ISLINGTON

Resources Directorate
Newington Barrow Way, London, N7 7EP

Report of: Executive Member for Finance and Performance

Meeting of	Date	Ward(s)
Executive	10 September 2020	All

Delete as appropriate	~~Exempt~~	Non-exempt

2020/21 BUDGET MONITORING – MONTH 4

1. SYNOPSIS

1.1 This report presents the forecast outturn position for the 2020/21 financial year as at the end of month 4 (31 July 2020). The in-year budget position remains very uncertain due to the COVID-19 crisis, as the situation is continually changing based on government guidance and emerging actual cost data. The COVID-19 related budget pressures in this report will form the basis for the next COVID-19 financial return to MHCLG (with a deadline of 4 September 2020).

1.2 Overall, the council is currently estimating total COVID-19 related budget pressures of approximately £64m (comprising £19m additional costs and £45m income losses), including Housing Revenue Account (HRA) and potential council tax and business rates income losses that would impact future year budgets. This is an increase of approximately £2.5m since the month 3 forecast. The main reason for this increase is a presentational change whereby the net parking related income pressure has now been disaggregated between gross COVID-19 parking income losses and additional projected income from the Low Traffic Neighbourhood and School Streets programmes.

1.3 The council has received non-specific government grant funding of £18.5m as a contribution towards our extra costs as we deliver the local response to this crisis, which leaves a total funding gap of approximately £45m. Any residual shortfall not funded by central government would significantly weaken the council's balance sheet and reserves, which would then need to be replenished in future financial years.

1.4 The government has announced an income loss scheme whereby local authorities can claim back funding for 75% of income losses from sales, fees and charges, where these losses are greater than 5% of the council's planned income receivable. To qualify, income losses must be directly linked to the delivery of local services, and commercial and rental income are excluded. Whilst awaiting more detailed guidance from MHCLG, any additional funding that the council could potentially receive from this scheme is not yet reflected in the budget monitoring forecast.

1.5 Within the overall position outlined above, there is a forecast General Fund overspend of (+£40.310m), comprising COVID-19 related budget pressures of (+£45.558m) and other net forecast underspends of (-£5.248m). After the application of COVID-19 government grant funding of £17.277m (£18.542m non-specific government grant received to date less £1.265m applied in 2019/20), this leaves a forecast net General Fund overspend of (+£23.033m) in 2020/21. This is a net improvement of (-£0.560m) since the month 3 forecast, comprising (+£3.978m) increase in COVID-19 related pressures and (-£4.538m) increase in other net forecast underspends.

1.6 The forecast in-year position for the ring-fenced HRA is a deficit of (+£3.990m, a decrease of -£1.500m since month 3), which relates in full to COVID-19 pressures.

1.7 Further management actions and efficiencies are required in order to reduce the in-year overspend where possible. Departments are asked to continue to review their budgets to assess further scope to reduce COVID-19 pressures and/or deliver underspends in other areas.

1.8 The forecast position includes £13.1m potential council tax and business rates income losses (unchanged since month 3) that would impact future year budgets. This is an initial prudent assessment of the potential in-year losses and subject to change significantly as more reliable collection data emerges. The actual budgetary impact will depend on the wider economic outlook, including the extent to which arrears can be recovered and any ongoing decrease in the tax base (e.g. increased council tax support caseload, empty business premises).

1.9 The COVID-19 crisis (and particularly the lockdown period) is also expected to lead to significant slippage of the 2020/21 capital programme into future financial years.

2. <u>RECOMMENDATIONS</u>

2.1. To note the breakdown of the forecast General Fund outturn by individual variance at **Appendix 1** and by service area at **Appendix 2**.

