

CABINET

Subject Heading:

Budget monitoring report and covid update 2020/21 period 05 (August)

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Policy context:

This Report sets out a full monitoring position for the Council for 2020/21 based on figures up to Period five (31st August). The report provides a full statement on the estimated costs and lost income relating to the COVID pandemic and analyses the Government support to date giving a net projected shortfall for the year.

Financial summary:

This report includes:

- A summary of the outturn for 2019/20
- Estimated financial impact of the pandemic on the Council for August 2020
- Government support provided to date and potential future commitments
- A financial projection setting out the potential impact on 2020/21

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

This Report sets out a full monitoring position for the Council for 2020/21 based on figures up to Period five (31st August). The report provides a full statement on the estimated costs and lost income relating to the COVID pandemic and analyses the Government support to date giving a net projected shortfall for the year.

The report goes on to provide an update on the other Government Support schemes and the progress the Council has made in applying these funds to support our citizens.

The report then considers the period five position on the Business as Usual including emerging pressures and also savings that are unlikely to be achieved in 2020/21 due to delays caused by the pandemic. The report then reviews the Corporate position and aggregates all this information to give a forecasted general fund outturn projection for the year.

RECOMMENDATIONS

The cabinet is asked to

- Note the Council's draft summary financial outturn for 2019/20
- Note the financial projections for 2020/21 set out in this report
- Note that officers will be reviewing actual expenditure, shortfalls in income and the impact on savings both for 2020/21 and the medium term in order to update the forecasts at regular intervals during the year.

REPORT DETAIL

1. EXECUTIVE SUMMARY

- 1.1. This Report sets out a full monitoring position for the Council for 2020/21 based on figures up to Period five (31st August). The report provides a full statement on the estimated costs and lost income relating to the COVID pandemic and analyses the Government support to date giving a net projected shortfall for the year.
- 1.2. The next section of the report provides an update on the other Government Support schemes and the progress the Council has made in applying these funds to support our citizens.
- 1.3. The report then considers the period five position on the Business as Usual including emerging pressures and also savings that are unlikely to be achieved in 2020/21 due to delays caused by the pandemic. The report then reviews the Corporate position and aggregates all this information to give a forecasted general fund outturn projection for the year.
- 1.4. The report then has a section setting out the position on the HRA.

- 1.5. The Headline position for the Council is a general fund overspend of £35.998m as set out below

Table 1: Summary Position

Financial Position	£m
Projected COVID Expenditure for the year (See para. 2.1)	11.870
Potential income loss for the year (See para. 2.2)	12.194
Potential gap in 2020/21 MTFS savings delivery (See para. 4.2)	6.879
Business As Usual Net Position (See para. 3.3)	5.055
Total Pressures	35.998
Government Support to date including food supply (See para. 2.3 & 2.4)	(15.781)
Projected value of Government support on loss of income (See para. 2.3)	(4.000)
Corporate Underspends (See para. 5.1)	(1.906)
Remaining Gap	14.311
Required use of reserves and balances (See para. 6.2)	(14.311)
TOTAL	0.0

2. FINANCIAL IMPACT OF THE COVID PANDEMIC

Expenditure on the COVID Pandemic

The Council has been incurring expenditure since March relating to the COVID Pandemic. The table below sets out the costs to date for 2020/21 and projected costs for the remainder of the year.

Table 2: COVID Expenditure

COVID Expenditure	(April - August) £m	Projection to Year End £m
Neighbourhoods	0.960	1.340
Housing Service (GF)	0.217	0.329
oneSource Non Shared	0.392	0.937
oneSource (LBH share)	0.000	0.000
Adults	1.969	5.130
Public Health	0.000	0.000
Children	0.236	0.836
Chief Operating Officer	2.304	3.298
General Fund Total	6.078	11.870

The money spent on the COVID pandemic has provided a wide range of services to support our citizens and businesses. The main areas of expenditure are:

Neighbourhoods

Public Realm – Increase in vehicles and staff for waste to maintain social distancing.

