Operations is showing an overspend of £3.745m, which is an adverse movement of £51k from September 2020. This is due to an increase in the use of Covid-related PPE and a spike in use of agency staff due to the number of permanent operations staff either being off sick or isolating as a result of covid episodes. The full year over spend of £3.745m is made up of £2.534m related to a shortfall in income mainly from commercial waste and hygiene services due to the lockdown as businesses have closed and all services which require going to residents' homes have been ceased in line with Government guidelines. Bulky Waste collection has seen an improvement in expected income as it has now surpassed its Covid-impacted forecast, so that has come down by 15K. A further £1.089m expenditure relates to additional supplies and services such as PPE, and hand sanitisers for all staff, which has now been forecast to the end of March 21. £0.121m is the net overspend in the service which relates to various operational running costs within the service. This has come down as some operational costs have reduced due to less demand in some areas of operation due to Covid.

Parking service is showing a net overspend of £5.8m of which £6m is income shortfall related to Covid. The improvement from September 20 of £329k is due to review of non essential expenditure which will not be going ahead this year. The restrictions have resulted in a reduced level of income across all income streams within Parking. In the first two months of the lockdown parking income dropped by 44% from last year and because of the restrictions, we continue to be prudent in our income forecast. The current forecast in parking income is £19.7m, which is still a shortfall in income of £6.5m (26%) from budget. The Parking income forecasting model is being updated on a weekly basis taking into account actuals being received and activity volumes which will inform the forecast accordingly in the coming months.

Market and Shop Front Trading is forecast to overspend by £1.094m, which is an adverse movement of £134k from September due to increased requirement of safety measures to comply with Covid-19 restrictions. £906k is an income shortfall and £204k is additional expenditure which is a direct result of the lockdown. There is an adverse variance as additional safety and security measures are put in place for the markets to open. The Combined Markets and Shop Trading income budget is £1.6m and it is expected that only £685k of that is likely to be achieved if the lockdown is lifted.

Although the original lockdown was beginning to be lifted, once we entered Tier 3 it became difficult to make the markets safe for social distancing and therefore takeup of market stalls was low because the footfall into markets is limited due to the need to maintain social distancing.

Streetscene is showing a net overspend of £419k, of which £412k is a shortfall in income against a budget of £2.4m (16%).

Other than the impact of Covid-19, Libraries & Heritage are currently forecasting a small overspend due to the recharges for the Facilities Management Contract. There has been a variation to the old contract and costs have come in higher than anticipated. The Covid-19 impact detail is listed in the table below and there continues to be a prudent approach in the service area and controllable budget forecasts are reviewed and reduced on a monthly basis to try and mitigate the additional Covid-19 costs where possible.

Leisure & Green Spaces have a minimal improvement since September although the new Facilities Management Contract is likely to be a potential risk going forward, as Green Spaces are now being charged for costs that hadn't previously been recharged directly to the Service Area. The Covid-19 impact detail is listed in the table below and as with the Library Service there continues to be a prudent approach in the service area and controllable budget forecasts are reviewed and reduced on a monthly basis to try and mitigate the additional Covid-19 costs where possible.

Planning is forecasting an overspend of £1.755m which is due to a shortfall in planning applications fee income, PPA (Planning Performance Agreement) and CIL income. There has been a £315k reduction in forecast income this month due to the impact of the cyberattack and a slow but continued decline in planning applications.

The shortfall in planning application fee income is linked to a decline in the number of very large major applications being received rather than a significant fall in overall planning application numbers for the past 2 years. This has further resulted in a reduction in the CIL and s106 income due to delays in schemes starting construction. There are a number of large schemes at the pre-application stage which are due to be submitted in early 2020/21. The development industry is also putting on hold the submission of major planning applications until there is more clarity on the impact of Covid-19, Brexit and the Hackitt review on build cost and sales value as this impacts the viability and deliverability of their schemes.