2.2. To note that, after the application of COVID-19 government grant funding, there is a forecast net General Fund overspend of (+£23.033m) in 2020/21. (**Section 3** and **Table 1**)

2.3. To note that the council is facing total COVID-19 related budget pressures of approximately £64m and, after government grant received to date, a net gap of approximately £45m (including HRA and potential council tax and business rates income losses). (**Paragraphs 3.2-3.3**)

2.4. To note the latest existing saving tracker, unchanged since month 3. (**Paragraph 4.36**, **Table 2** and **Appendix 3**)

2.5. To agree that departmental cash limits be adjusted with effect from 1 July 2020 to reflect the council-wide vacancy factor. (**Paragraph 4.38** and **Table 3**)

2.6. To note the forecast in-year HRA deficit of (+£3.990m). (**Section 5** and **Appendix 2**)

2.7. To note the latest 2020/21 to 2022/23 capital programme and that the COVID-19 crisis is expected to lead to significant slippage of the 2020/21 capital programme to future financial years. (**Section 6**, **Table 4** and **Appendix 4**)

3. REVENUE POSITION: SUMMARY

3.1. A summary position of the General Fund and HRA is shown in **Table 1**, a breakdown by individual General Fund variance in **Appendix 1** and a breakdown by General Fund and HRA service area in **Appendix 2**.

Table 1 – 2020/21 General Fund and HRA Forecast Over/(Under)Spend

	CV-19 Related £m	Non CV-19 Related £m	Month 4 Total £m	Month 3 Total £m	Monthly Movement £m
GENERAL FUND					
Chief Executive's Directorate	0.000	(0.021)	(0.021)	0.000	(0.021)
Environment and Regeneration	19.792	(2.190)	17.602	16.163	1.439
Housing	1.109	0.000	1.109	1.267	(0.158)
People	16.644	(0.583)	16.061	16.173	(0.112)
Public Health	0.387	(1.391)	(1.004)	(0.942)	(0.062)
Resources Directorate	5.824	(0.032)	5.792	5.803	(0.011)
DIRECTORATE	**43.756**	**(4.217)**	**39.539**	**38.464**	**1.075**
Corporate Items	1.802	(1.031)	0.771	2.406	(1.635)
OVERALL (before CV-19 grant)	**45.558**	**(5.248)**	**40.310**	**40.870**	**(0.560)**
CV-19 grant			(17.277)	(17.277)	0.000
OVERALL (after CV-19 grant)			**23.033**	**23.593**	**(0.560)**
HRA					
In-year (Surplus)/Deficit	**3.990**	**0.000**	**3.990**	**5.490**	**(1.500)**

3.2. Overall, the council is currently estimating total COVID-19 related budget pressures of approximately £64m (comprising £19m additional costs and £45m income losses). This includes COVID-19 related budget pressures of £1.3m at the end of the previous financial year (2019/20), forecast General Fund pressures of £45.6m in 2020/21, £13.1m potential council tax and business rates income losses that would impact future year budgets and £4.0m HRA budget pressures. This is an increase of approximately £2.5m since the month 3 forecast. The main reason for this increase is a presentational change whereby the net parking related income pressure has now been disaggregated between gross COVID-19 parking income losses and additional projected income from the Low Traffic Neighbourhood and School Streets programmes. The budget position remains very uncertain, as the situation is continually changing based on government guidance and emerging actual cost data.

3.3. The council has received non-specific government grant funding of £18.5m as a contribution towards our extra costs as we deliver the local response to this crisis, which leaves a total funding gap of approximately £45m. Any residual shortfall not funded by central government would significantly weaken the council's balance sheet and reserves, which would then need to be replenished in future financial years.

3.4. The government has also announced an income loss scheme whereby local authorities can claim back funding for 75% of income losses from sales, fees and charges, where these losses are greater than 5% of the council's planned income receivable. To qualify, income losses must be directly linked to the delivery of local services, and commercial and rental income are excluded. The scheme will be in place for the 2020/21 financial year only, so the council will need to fully budget for any income losses expected to continue in future financial years. Whilst awaiting more detailed guidance from MHCLG, any additional funding that the council could receive from this scheme is not yet reflected in the budget monitoring forecast.

3.5. Whilst non COVID-19 related net underspends totalling (-£5.248m) are now being forecast, further management actions and efficiencies are required in order to reduce the in-year overspend where possible.