Public Protection - Enhanced out of hours staffing to ensure compliance with Coronavirus Regulations and to support businesses reopening, Environmental Health Officer time spent on Test & Trace/Outbreak Control Planning and shielding calls.

Enforcement - The provision of the Traffic Marshalls for the Gerpins Lane RRC, between May and July and the COVID19 Compliance Team, provided by staff from different areas of Neighbourhoods, working on overtime.

Registrars, Cemeteries and Crematories - removal of excess spoil from all the additional burials and the supply of a temporary mortuary.

Planning - The retention of agency workers in line with council policy.

Business Support – Includes assumed Havering share of London wide mortuary costs

Housing

This expenditure relates to the cost of accommodating rough sleepers of the borough in the Cranbrook Hotel and the provision of support and security staff. The projection is currently being reviewed, as the intended departure from the hotel, by the end of July, was not achieved, due to the complexity of some of the cases. Three individuals remain in the Hotel. Consideration is also being given to the severe weather provision that will be required if the Covid-19 restrictions continue into the new year.

OneSource Non-Shared

Election Services - additional printing and postage costs anticipated early 2021 ahead of the GLA elections to boost postal votes.

Transport costs - cleaning of buses, cost of drivers working on Covid effort, delivery of food parcels.

Health and Safety social distancing costs - hand sanitisers and protective screens for libraries, children's centres and other council buildings.

Note there are significant amounts of Covid spend relating to benefits processing and Emergency Assistance Scheme spend within oneSource non-shared which are not forecasted above because they are being met from council reserves

Chief Operating Officer

Distribution Hub costs relate to security, food refrigeration, PPE and transportation costs re Covid food distribution; note these costs are forecasted to the end of summer and may increase if a second wave is experienced.

Support is being given to SLM to assist with running costs whilst the leisure centres are closed to prevent deterioration of the council's assets.

Communication - Production of Covid-19 leaflets and staff time.

Emergency Planning - emergency payments to the Havering Volunteer Centre, staff overtime and unbudgeted staff working on the Covid-19 hotline.

Adult Services

The Council has recognised the need to fully support our social care and home care providers to enable them to continue to deliver services in a safe environment through the pandemic.

One-off lump sum payments have been made to our Residential, Nursing, Supported Living, Home care and Live-in Care Providers to support the additional financial pressures they are facing during the pandemic. In addition to this, existing payments have been maintained to Day Centre providers and voluntary sector providers despite service closures to protect their sustainability and direct payments have been paid at pre-Covid levels, with a review of spend to be carried out following the pandemic period.

In line with the NHS Discharge Guidance, actual expenditure incurred during the pandemic on new and increased packages of care following a discharge from hospital, is being recharged to the NHS, over and above the costs the LA would normally incur in a non-Covid period (the LA contribution) for the period 19th March to 31st August 2020 (Phases 1 and 2). The LA and CCG are processing these payments for 2020/21 outside of the formal BCF s75 payments.

During 2020/21, the pressures already being faced in the Directorate, as seen last year, will be compounded as we come out of the pandemic, with additional risks being identified as follows:

- Current placements are being made above existing residential and nursing market rates, significantly in some cases, to assure a safe placement. Although we will move people to less costly placements, when feasible, this may not be a viable option once a vulnerable resident is settled into a care home setting. This situation will need to be monitored carefully during 20/21.
- The CCG are placing directly to nursing care homes on discharge and at some point the ongoing care of these clients will need to pass to the Local Authority. Under the new Discharge Guidance, from the 1st September (Phase 3), all discharges will require an assessment to confirm eligibility for CHC funding or transfer to Local Authority Funding. We are awaiting further confirmation on this, and technical guidance to be issued. Work is underway now to understand the likely cost pressure from these cases due to transfer. The CCG and LA partners have also commenced a review of its hospital discharge pathway to care homes with implementation of step-down provision in preparation for a second wave of the pandemic.
- We are also seeing a significant impact on carers, who may be in need of urgent and additional respite as a result of other care provision having stopped (for example day care), and the subsequent impact on carer wellbeing and ability to cope with challenging situations.
- Although demand has taken a downwards trend (or stabilised) for a variety of reasons, we are seeing increases to complexity when people are being assessed, resulting in more costly packages. We are also as yet unaware of the true impact of those who will have either refused care, or not visited the hospital as usual, and expect as these people present that demand will subsequently rise, with an impact due to care being delayed due to a reluctance to engage with the health and care system.
- We are currently carrying out provisional financial assessments with full assessments being carried out at such as time as it is feasible to do so, per the recent ED in terms of changes to process. There are certain risks around the full recovery of income inherent in this approach. It should also be noted that income collection rates were initially impacted due to people not paying bills in such a timely manner as previously (non-residential income collection rate during April was down by 40% compared to last year, although this has improved in subsequent months). There will be a loss of day care income for the period that day centres are closed.