Despite a 20% uplift in planning fees 2 years ago, the income has consistently fluctuated between £1.5-1.7m over the past 3 years. With a budget of £2.2m and a plateau in the housing market, this level of income is unachievable. The income target for minor applications of £1.2m is forecast to be achieved, however the cost of determination of minor applications is more than the fee received as Local Authorities have not yet been afforded the option by the Government of setting their own fees. In practice, major applications help subsidise minor applications therefore the shortfall in new major applications will also detrimentally affect this cross subsidy. The Head of Planning is taking the following actions to address this budget pressure for 2020/21:

.The implementation of a new planning back office system will deliver process and cost efficiencies especially within the planning application registration and validation process, these efficiencies will help offset any underachievement of income.
-Review of the Planning Service cost base including non staff costs.
-Benchmarking with other planning authorities with a focus on sustainable caseloads.
-Review of the Growth Team activity and Planning Performance Agreements

Within the Housing General Fund, the underspend relates to staffing vacancies.

The favourable variance within Regeneration mainly relates to Private Sector Housing, where a reduction of £20k relating to parking permits has been forecast. Vacancies within the Housing Strategy and Policy Team make up the remainder of the variance for the year.

The impact of Covid-19 is shown below

Additional Spend	Reduced Income	Net Effect	Sub-Service	Variance Narrative
63	99	162	Libraries & Heritage	The service is not expecting any income during 20/21 for library fines, room bookings, sales etc due to the initial closure and future uncertainty of how the long term service will operate. The additional Covid-19 related expenditure is based on a prudent approach to security where the

				contract has not changed despite the closures.
715		715	Leisure Services	This is the estimate of additional costs required to support GLL who manage the leisure centres within Hackney. The total amount is being taken from the contract surplus share which GLL are holding on Hackney's behalf. There is an agreement in place for this to be repaid at a future point.
125	331	456	Events & Green Spaces	Parks & Green Spaces have two main areas of expenditure relating to Covid-19, which are additional emptying and cleaning of the bins (£74) across parks and green spaces and cleaning of the toilets (£71k) (which had to be re-opened due to increased usage of the parks). There are also additional Parks Signage costs around Social Distancing which are starting to filter through to the cost centres. The loss of income is primarily down to the Events Team - as no bookings are expected this year and Parks in general where all income including from internal sources is on a much reduced expectancy or none at all (corporate volunteering and general parks events).
1,089	2,535	3,624	Environment Ops	Environment Ops has three main areas of expenditure that have been impacted heavily by Covid-19. The use of agency staff to cover both sickness and staff absences, use of agency staff to cover food deliveries for the council, internal vehicle cleaning every day and where required to help the service or Council (£590k). This forecast is up to the end of Mar 21, previously it was up to Sept 20 and then Dec 20 but further restrictions were introduced by Central Government in Sept and a national lockdown in Nov 20. The figures will continue to be reviewed regularly to update the forecast. The ongoing purchase of PPE and other equipment to aid daily operational works, such as masks, gloves and sanitizers (£359k). The virus has also had a large impact on income especially Comm Waste due to so many businesses closing during the ongoing lock down (£2,362k), also a further increase in the bad debt provision of (100K) to (140K) to account for more defaulters due to either struggling to reopen or struggling to continue as going concerns. This again has been revised to take into account new Government measures. Hygiene Services - the inability to go into people's homes and buildings (£137k) and (£35k) on Bulky waste collections which had a significant drop off in requests in Apr and May 20 but has picked up significantly to allow a

