Resources Directorate
Newington Barrow Way, London, N7 7EP

Report of: Corporate Director of Resources

Meeting of		**Date**	**Agenda Item**	**Ward(s)**
Executive		26 November 2020		All
Delete as appropriate	~~Exempt~~		Non-exempt	

2020/21 BUDGET MONITORING – MONTH 6

1. SYNOPSIS

1.1 This report presents the forecast outturn position for the 2020/21 financial year as at the end of month 6 (30 September 2020). The in-year budget position remains very uncertain due to ongoing developments around the COVID-19 crisis. Rather than a one-off event that the council's budget is recovering from, COVID-19 will continue to have a significant ongoing impact on the council's budget for the foreseeable future.

1.2 Since these month 6 (end of September) forecasts were prepared, the government introduced COVID Alert Level restrictions and London was placed in alert level 'high', which was followed by the announcement of a second national lockdown. These developments are likely to have an adverse impact on the council's budget over the remainder of this financial year and beyond. Whilst the focus of this report is on the current financial year, there is a need to maintain and, where possible, increase resilience in the council's balance sheet and reserves to reflect the level of budget risks over the medium term.

1.3 Overall, the council is currently estimating total COVID-19 related budget pressures of approximately £59m (comprising £17m additional costs and £42m income losses), including Housing Revenue Account (HRA) and potential council tax and business rates income losses that would impact future year budgets. The council has already received general government grant funding of £18.5m as a contribution towards our budget pressures as we deliver the local response to this crisis, which leaves a total funding gap of approximately £40m (before any funding that the council receives, and still to be confirmed, from the government's income loss scheme). 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 Within the overall position outlined above, there is a forecast net General Fund overspend of (+£36.939m), comprising COVID-19 related budget pressures of (+£41.166m) and other net forecast underspends of (-£4.227m). After the application of COVID-19 general government grant funding of £17.277m (£18.542m received to date less £1.265m applied in 2019/20), this leaves a forecast net General Fund overspend of (+£19.662m) in 2020/21. This is a net decrease of (-£0.576m) since the month 5 forecast. This position includes (+£0.130m) additional costs relating to the council's local commitment to prove free school meals over the Autumn half term.

1.5 The government previously 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. The scheme will be in place for the 2020/21 financial year only, but the council will need further government support for any COVID-19 income shortfalls that continue in future years. The council's first claim under this scheme (covering April to July 2020 losses) has been submitted for estimated compensation of £6.287m. The MHCLG submission and assurance process has been delayed due to administrative issues. Therefore, any additional funding that the council may receive from this scheme is still to be confirmed and is not yet reflected in the budget monitoring forecast.

1.6 The government recently announced a 4th tranche of COVID-19 general government grant funding for local authorities of £0.9bn nationally and £8.765m for Islington. Given the deteriorating situation with the pandemic since the month 6 (end of September) forecasts were prepared, it is currently assumed that this 4th tranche of funding is reserved for potential additional COVID-19 pressures on the council's budget throughout the winter (e.g. any further re-introduction restrictions/lockdown measures that affect assumed recovery of income streams in leisure, registrars and parking) and for currently unfunded council tax and business rates income losses over the medium term. This position will be reviewed in future months depending on the additional pressures that emerge.

1.7 The COVID-19 crisis is expected to lead to significant slippage of the 2020/21 capital programme into future financial years due to the pause in construction activity during lockdown and ongoing social distancing measures. There is also a risk that COVID-19 pushes up the overall costs of some capital projects.

2. RECOMMENDATIONS

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 general government grant funding, there is a forecast net General Fund overspend of (+£19.662m) 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 £58m and, after government grant received to date, a net gap of approximately £40m (including HRA and potential council tax and business rates income losses). (**Paragraph 3.2**)

2.4. To agree that Corporate Directors progress schemes to fully allocate the Local Authority Test and Trace government grant (£2.431m) to mitigate against and manage local outbreaks of COVID-19. (**Paragraph 4.26**)

2.5. To agree the proposed current year allocations from earmarked reserves, and to delegate authority to the Section 151 Officer to finance some or all the expenditure against these allocations from the in-year revenue budget if there is scope to do so at the end of the financial year. **(Paragraph 4.40 and Appendix 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 capital programme forecast and agree additional capital budget of £0.300m for the council's property at Laycock Street. (**Section 6**, **Paragraph 6.4**, **Table 3** 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**. The breakdown by directorate has been adjusted in month 6 to reflect the transfer of areas to Community Wealth Building under the Chief Executive's directorate in month 6.