3.6. Beyond 2020/21, there is currently an estimated net budget gap of approximately £58m over the 3-year financial planning cycle to 2023/24. The medium-term financial outlook for local government is the most uncertain it has ever been and there is unlikely to be any degree of certainty for some time. Even when there is some stability with regards COVID-19, the economic ramifications of the pandemic are going to take some years to play out, with an inevitable impact on public sector spending settlements going forward. The estimated budget gap will be kept under review and is subject to change significantly as further information emerges on key budget variables, including the following:

- The extent to which the council's reserves are depleted by 2020/21 COVID-19 related budget pressures and therefore need to be replenished in future financial years;
- Ongoing COVID-19 expenditure pressures (including impact on demographic growth) and recovery of income (including council tax/business rates), and the risk of a second spike of the virus;
- Delivery of existing agreed savings; and
- The 2020 Comprehensive Spending Review (CSR) and future local government finance settlements, including the overall quantum of local government funding, additional social care funding and/or precept and funding distribution reforms such as the reset of business rates retention growth and the fair funding review.

4. GENERAL FUND

Chief Executive's Directorate (-£0.021m, broadly unchanged since month 3)

4.1. The Chief Executive's directorate is forecasting a non COVID-19 related underspend of (-£0.021m).

Environment and Regeneration (+£17.602m, an increase of +£1.439m since month 3)

4.2. The Environment and Regeneration directorate is currently forecasting a net overspend of (+£17.602m), comprised of (+£19.792m) COVID-19 related budget pressures and a (-£2.190m) non COVID-19 related net underspend. This is detailed by key variance in **Appendix 1** and summarised by division in **Appendix 2**.

4.3. The department relies heavily on fees and charges income to subsidise its services and the COVID-19 crisis has severely impacted on revenue generating activities across all service areas.

- Parking related income – there has been a substantial decrease in projected income across Pay & Display, Penalty Charge Notices and Permit & Vouchers. It is estimated that the full year impact will be a decline in parking related income of £11.302m. This is partially offset by (-£3.368m) additional projected income from the acceleration of the Low Traffic Neighbourhood and School Streets programmes to aid social distancing measures on the streets. Taking into account both of these elements, the net change in the parking income pressure since month 3 is a decrease of (-£0.616m).

- Leisure related income – the council receives income from operating the leisure centres and from activities and events within our parks and open spaces. The current best estimate of the full year impact of this income loss is £4.805m (an increase of +£0.077m since month 3).
- Other areas such as Commercial Waste, Licensing, Energy Services, Highways, Street Markets, Local Land Charges and Pest Control services are also experiencing reduced levels of service and it is estimated that the income loss across these areas will be £3.069m (an increase of +£0.534m since month 3).

4.4. The directorate is also incurring additional costs in terms of agency cover for COVID-19 related sickness/self-isolation, overtime and additional contract costs to cover additional enforcement of social distancing and Personal Protective Equipment. It is estimated that these additional costs will amount to £0.566m (an increase of +£0.276m since month 3) over the course of the financial year.

4.5. The directorate has also provided a grant to the Angel Business Improvement District (BID) of £0.050m to support operational spend due to COVID-19 related budget shortfalls.

4.6. There are a number of other non COVID-19 related variances detailed in Appendix 1, including staffing pressures and risks related to the agreed vacancy factor and additional income such as the Housing Street Properties Fire Safety Inspections by Building Control and one-off income from Trading Standards penalties.

Housing General Fund (+£1.109m, a decrease of -£0.158m since month 3)

4.7. The Housing directorate is currently forecasting a (+£1.109m) General Fund overspend, fully attributable to the COVID-19 crisis. This is detailed by key variance in **Appendix 1** and summarised by division in **Appendix 2**. The Housing directorate includes Voluntary and Community Services (VCS) and the council's statutory, yet unfunded by central government, duty to provide a safety net to vulnerable migrants with No Recourse to Public Funds (NRPF) – including European Economic Area Nationals, under social services legislation (including the Care Act 2014 and Children's Act 1989).

4.8. COVID-19 is causing budget pressures across homelessness and NRPF services. This is showing through rising client numbers, increased provider costs, additional legal challenges, extra landlord incentive payments, higher rent arrears and lost income sources. The impact of this is likely to continue for many months. The homelessness service in particular has had to alter its service provision following a number of central government instructions.

4.9. COVID-19 will also place pressures on key VCS partner organisations in the borough, including a loss of fundraising/earning potential, higher demand, and delays in applications from partner groups. To meet these pressures, the service estimates that it will need to draw down £0.081m of VCS contingency funding in earmarked reserves in the current financial year.

4.10. Underlying the above COVID-19 pressures are the continued effects of the Homelessness Reduction Act 2017. This Act is increasing the number of new homeless cases for the council and resulting in increased legal challenges.