				reduction of 15k on the original 50k impact expected on income.
0	6,025	6,025	Parking	There has been a significant impact on Parking services due to Covid-19 in all income areas from PCNs, Pay and Display, Suspension and Permits. Current full year income forecast is £19.3m against a budget of £25.8m which is a shortfall in income of £6.025m. There are various minor underspends in other areas of the service of (£329k) giving a net overspend position of £5.8m.
204	906	1,110	Markets and Shop Front Trading	Market stalls and Shop Front Trading have been heavily impacted by Covid-19 . There has been no income in quarter one or two with minimal income in quarter 3. As the lockdown continues with the Government advice on markets being able to open the take up has been very little and it's difficult to make the areas safe for social distancing despite putting in additional resources into the markets, which has increased the Covid-19 related expenditure.
	412	412	Streetscene	All the variance relates to income shortfall. Whilst the current circumstances have decimated some areas, in particular around NRSWA (s74), there are some signs of recovery.
745	262	1,007	Community Safety, Enforcement & Business Regulation	Civil Protection - £414k overspend consists of expenditure for: 1) PPE sourced for procurement. 2) Overtime, extra staff costs and other expenses for staff recruited for Covid-19, after authorisation by Gold. 3)Training provided to other teams such as Gold Loggists. 4)Extra infrastructure and equipment costs for needs such as temporary mortuaries, the Mobile Testing Unit site, the PPE Sub regional Hub, Food Hub etc. Enforcement - reduced income £62k due to less Fixed Penalty Notices and reduced LNL for Enforcement officers. Enforcement officers overtime £116K, Agency staff for Parks £83. CS Enforcement BR Management £30K, High court fees for Hackney Marshes & London Fields, £96K Security patrols in Parks. Licensing & Technical Support - Reduced income £200K Fees & Levy. Business Regulation EH & TS - Specialist Noise Advice and Control Officer overtime £7K.
2,941	**10,570**	**13,511**		

4.4 FINANCE & CORPORATE RESOURCES

Finance and Resources is forecasting an overspend of £14.35m (before the inclusion of reduced council tax and business rates income of £20.5m, primarily reflecting lower forecast collection rates). Of this £13.9m is owed to Covid-19, which leaves a non-covid overspend of £0.4m which is spread across various services.

The impact of Covid-19 on the directorate is as follows: -

Commercial Property is forecasting a £3.1m rental loss relating to Covid-19 and there was also increased expenditure on security and patrols of retail properties during lockdown. This expenditure may increase again in light of the current tier status.

Additional Covid-19 cost pressures in Revenues and Benefits sum to £3.5m. The collection of benefits overpayments has reduced by £1.76m because of Covid-19. The remaining £1.65m is primarily owed to loss of court costs income , additional staffing requirements across the service to deal with increased workload resulting from Covid-19 (particularly claims management), increased administrative costs associated with re-billing (print costs and postage costs), and anticipated additional expenditure on the Discretionary Crisis Support Scheme.

Customer Services is reporting a Covid-19 related cost of £282k relating to additional staff and software needed to add capacity to handle support for vulnerable residents.

There is an estimated £2.5m of Housing Needs costs arising from Covid-19 which result from two main sources. Firstly, the service has incurred additional staff costs to carry out the rough sleeping initiative and to move people into emergency accommodation and latterly into more settled accommodation; and has incurred additional direct costs of emergency accommodation. The service has also incurred costs with landlord incentives, required to secure accommodation and is forecasting having to make provision for those residents in Temporary Accommodation unable to pay their rents due to Covid-19; and there has been a reduction in rent income. This overspend reflects the allocation of Next Steps Accommodation Programme (Rough Sleeping) Grant.

Registration Services have been severely affected by Covid-19 which has created a forecast £590k shortfall resulting from a significant reduction in Ceremony Services (75%) and Citizenship Awards (50%). The impact of Covid-19 has led to a decrease of approximately 56% of income compared to last year whilst expenditure on staffing has also increased as there has been a requirement for sessional staff to cover front line services whilst some vulnerable staff work from home.

The Central Procurement and the Energy Team is forecasting Covid-19 related costs of £2.38m. The Covid-19 expenditure relates to PPE which is being managed as a coordinated effort across the council with the ordering being led by Procurement. The spend on PPE to date is approximately £1.9m. It is difficult to try to estimate the usage going forward, and several items of equipment are still held in stock such that in some instances the stock levels will be sufficient for several months. However, the use of PPE will probably be required over a longer period of time so a forecast of £0.5m further expenditure has been added to the spend to date to try to account for this.