- We are expecting a sharp rise in terms of Mental Health implications. Also we have seen a number of DV cases coming to our Safeguarding Team. We are not yet sure of the support that those who are homeless may require, or if those who have been released from prison early will have a social care need.
- 2020/21 savings are currently flagged as red due to the necessity to pause on savings plans due to the crisis situation, and the need to reevaluate before savings plans can be put back on track. Better Living will continue and there will be a need to manage expectations and redefine the strength based model.

The actual costs to date and projection of Covid spend for 20/21, include the current known discharge income recovered from the CCG to date, but currently include additional block purchase provision that has been put in place that is being recovered in claims to the CCG. The financial implications on budgets for 2020/21 will need to be appraised fully during the year to see the effects of Covid-19 and recovery plans, the impacts of the implementation of the Phase 3 Discharge Guidance, and any further local or national peaks of the pandemic that may have an impact on demand for services.

Children's Services

During 2020/21, the pressures already being faced in the Directorate will be compounded as we come out of the pandemic with additional risks being identified as follows:

- Demand across the Directorate's provision is likely to grow significantly as the consequences of the pandemic is experienced across communities in the Borough. It is not possible to specify what the nature and extent of such latent and new demand may be until the schools fully return in September and other aspects of day to day settle into a "new normal". Additional demand pressure will be related to domestic abuse, mental health issues, socio-economic challenges, and "hidden" familial abuse and criminal/sexual exploitation.
- There remains a considerable challenge to recruit and retain foster carers, due to the highly competitive nature of this sector and places pressure on the Council to use external placements, which cost significantly more
- The recruitment and retention of qualified social workers is likely to prove a challenge as the Service moves in recovery phase as a result greater numbers of staff leaving the profession both nationally and locally.

- Greater pressures are expected for Leaving Care, due to an expanding over 18s population, especially former relevant UASC together with an expansion of statutory duties to the age of 25.
- There is a significant risk within the external placements market, including SEN Transport and placements, due to an increase of costs incurred during the pandemic being distributed back to LAs.
- A plan is currently being developed on the risks identified when schools are reopened. In addition, school transport arrangements may need to be reworked to allow safe travel, adding a further resource pressure on service delivery.

The financial implications on budgets for 2020/21 will need to be appraised fully during the year to see the effects of Covid-19 and recovery plans, and any further peaks of the pandemic that may have an impact on demand for services in the autumn. The actual spend at period five is £0.236m, although the Directorate is projecting Covid-19 related expenditure of £0.836m for 20/21.

Public Health

Covid related costs are currently anticipated to be £0.040m due to staff resources required over and above business as usual activities during the course of the year. These will be confirmed in the next period.

2.1 Loss of Income during the pandemic

The lockdown resulted in most of the Council's income generating services being suspended. As the recovery period commences a number of these services are re opening but it will be sometime before pre-COVID income levels are reached again. The table below sets out the losses of income by department for the first five months of the year and a forecast of the likely income shortfall to year end.