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

	CV-19 Related £m	Non CV-19 Related £m	Month 6 Total £m	Month 5 Total £m	Monthly Movement £m
GENERAL FUND					
Chief Executive's Directorate	0.503	(0.066)	0.437	0.058	0.379
Environment and Regeneration	18.873	(3.457)	15.416	16.944	(1.528)
Housing	0.547	(0.547)	0.000	1.189	(1.189)
People	11.656	0.112	11.768	14.195	(2.427)
Public Health	0.382	(1.541)	(1.159)	(0.939)	(0.220)
Resources Directorate	5.070	0.000	5.070	5.297	(0.227)
DIRECTORATE	**37.031**	**(5.499)**	**31.532**	**36.744**	**(5.212)**
Corporate Items	4.135	1.272	5.407	0.771	4.636
OVERALL (before CV-19 grant)	**41.166**	**(4.227)**	**36.939**	**37.515**	**(0.576)**
COVID-19 grant tranches 1-3			(17.277)	(17.277)	(0.000)
OVERALL (after CV-19 grant)			**19.662**	**20.238**	**(0.576)**
HRA					
In-year (Surplus)/Deficit	**3.990**	**0.000**	**3.990**	**3.990**	**0.000**

3.2. Overall, the council is currently estimating total COVID-19 related budget pressures of approximately £59m (comprising £17m additional costs and £42m income losses), including Housing Revenue Account (HRA) and potential council tax and business rates income losses that will impact future year budgets. The council has already received general government grant funding of £18.5m as a contribution towards our budget pressures as we deliver the local response to this crisis, which leaves a total funding gap of approximately £40m (before any funding that the council receives, and still to be confirmed, from the government's income loss scheme). 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.

3.3. Looking beyond the current financial year, 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. The economic ramifications of the COVID-19 pandemic are going to take some years to play out, with an inevitable impact on public sector spending settlements going forward. The estimated medium-term budget outlook 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 (e.g. PPE costs) and impact on demographic growth;
- Recovery of sales, fees and charges income streams (e.g. leisure, parking, registrars) and council tax/business rates income base and any continuation of central government support in future years;
- Delivery of agreed savings; and
- The 2020 Comprehensive Spending Review (CSR), to be announced on 25 November 2020 by the Chancellor of the Exchequer, 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. <u>GENERAL FUND</u>

Chief Executive's Directorate (+£0.437m, a COVID-19 related increase of +£0.379m since month 5)

4.1. The Chief Executives directorate is currently forecasting a net overspend of (+£0.437m), comprised of (+£0.503m) COVID-19 related budget pressures and a (-£0.066m) non COVID-19 related net underspend. This is detailed in **Appendix 1** and summarised by division in **Appendix 2**. The increase from month 5 is due to the COVID-19 shortfall in commercial property income, which was previously reported under the Resources directorate and has now moved to Community Wealth Building in the Chief Executive's directorate.

4.2. COVID-19 has resulted in commercial rental income losses of an estimated (+£0.453m). In addition, a (+£0.050m) grant was given to the Angel Business Improvement District to support operational spend due to COVID-19 related budget shortfalls.

Environment and Regeneration (+£15.416m, a decrease of -£1.528m since month 5)

4.3. The Environment and Regeneration directorate is currently forecasting a net overspend of (+£15.416m), comprised of (+£18.873m) COVID-19 related budget pressures and a (-£3.457m) non COVID-19 related net underspend. This is detailed by key variance in **Appendix 1** and summarised by division in **Appendix 2**.

4.4. 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 see a decline in income across these areas of around £9.472m (a decrease of -£1.420m since month 5).
- 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 £4.809m (an increase of +£0.005m since month 5).

- 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 £3.454m (an increase of +£0.300m since month 5).

4.5. 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 £1.138m (an increase of +£0.297m since month 5) over the course of the financial year.