4.11. Islington Lettings remains a cost pressure with long and short-term issues resulting in a high level (over 50%) of 'write offs' of uncollected rent. New management and investigations into long standing issues are expected to result in an improved financial position. These non COVID-19 budget pressures are offset by underspends elsewhere in the directorate.

4.12. In addition, the directorate has a £1.666m balance from prior years in earmarked reserves relating to prior year homelessness grants. The Executive agreed previously for this balance to be allocated against the in-year forecast overspend on homelessness services, where permissible within the terms of the original grants.

People (+16.061m, a decrease of -£0.112m since month 3)

4.13. The People directorate (comprising Children's, Employment and Skills and Adult Social Services) is currently forecasting a (+£16.061m) overspend.

Children's, Employment and Skills - General Fund (+£7.226m, an increase of +£0.009m since month 3), Schools (Break-even, unchanged)

4.14. Children's, Employment and Skills is currently forecasting a net overspend of (+£7.226m), comprised of (+£7.809m) COVID-19 related budget pressures and risks and a (-£0.583m) non COVID-19 related net underspend. This is detailed by key variance in **Appendix 1** and summarised by division in **Appendix 2**.

4.15. The COVID-19 related budget pressures in the department include:

- (+£2.778m) forecast loss of parental fee income in Children's Centres;
- (+£0.150m) legal costs in relation to an increase in emergency child protection orders, an increase of (+£0.100m) since month 3;
- (+£0.125m) cost of providing IT hardware to enable home learning for children without access to IT hardware at home;
- (+£0.241m) increase in allowances for carers in recognition of the increased costs of caring for young people while they are at home and the provision of financial support to care leavers through the summer, an increase of (+£0.074m) since month 3;
- (+£0.130m) forecast increase in demand for crisis payments as more disabled children have remained at home due to COVID-19, an increase of (+£0.030m) since month 3;
- (+£1.052m) forecast loss of income in relation to Cardfields, the Laycock Centre, the Arts Service and the Education Library Service. We are now unlikely to see much recovery in income at Cardfields and the Laycock Centre this year due to the nature of the provision;
- (+£0.414m) forecast loss in curriculum income in relation to school trips that subsides the cost of providing SEN transport in the borough; and
- (+£0.205m) other COVID-19 cost pressures, a decrease of (-£0.047m) since month 3.

4.16. The forecast position includes an additional (+£2.714m) of COVID-19 budget risks in relation to the cost of packages for looked after children, staffing pressures in children's social care, the continued provision of universal youth services and potential further losses in income for traded services.

4.17. The forecast non COVID-19 related net underspend of (-£0.583m), an increase of (-£0.085m) since the month 3 forecast, mainly relates to: the secure remand budget, as the council expects the recent experience of low numbers of young people being remanded to custody by the courts to continue; and the council's Universal Free School Meals programme due to the number of children being educated at home. The council continues to provide free school meals/food vouchers to those pupils who are eligible for statutory free school meals and those attending school. This is net of base budget pressures in relation to the Post-16 bursary (+£0.070m) and Holloway Pool (£0.060m) that were funded from one-off balances/underspends in prior years.

4.18. A break-even position is currently forecast on the ring-fenced Dedicated Schools Grant (DSG), pending more detailed review as part of budget monitoring in future months.

4.19. The Children's, Employment and Skills forecast is net of assumed (-£1.901) funding from earmarked reserves for non COVID-19 related one-off costs (relating to funding transferred to reserves at the end of 2019/20).

Adult Social Services (+£8.835m, a decrease of -£0.121m since month 3)

4.20. Adult Social Services is currently forecasting an (+£8.835m) overspend, fully attributable to the COVID-19 crisis. This is detailed by key variance in **Appendix 1** and summarised by division in **Appendix 2**.

4.21. The department is forecasting net COVID-19 related budget pressures of (+£2.881m, a decrease of -£0.121m since month 3) in relation to supporting the adult social care market and additional demand (including the risk of increased demand due to the COVID-19 Hospital Discharge Service). Other COVID-19 related budget pressures totalling (+£5.954m, unchanged since month 3) consist primarily of:

- PPE costs (+£4.099m)
- Workforce pressures (+£0.747m)
- Loss of client contributions (+£1.080m)

4.22. Adult Social Services continues to be impacted by wider demographic pressures, including increased demand for services and need of acute care. This is funded through a corporate demographic budget growth allocation.