There is a £673k Covid-19 cost in ICT resulting from the requirement for additional agency staff and equipment to ensure staff are able to work from home.

4.5 CHIEF EXECUTIVE

Overall, the Directorate is forecasting to overspend by £1.499m of which £1.402m is owed to Covid-19.

Policy, Strategy & Economic Development are reporting an overspend of £784k all of which is due to Covid-19, arising from food parcels for residents who cannot access or afford food during Covid-19, security and moving costs and Emergency Grants to 4 organisations in the Voluntary Sector to provide Covid-19 related services.

Communications is forecasting an overspend of £715k, most of which is due to the impact of Covid-19, which has reduced film, venues, and advertising income.

Legal and Governance, Chief Executive Office and HR are forecast to come in at budget.

4.6 Housing Revenue Account (HRA)

The impact of Covid-19 on the HRA is to increase net expenditure by £4.2m. of which £2.3m is an income loss - which is mainly reflected in the increase in the bad debt provision - and £1.9m is additional expenditure.

It is estimated that there will be increased arrears of £1.15m in respect of dwelling rents, tenant charges and commercial income , arising from Covid-19. It is also assumed there will be an increase in irrecoverable debts and therefore an increase in the bad debt provision (£1.7m) has been assumed. Income, especially rent collection, is being monitored on a weekly basis and improvements in the rent collection rate will inform the level of provision for bad debts as the year progresses. There is also increased expenditure on Housing Repairs (£1.3m).

There are also variations from budget which are not related to Covid-19, but the only significant variation is within Special Services. The Special Services variance is due to increased costs of the integration of the Estate Cleaning service which is being reduced over 3 years. The overspend here is offset by variations to budget within other services.

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

This budget monitoring report is primarily an update on the Council’s financial position and there are no alternative options here and the savings are part of an process to balance the budget next year

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of November 2020. Full Council agreed the 2020/21 budget on 26th February 2020.

6.2 Equality Impact Assessment

Equality impact assessments are carried out at budget setting time and included in the relevant reports to Cabinet. Such details are not repeated in this report.

6.3 Sustainability

As above

6.4 Consultations

Relevant consultations have been carried out in respect of the forecasts contained within this report involving the Mayor, the Deputy Mayor and Member for Finance, Housing Needs and Supply, HMT, Heads of Finance and Directors of Finance.

6.5 Risk Assessment

The risks associated with the Council's financial position are detailed in this report.

7. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

7.1 The Group Director, Finance and Corporate Resources' financial considerations are included throughout the report.

8. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

8.1 The Group Director, Finance and Corporate Resources is the officer designated by the Council as having the statutory responsibility set out in section 151 of the Local Government Act 1972. The section 151 officer is responsible for the proper administration of the Council's financial affairs.

8.2 In order to fulfil these statutory duties and legislative requirements the Section 151 Officer will:

(i) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices and monitor compliance with them.

(ii) Determine the accounting records to be kept by the Council.

(iii) Ensure there is an appropriate framework of budgetary management and control.

(iv) Monitor performance against the Council's budget and advise upon the corporate financial position.

8.3 Under the Council's constitution although full Council set the overall budget it is the Cabinet that is responsible for putting the Council's policies into effect and responsible for most of the Council's decisions. The Cabinet must take decisions in line with the Council's overall policies and budget.

8.4 Paragraph 2.6.3 of FPR2 Financial Planning and Annual Estimates states that each Group Director in charge of a revenue budget shall monitor and control Directorate expenditure within their approved budget and report progress against their budget through the Overall Financial Position (OFP) Report to Cabinet. This Report is submitted to Cabinet under such provision.

8.5 Article 13.6 of the Constitution states that Key decisions can be taken by the Elected Mayor alone, the Executive collectively, individual Cabinet Members and officers. Therefore, this Report is being submitted to Cabinet for approval.

8.6 All other legal implications have been incorporated within the body of this report.

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