Table 3: COVID Income Loss

COVID Income Loss	(April - August) £m	Projection to Year End £m
Neighbourhoods	2.628	4.599
Housing Service (GF)	0.000	0.000
oneSource Non Shared	1.444	2.135
oneSource (LBH share)	0.589	1.361

Adults	0.156	0.375
Public Health	0.000	0.000
Children 's Services	0.629	1.510
Chief Operating Officer	0.923	2.214
General Fund Total	6.369	12.194

As stated above the Council is reopening its services where it is safe to do so and is therefore generating income. The Council fully recognises the need to balance supporting residents and businesses as best it can through this period with the practicalities of a significant financial shortfall. The main areas where income has been lost are:

Neighbourhoods

Parking £3.538m – Parking charges were ceased to enable key workers plus those providing care, shielding and isolating the flexibility to park where and when required, the council relaxed enforcement and only enforced serious/dangerous parking offences. The estimated loss of income in relation to this is £3.538m based on resident and business permits which resumed July 2020 and on and off street parking in August 2020. The assumption had been that new charges would result in 25% less income compared with August 2019 due to the introduction of 1 hour free for onstreet parking and 20% discount with Ringo in carparks, but actual reduction has been 35%.

Garden Waste £0.125m – the period of non-collection potentially resulting in the issue of refunds up to £0.114m. Income from Pitch lettings has fallen due to restriction on people not being able to play sport in the parks, the impact has reduced from previous month forecast as this was based on the full year and the decision has been made that pitch sports can recommence this autumn £0.011m.

Public Protection £0.156m – a delay in implementing Private Sector Housing Licencing scheme two of £0.105m and the removal of Transport for London's Local implementation Plan funding £0.051m.

Registrars, Cemeteries and Crematoria - £0.204m Closure of many services and the redirection of focus over the last few months and the subsequent cancellation and reduction of bookings especially for wedding ceremonies £0.229m; Memorial sales have declined, it is thought that £0.067m is as a direct result of the Pandemic; these pressures are being mitigated by the increase in fee income from death registrations £0.092m.

Planning £0.537m – Due to Transport for London decision to suspend the Local Implementation Plan (LIP) until at least September 2020 (suspension beyond that anticipated), LIP monies will not be received in full this year, creating a pressure of £0.040m. Other income streams affected by the pandemic include Local Land Charges £0.122m; Building Regulation Applications £0.148m and Planning fee income £0.266m.

OneSource Non-Shared

Transport - loss of internal recharge income (offset by a reduction in forecasted spend within the social care directorate) and external route income; there is chance the council will stand to gain routes from suppliers who are no longer operating, however, it is too early to reflect this in the forecast.

Post room - loss of internal printing recharge income.

Exchequer - loss of court fee income due to temporary closure.

OneSource Shared

Enforcement - loss of bailiff fee income whilst recovery measures are relaxed as a response to Covid; it is unknown at this stage when recovery will recommence. The forecast assumes minimal recovery action for the entirety of 20/21.

Legal - Loss of legal fee income due to temporary suspension of Property and Regen schemes.

ICT - Reduced print recharges.

Chief Operating Officer

SLM - loss of management fee income whilst the leisure service offering is postponed

Libraries - Loss of fine income, photocopying income etc. due to the temporary closure of libraries, which although reopened it is still assumed income collection will be minimal in 20/21.

Arts Services - It is assumed no sale or rental income will be received for Fairktyes.

Music Services - loss of income due to cancelled lessons and parent direct debits. The service are trying to stimulate income by trialling online lessons.

Adult Services

The projected loss of income for Adult Services for 20/21 due to Covid is estimated to be £0.375m. This is a revision downwards of £0.412m after a review of the recoverability of debts from charges issued to service users in this financial year. Under the Care Act Easements Guidance issued, Local Authorities are not charging any new clients who have been through the hospital pathway during the emergency period, and invoices for care will be issued to this cohort once this period is over. Letters have been sent to all known individuals or their financial representative who may be subject to charging once the emergency period ends.

The service have been financially assessing all those who started services via community means during the lockdown period, although in line with Care Act Easements Guidance, a full assessment has not been possible in all cases. Full assessments will be carried out as soon as feasible with backdated invoices then being issued, based on a full customer declaration.

It is important to note that we expect there to be an impact on the bad debt provision as a result of the situation. This will be dependent on the individual service users' financial circumstances and how they have been affected by the pandemic.