Public Health (-£1.004m, an increase of -£0.062m since month 3)

4.23. Public Health is funded via a ring-fenced grant of £26.563m for 2020/21. The directorate is currently forecasting a net underspend of (-£1.004m), comprised of (+£0.387m) COVID-19 related budget pressures and (-£1.391m) underspends. This is detailed by key variance in **Appendix 1** and summarised by division in **Appendix 2**. The net underspend will be allocated to wider Public Health expenditure being incurred across the council.

4.24. The main COVID-19 budget pressures are in the Sexual Health division (increased online access to STI testing and treatment and online contraception) and in the Substance Misuse division (methadone dispensing and delivery and the management of the COVID-19 situation in partnership with pharmacies, controlled medicine risk management strategy and community drug treatment services).

4.25. The underspends in the directorate are in the main owing to additional procurement savings in the Substance Misuse division (-£0.211m), delay in re-commissioning an oral health contract due to the inability to safely deliver this service under the current COVID-19 circumstances (-£0.138m), and changes to the tariffs and efficient procurement within the Sexual Health division (-£0.386m). The work with NHS providers on the NHS pay awards following the Public Health grant uplift has been completed resulting in an additional underspend of (-£0.656m). The position of the PrEP service rollout is currently unknown but could act to increase the Public Health underspend in the coming months.

4.26. In addition to the in-year forecast underspend, the directorate has a £2.123m balance from prior years in the ring-fenced Public Health reserve. The Executive agreed previously for this balance, net of any existing commitments, to be allocated to wider Public Health expenditure being incurred by the council in this current public health crisis.

Resources (+£5.792m, a decrease of -£0.011m since month 3)

4.27. The Resources directorate is currently forecasting a net overspend of (+£5.792m), comprised of (+£5.824m) COVID-19 related budget pressures and a (-£0.032m) non COVID-19 related net underspend. This is detailed by key variance in **Appendix 1** and summarised by division in **Appendix 2**. The Resources cash limit is still to be adjusted to reflect the transfer of areas to the newly created Community Wealth Building division under the Chief Executive's directorate.

4.28. The most significant COVID-19 budget pressure in the directorate is an estimated (+£1.745m) loss of income from Assembly Hall events and registrars services (e.g. weddings) relating to cancellation of previously booked events and a lack of new bookings. In addition, there are estimated potential costs of (+£0.161k, a new pressure in month 3) related to the re-opening of the Assembly Hall, including cleaning costs.

4.29. The directorate is also forecasting cost pressures of: (+£0.324m) on overtime/salary related expenditure to provide extra support and assistance provided to vulnerable and self-isolating people and communities at large; (+£0.720m, less -£0.325m specific government grant funding) on crisis payments to local residents to support people who are struggling to buy the basics; and (+£0.015m) on PPE.

4.30. The council's planned commercial property income is also expected to be (+£0.576m, a decrease of -£0.123m since month 3) less than expected. This is due to rent waives and deferral arrangements to support local business, and the uncertain rental market causing delay to properties being let. There could also be an impact on the council's commercial property income beyond the current financial year.

4.31. Further COVID-19 related income losses are estimated in relation to court costs (+£0.500m, an increase of +£0.130m since month 3) and legal income from planning and property matters (+£0.075m).

4.32. Additional costs of (+£2.156m, an increase of +£0.003m since month 3) are estimated in relation to IT infrastructure projects due to increased home working and additional support and maintenance costs.

4.33. The Resources month 4 forecast is net of assumed transformation funding from earmarked reserves for non COVID-19 related IT project costs (-£2.250m) and legal case management system (-£0.180m).

Corporate (+£0.771m, a decrease of -£1.635m since month 3)

4.34. The latest corporate items forecast is a (+£0.771m) underspend, of which (+£1.802m) is COVID-19 related, with key variances set out in **Appendix 1** and summarised by area of the corporate budget in **Appendix 2**. This position assumes that the 2020/21 corporate contingency budget of £5.455 is required in full for in-year contingency pressures (e.g. the potential shortfall between provision for pay inflation and the pending annual pay award).