4.6. The main reason for the non COVID-19 related net underspend is additional projected income (-£2.958m, unchanged from month 5) from the acceleration of the Low Traffic Neighbourhood and People Friendly Streets programmes to aid social distancing measures on the streets. The remainder of the non COVID-19 related underspend is due to projected net staffing underspends 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 (Breakeven position, a decrease of -£1.189m since month 5)

4.7. The Housing directorate is currently forecasting a net breakeven position for the General Fund, comprised of (+£0.547m) COVID-19 related budget pressures and (-£0.547m) non COVID-19 related underspends. 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. These trends have the potential to be exacerbated by additional COVID-19 pressures over the winter. It has been possible to manage COVID-19 pressures in this financial year through specific government grants and favourable emergency hotel rental settlements. If this additional income was not present, the forecast position would be a significant overspend. It should be noted that the case increases from COVID-19 will most likely last into 2022/23, but the income streams that support them will not and it is likely that there will be significant budget pressure in this area for some time.

4.9. The movement since month 5 includes increased Temporary Accommodation rental income and additional government grant of £0.825 for the Next Steps Accommodation Programme. Cost reductions since month 5 include fewer clients in Genesis housing association properties, reduction in bad debt, falls in legal costs, and other staffing changes.

4.10. 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.

4.11. 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.

4.12. 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.

People (+11.768m, a decrease of -£2.427m since month 5)

4.13. The People directorate (comprising Children's, Employment and Skills and Adult Social Services) is currently forecasting a (+£11.768m) overspend.

Children's, Employment and Skills - General Fund (+£7.711m, an increase of +£0.485m since month 5), Schools (-£0.304m)

4.14. Children's, Employment and Skills is currently forecasting a net overspend of (+£7.711m), comprised of (+£7.599m) COVID-19 related budget pressures and risks and (+£0.112m) non COVID-19 related net overspends. 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:

- (+£0.130m) cost of providing free school meals over the Autumn half term;
- (+£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;
- (+£0.125m) cost of providing IT hardware to enable home learning for children without access to IT hardware at home;
- (+£0.152m) 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, a reduction of (-£0.089m) since month 5;
- (+£0.071m) forecast increase in demand for crisis payments as more disabled children have remained at home due to COVID-19, a reduction of (-£0.059m) since month 5;
- (+£0.950m) 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;
- (+£0.239m) forecast loss in curriculum income in relation to school trips that subsides the cost of providing SEN transport in the borough, a reduction of (-£0.175m) since month 5; and
- (+£0.288m) other COVID-19 cost pressure, an increase of + £0.083m since month 5).

4.16. The forecast position includes an additional (+£2.716m) of COVID-19 budget risks in relation to the cost of packages for looked after children, staffing pressures in children's social care and potential further losses in income for traded services.

4.17. The forecast non COVID-19 related net overspends of (+£0.112m, an increase of +£0.695m since month 5) are detailed below.

- (-£0.200m) forecast underspend against the remand budget as numbers of young people remanded to custody by the courts remains low. However, this is a demand led budget, and a small increase in activity can have a significant impact on the budget.

- (+£0.344m) forecast costs in relation to increased care proceedings, an increase of (+£0.175m) from month 5. The use of legal Counsel is subject to service director approval to minimise this cost pressure.
- (+£0.896m) forecast net pressure against the children looked after placements budget, an increase of (+£0.326m) from month 5. A number of management actions are being taken to control costs including:
    - Detailed review of costs pressures through the placements board;
    - Focus on increasing in-house recruitment of foster carers;
    - Working with providers to reduce the cost of packages;
    - Discussion with the judiciary to increase special guardianship orders as opposed to care orders; and
    - Service director approval required for all residential / high cost placements.
- (-£0.500m) drawdown of the placements contingency budget.
- (-£0.781m) underspend on the council's Universal Free School Meals programme due to the number of children being educated at home in the summer term. The council continued to provide free school meals/food vouchers to those pupils who were eligible for statutory free school meals in the summer term and all pupils who attended school.
- (+£0.070m) cost pressure in relation to the Post-16 bursary that has been funded from a balance of one-off funding in previous years but presents an ongoing cost pressure to the council that will be factored into 2021/22 budget setting.
- (+£0.060m) historical cost pressure in relation to Holloway Pool that will be factored into 2021/22 budget setting.
- (+£0.223m) of other net overspends across the service, an increase of (+£0.152m) from month 5.