Further financial pressure exists due to a current ceasing of CHC assessments on Community packages by the CCG. This has increased the net costs of care packages to the Local Authority.

There is also a loss of income projected for the Avelon Centre, which has remained closed during this period. Plans are now being considered for a phased reopening of the service, including planning for further lockdown measures if required during the period of the pandemic. Yew Tree Day Centre has also been closed, resulting in some loss of income for room bookings.

Children's Services

Children's Social Care – With the closure of schools for majority of primary and secondary pupils there have been income losses to services in the Children's Directorate during periods of temporary closure, including Children's Centres and My Place. Financial risk related to loss of rental income and fees and charges is £0.200m.

Learning and Achievement Service - The Catering Service is forecasting a significant loss of income due to reduced charges for catered meals in schools associated with school closures and reduced numbers in schools. The full year estimate of lost income is circa £3.8m, but this has been mitigated by reduced spend on produce, and staffing (subject to successful Furloughing), resulting in a net effect of £0.290m. There is a further risk, as schools open in September, as parents may retract from the cold lunch service offer. The financial impact will not be known until schools reopen.

The Adult College is forecasting a significant loss of income due to reduced fees and grants associated with current course closures, and reductions in provision from September 2020. The full year estimate is circa £0.370m.

In addition, the loss of income from the cancellation of HES courses and services provided to schools as part of the Traded Services model as well as reduction in provision from September 2020 is approximately £0.650m.

The total loss of income due to Covid for the Children's Directorate is currently projected at £1.510m for 2020/21.

2.2 Government Support to mitigate pressures and income losses

The Government have now made three announcements regarding one off funding to support general pressures. The first announcement totalling £1.6bn nationally was an un-ringfenced grant distribution largely based on an Adults' needs formula. This was reflective of the understanding that the initial pressures were being experienced in that area. The second allocation (again £1.6bn nationally) was distributed on a more general population based formula.

On July 2nd the Secretary of State announced a third allocation which is split into two segments. Firstly £500m was based on the proposed methodology for the Foundation Formulas in the Review of Relative Needs and Resources. In the second part of the announcement the government is introducing a scheme to compensate all relevant losses, over and above the first 5% of planned income from sales, fees and charges. This will be compensated at a rate of 75p in every pound.

The table below sets out the general funding allocated nationally and specifically to Havering

Table 4 Government Support

FUNDING	Nationally £m	Havering £m	
March General Funding	(1,600.0)	(6.334)	1st Tranche (85% allocated via adults formula, 15% via historic relative need)
April General Funding	(1,594.0)	(7.098)	2nd Tranche Allocated on a population based formula
July General Funding	(500.0)	(2.103)	3rd Tranche
Reimbursement for lost income from sales, fees, and charges (the LBH figure is a prudent estimate)	TBC	(4.000)	A scheme to reimburse councils for lost income from sales, fees, and charges. The scheme will involve a 5% deductible rate, whereby councils will absorb losses up to 5% of their planned sales, fees and charges income, with the government compensating them for 75p in every pound of relevant loss thereafter.
Total Support	(3,694.0)	(19.535)	

* Note our allocation was £6.433m but £99k was utilised to fund pressures in 2019/20

The proposed reimbursement for lost income £4m is being shown at a very prudent level. If we are fortunate enough to receive more support from the MHCLG through the fees and charges claim, or we improve the position of our in-year overspends, we will still have some of our General Fund reserves remaining. However if more pressures emerge e.g. increased client numbers in Adults, Children's or Homelessness, we may have to call on the Earmarked Reserves such as the Business Risk Reserve and/or the Business Rates Reserve to balance the overspends.

2.3 Other Government Support

The Government has also provided ringfenced support to be administered by local authorities in other specific areas. This section presents progress on these funding streams.