4.35. The (+£1.802m) COVID-19 related pressures include (+£0.378m) estimated additional costs of running the 'We are Islington' support service that are not reflected in directorate forecasts,

(+£1.384m) estimated pressure in relation to mortality management costs allocated across London councils and (+£0.040m) re-phased savings.

4.36. The forecast corporate budget variance includes non COVID-19 related re-phasing of savings (+£4.915m) and undeliverable savings (+£0.967m) following review at the end of the previous financial year. The movement since the savings agreed in the 2020/21 budget report, unchanged since month 3, is summarised in **Table 2** and the latest existing saving tracker is detailed at **Appendix 3**. Directorate cash limits have now been adjusted to reflect the re-profiled/undeliverable savings.

Table 2 – Reconciliation of 2020/21 to 2022/23 Savings

	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Savings agreed in 2020/21 Budget Report	**9.663**	**11.234**	**2.695**	**23.592**
Savings brought forward from prior years	4.992			4.992
Re-phased savings (COVID-19 related)	(0.040)	0.040		0.000
Re-phased savings (non COVID-19 related)	(4.915)	3.353	1.562	0.000
Undeliverable savings (non COVID-19 related)	(0.967)	(1.133)	(1.277)	(3.377)
Revised Existing Agreed Savings	**8.733**	**13.494**	**2.980**	**25.207**

4.37. Of the revised 2020/21 savings of £8.733m, £4.002m (46%) are currently rated Amber and the remaining £4.731m (54%) are rated Green or already achieved.

4.38. There are forecast corporate underspends in the following areas:

- (-£2.385m) relating to an agreed vacancy factor management action across the council with effect from 1 July 2020 (9 months part-year effect), excluding services where vacancies have to be covered for safeguarding or service performance reasons. Due to a degree of risk around the delivery of this management action, only 75% (£2.385m) of the estimated £3.180m saving is currently factored into the forecast net budget position. However, budgets will be adjusted for the full amount (**Table 3**) and directorates are required to operate within their revised cash limited budgets.

Table 3 – 2020/21 Part-Year Vacancy Factor Budget Adjustment

	£m
Chief Executive's Directorate	0.054
Environment and Regeneration	1.163
Housing	0.104
People – Adult Social Services	0.172
People – Children's, Employment and Skills	0.688
Resources Directorate	0.999
Total	**3.180**

- (-£1.000m) one-off underspend on the corporate financing budget, in part due to COVID-19 related slippage in the capital programme;
- (-£0.500m) underspend on assumed contract inflation (ongoing); and

- (-£3.028m) one-off underspend on demographic growth budget provision in 2019/20 (fully committed in future years) due to additional government funding for social care provided late in the 2019/20 budget setting process.

4.39. Proposed current year commitments against earmarked reserves (e.g. transformation spend related to the delivery of agreed savings, and other one-off commitments) are currently being reviewed and will be included as part of the month 5 budget monitoring report.

4.40. The council is currently forecasting potential council tax losses (+£5.7m) and business rates losses (+£7.4m) in 2020/21, (+£13.1m, unchanged since month 3) in total, that would impact future year budgets. It should be emphasised that this is an initial prudent assessment of the potential in-year losses and subject to change significantly as more reliable collection data emerges. The actual budgetary impact will depend on the wider economic outlook, including the extent to which arrears can be recovered and any ongoing decrease in the tax base (e.g. increased council tax support caseload, empty business premises).

4.41. Any deficits from council tax and business rates arising in 2020/21 would normally be transferred from the collection fund in the following year (2021/22). However, the government has recently proposed that these deficits will now be spread equally over 3 years (2021/22 to 2023/24). The full terms of the arrangements are still not entirely clear (MHCLG is working with CIPFA, and there will be secondary legislation later in the year). This three-year phasing will help in the short term (other things being equal) and will be factored into budget setting assumption for 2021/22. However, this will not reduce the medium-term budget gap and there is likely to be a continued adverse impact on council tax and business rates income over the medium term.

5. HOUSING REVENUE ACCOUNT (HRA)

5.1. A COVID-19 related in-year deficit of (+£3.990m) is currently forecast for the HRA, a decrease of (-£1.500m) since month 3 and summarised in **Appendix 2**. As the HRA is a ring-fenced account, any overspend at the end of the financial year would be funded from HRA reserves.