4.18. An underspend of (-£0.304m) is currently forecast on the ring-fenced Dedicated Schools Grant (DSG). This underspend comprises:

- (+£0.190m) forecast pressure due to increased costs of and demand for supporting children with SEND in early years settings;
- (-£0.473m) prior year balance in relation to funding for the statutory entitlement for 2-year old provision that is being held by Schools Forum to offset a future funding risk; and
- (-£0.021m) of other forecast underspends against de-delegated budgets that belongs to maintained schools.

Adult Social Services (+£4.057m, a decrease of -£2.912m since month 5)

4.19. Adult Social Services is currently forecasting an (+£4.057m) overspend, fully attributable to the COVID-19 crisis. This is detailed by key variance in **Appendix 1** and summarised by division in **Appendix 2**.

4.20. The department is forecasting net COVID-19 related budget pressures of (+£0.924m, a decrease of -£1.120m since month 5) 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 estimated budget pressures totalling (+£3.133m, a decrease of -£1.792m since month 5) relate to:

- PPE costs (+£1.919m, a decrease of -£1.792m since month 5);

- Workforce pressures (+£0.420m, unchanged since month 5);
- Loss of client contributions (+£0.794m, unchanged since month 5).

4.21. People who entered a care package between 19 March and 31 August 2020 though the COVID-19 discharge guidance funding arrangements will continue to be funded through those arrangements until 31 March 2021. Relevant assessments should be completed for these individuals as soon as is practical to ensure transition to normal funding arrangements. After 31 March 2021, any care packages remaining will need to be funded by Adult Social Services which has the potential to create a large budgetary pressure. Review teams have been set up to attempt to reduce the cost of these packages before the end of the year.

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 (-£1.159m, a movement of -£0.220m since month 5)

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 (-£1.159m), comprised of (+£0.382m) COVID-19 related budget pressures and (-£1.541m) 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).

4.25. The underspends in the directorate exist in a number of divisions. This includes additional procurement savings in the Substance Misuse division (-£0.163m). In the Sexual Health division there have been changes to the baseline tariffs reducing costs through efficient procurement (£0.621m). The division is likely to see further underspends if the PrEP grant (£0.321m for FY20/21) is not fully utilised in this financial year. The work with the NHS providers on the NHS pay awards following the PH grant uplift has been completed resulting in an underspend in Other Public health (-£0.724m) division. The remaining small underspends total (-£0.033m).

4.26. The council has received Local Authority Test and Trace government grant (£2.431m) to mitigate against and manage local outbreaks of COVID-19. Initial proposals to spend this have been worked up in relation to strengthening critical capacity within Public Health, Communications and Environment Health to ensure we can deliver our COVID-19 prevention and outbreak control activities over the coming months. It is recommended that Corporate Directors progress schemes to fully allocate this grant to mitigate against and manage local outbreaks of COVID-19.

Resources (+£5.070m, a decrease of -£0.227m since month 5)

4.27. The Resources directorate is currently forecasting a net overspend of (+£5.070m), fully attributable to COVID-19 related budget pressures. This is detailed by key variance in **Appendix 1** and summarised by division in **Appendix 2**.

4.28. The most significant COVID-19 budget pressure in the directorate is an estimated (+£1.596m, unchanged since month 5) 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. There are additional net costs anticipated in regards to crisis payments and providing support of (+£0.561m). In addition, there are estimated potential costs of (+£0.161k, unchanged since month 5) related to the re-opening of the Assembly Hall, including cleaning costs.

4.29. Further COVID-19 related income losses are estimated in relation to court costs (+£0.700m, an increase of +£0.200m since month 5) and legal income from planning and property matters (+£0.075m, unchanged since month 5).

4.30. Additional costs of (+£1.977m, an increase of +£0.026m since month 5) are estimated in relation to IT infrastructure projects due to increased home working and additional support and maintenance costs.

Corporate (+£5.407m, an increase of +£4.636m since month 5)

4.31. The latest corporate items forecast is a (+£5.407m) overspend, comprising (+£4.135m) COVID-19 related pressures and non COVID-19 related net pressures of (+1.272m). Key corporate variances are set out in **Appendix 1** and summarised by area of the corporate budget in **Appendix 2**.