5.2. The decrease of (-£1.500m) since month 3 relates to a re-assessment of the rate at which tenant rent/service charge arrears are likely to increase over the course of this financial year and as such the increased level of required bad debt provision decreasing from £4m to £2.5m. However, the potential level of arrears at the end of the financial year and the extent to which the council will be able to recover arrears is very difficult to predict and will depend on the wider economic outlook and particularly tenants' security of employment. The service is actively engaging with tenants in order to both secure the recovery of arrears and prevent the further escalation of arrears.

5.3. Additional HRA COVID-19 related cost pressures are forecast in the following areas:

- PPE (+£0.390m) – primarily for caretaking/concierge & repairs staff;
- Use of voids for Temporary Accommodation (+£0.225m) – refurbishment costs and furnishings/white goods; and
- Catch up of housing repairs backlog (+£0.350m)

5.4. The following non COVID-19 related HRA budget variances are also forecast:

- (-£0.500m) additional rental income due compared to the original budget assumption; offset by

- (+£0.500m) ongoing repairs (voids) pressure due to both the level of refurbishment required and the increased frequency of re-letting 1 bed HRA properties assigned for use by temporary accommodation clients.

6. CAPITAL PROGRAMME

6.1. The latest capital programme, which totals £499m over the 3 years 2020/21 to 2022/23 and includes outturn slippage from 2019/20, is detailed at **Appendix 4**. As at the end of month 4, £21.904m (11.7%) of expenditure had been incurred against the 2020/21 capital budget of £187.953m

6.2. It is expected that the delivery of the capital programme will be significantly delayed by the COVID-19 pause in construction activity and ongoing social distancing measures. Initial 2020/21 capital forecasts are summarised by directorate in **Table 4** below and by scheme at **Appendix 4**. Pending more detailed review on an individual scheme basis, the Environment and Regeneration ad Resources forecasts assume that the COVID-19 crisis will lead to slippage of at least 20% of the 2020/21 capital programme to future financial years.

Table 4 – 2020/21 Capital Programme

Directorate	2020/21 Budget £m	Month 4 Spend to Date £m	2020/21 Forecast Outturn £m	Assumed Slippage £m
Environment and Regeneration	25.389	2.974	20.311	5.078
Housing	150.846	18.400	113.300	37.546
People	8.926	0.473	7.336	1.590
Resources	2.792	0.057	2.234	0.558
Total	**187.953**	**21.904**	**143.181**	**44.772**

6.3. With regards to the Environment and Regeneration programme, Transport for London (TfL) has suspended Local Implementation Plan (LIP) funding for 2020/21. Pending any further announcement, the £1.7m previously assumed grant funding has been removed from the 2020/21 capital programme. However, related capital bids have been submitted for sunk costs (TfL, £0.208m), London Streetscape Plan funding (TfL - LSP, £2.105m), Emergency Active Travel funding (£0.100m), and High Streets Safely Fund (MHCLG, £0.216m). The first two bids form part of a competitive bidding process, therefore funding is not guaranteed.

6.4. There is also a risk that COVID-19 pushes up the overall costs of some capital projects such as the Bunhill Energy Centre Phase 2 scheme.

7. IMPLICATIONS

Financial Implications

7.1. These are included in the main body of the report.

Legal Implications

7.2. 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 (Section 28 Local Government Act 2003; the council's Financial Regulations 3.7 to 3.10 (Revenue Monitoring and Control)).

Environmental Implications

7.3. This report does not have any direct environmental implications.

Resident Impact Assessment

7.4. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

7.5. A resident impact assessment (RIA) was carried out for the 2020/21 Budget Report agreed by Full Council. This report notes the financial performance to date but does not have direct policy implications, so a separate RIA is not required for this report.

Appendices:
Appendix 1 – General Fund Revenue Monitoring by Key Variance
Appendix 2 – Revenue Monitoring by Service Area
Appendix 3 – Existing Savings Tracker
Appendix 4 – Capital Programme 2020/21 to 2022/23

Background papers: None

Final report clearance:

Signed by: Satnam Gill — 25 August 2020

Executive Member for Finance and Performance — Date

Report Author: Martin Houston, Strategic Financial Advisor

Legal Implications Author: Peter Fehler, Acting Director of Law and Governance