4.32. The increase from the month 5 position is due to:

- (+£3.028m) earmarked in reserves for social care that was previously being assumed to reduce the in-year overspend, but now needs to be maintained in reserves to provide resilience for future year social care pressures and risks;
- (+£1.409m) previously assumed drawdown from the Housing Benefit reserve that now needs to be maintained in reserves in light of COVID-19 related budget pressures over the medium term; and
- (+£0.199m) increase in estimated mortuary management COVID-19 budget pressures.

4.33. COVID-19 related corporate budget pressures include (+£0.378m) estimated additional costs of running the 'We are Islington' support service that are not reflected in directorate forecasts, (+£1.582m) estimated pressure in relation to mortality management costs allocated across London councils.

4.34. Unchanged from month 5, the forecast corporate budget variance also includes re-phasing of savings to future years (+£4.955m, of which +£2.175m is COVID-19 related) and undeliverable savings (+£0.968m) following review at the end of the previous financial year.

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	4.993			4.993
Re-phased savings	(4.955)	1.097	3.858	0.000
Undeliverable savings	(0.968)	(1.133)	(1.277)	(3.378)
Revised Existing Agreed Savings	**8.733**	**11.198**	**5.276**	**25.207**

4.35. Of the revised 2020/21 savings of £8.733m, 100% are rated Green or already achieved.

4.36. 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 and directorates are required to operate within their revised cash limited budgets;

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

4.37. The council is currently forecasting potential council tax and business rates losses of +£12.3m (a decrease of -£0.8m since month 5) 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 impact and level of unemployment, 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).

4.38. 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). Whilst this three-year phasing will help in the short term, it does not address the impact of these deficits on the council's medium-term balance sheet position. There is likely to be a continued adverse impact on council tax and business rates income over the medium term that will require further government support.

4.39. This position assumes that the 2020/21 corporate contingency budget of £5.455 is required in full for in-year contingency pressures (including the difference between the 2% pay inflation assumption and the 2.75% local government pay award for 2020/21, as agreed in the month 5 report).

4.40. A full schedule of proposed current year allocations from earmarked reserves, totalling £9.231m, is included for agreement at **Appendix 3**. This includes specific grant funding held in reserves from previous years and transformation project spend that will help to deliver agreed budget savings. It is recommended that authority be delegated to the Section 151 Officer to finance some or all the expenditure against these allocations from the in-year revenue budget if there is scope to do so at the end of the financial year.

5. HOUSING REVENUE ACCOUNT (HRA)

5.1. A COVID-19 related in-year deficit of (+£3.990m) is currently forecast for the HRA, unchanged since month 5 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.

5.1. The most significant unforeseen adverse financial impact to the HRA, in the current year, is the effect of increasing levels of rent/service charge arrears, which have increased by approximately +£2.000m since the start of the financial year. It is currently assumed that this rate of increase in arrears will decrease due to receipts of universal credit payments and those whose arrears are escalating (beyond eight weeks) can be moved to direct payments.

5.2. 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**. It is expected that the delivery of the capital programme will be significantly delayed by the COVID-19 pause in construction activity during lockdown and ongoing social distancing measures and other restrictions.

6.2. As at the end of month 6, £30.613m (16.1%) of expenditure had been incurred against the 2020/21 capital budget of £189.748m. There is currently forecast slippage of £57.079m from the current year to future financial years, which will be taken into account as part of working up the longer-term capital programme for 2021/22 budget setting. The current year capital position is summarised by directorate in **Table 3** below.

Table 3 – 2020/21 Capital Programme

Directorate	2020/21 Budget £m	Month 6 Spend to Date £m	2020/21 Forecast Outturn £m	Assumed Slippage £m
Environment and Regeneration	25.389	4.320	23.166	2.223
Housing	150.846	25.400	99.510	51.336
People	10.721	0.803	7.759	2.962
Resources	2.792	0.090	2.234	0.558
Total	**189.748**	**30.613**	**132.669**	**57.079**

6.3. 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, where a £0.188m increase to overall project costs has been reflected in the forecast.

6.4. Works are required on the council's property at Laycock Street, N1 1TH. This is to modernise the floor space so that it can be commercially let and is expected to lead to additional income of £0.150m per year. It is recommended that £0.300m be added to the current year (2020/21) capital programme for these urgent works. The capital financing costs related to this can be contained within the 2020/21 revenue budget and will be factored into revenue budget setting in future years.

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 – Earmarked Reserve Allocations
Appendix 4 – Capital Programme 2020/21 to 2022/23

Background papers: None

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