Table 5 Other Government Support

FUNDING	Nationally	Havering
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	£m	£m	
Infection Control Fund ASC	(600.0)	(2.669)	Funding provided to support Care Providers based on bed numbers (75%) with the remaining 25% earmarked for infection control
Hardship Fund	(500.0)	(1.807)	The government expects most of this funding to be used to provide more council tax relief, either through existing Local Council Tax Support schemes, or through complementary reliefs.
Test and Trace	(300.0)	(1.022)	Ring fenced allocation to develop action plans to reduce the spread of the virus locally
Reopening of the High Street Safely	(50.0)	(0.231)	To support the safe re-opening of High Streets locally
Homelessness Self Isolation Support	(3.2)	(0.006)	Initial emergency funding will be available to all local authorities in England
Food and Essentials Support	(63.0)	(0.246)	Funding to assist those struggling to afford food and essentials
Homelessness Funding	(105.0)	TBC	The additional £105 million will be used to support rough sleepers and those at risk of homelessness into tenancies of their own, including through help with deposits for accommodation, and securing thousands of alternative rooms already available and ready for use, such as student accommodation.
Change in UASC Support	N/A	TBC	Home Office improved funding for UASC – change in the weekly amount and the removal of the non payment of the first 25 rule announced
Total	(1,621.2)	(5.981)	Other Current Government Support

From the above list only the following can be used for the non specific general fund overspend

Food and Essentials Support	(63.0)	(0.246)	Funding to assist those struggling to afford food and essentials
Total	(63.0)	(0.246)	Other Current Government Support

2.3.1 **Adult Social Care Infection Control Grant**

The total allocation to Havering for the Adult Social Care Infection Control Grant is £2.669m (ring-fenced). The first instalment was received in the amount of £1.334m in June 2020. Within the grant conditions were requirements to meet State Aid requirements, and payments were made to

providers on the return of State Aid declarations to the LA and Grant agreements. 75% of this grant had to be paid direct to Care Homes based on CQC registered bed numbers. The remaining 25% was up to LA discretion, and we have paid Supported Living, Live-in Care, Homecare and Extra Care providers. As at the end of August 2020, £2.53m of the grant had been paid to providers (94.6%) with full payment of the grant to be made by September 2020.

2.3.2 Hardship Fund

The Government has made £500m available to local authorities as a hardship fund. Havering has been allocated £1.807m of this fund. The Government therefore expects that billing authorities will primarily use their grant allocation to reduce the council tax liability of individuals in their area, using their discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992. Havering is using the grant to award £150 hardship payments to qualifying working age tax claimants. Funding is based on 8,368 economically vulnerable households. The expectation is the majority of the hardship fund is used to provide council tax relief, alongside existing local council tax support schemes. The majority of this fund has now been distributed.

2.3.3 Test and Trace

The total allocation to Havering for the Test and Trace Grant is £1.023m (ring-fenced). The grant can be utilised to develop local tailored outbreak control plans, working with local NHS and key partners, and deploying testing capacity to high risk areas. Work is ongoing to develop a finance plan for use of this funding with the Director of Public Health,.

2.3.4 Grant to assist re-opening of high streets

On 26 May 2020, Government announced that a sum of £231k was to be made available to Havering to help fund the Reopening of High Streets Safely. Members confirmed on 15 July 2020 the application of these funds subject to acceptance by MHCLG. It is likely that the funds will be used to allow additional Trading Standards support to be secured until 31 March 2021, marketing campaigns to encourage consumers to return to the High Street, and to work with consumers and businesses of the High Street to create COVID-secure trade on the High Street of the future. At 8 September 2020 the Council still awaits confirmation by MHCLG of the acceptability of these proposals. No spend commitment will be made against these resources until acceptance is confirmed.

2.3.5 LA Emergency Assistance Grant for Food and Essential Supplies

The LA has accepted a grant allocation of £0.246m (not ring-fenced) from the Department for Environment Food and Rural Affairs to continue to support those struggling to afford food and other essentials due to Covid-19. Funds must be expended during the 20/21 financial year, but it is expected that the majority of the funding will be used in accordance with the grant

guidance, within 12 weeks of receipt of the funding (by the end of September 2020).

2.3.6 Small Business Grant Scheme

In late March Government announced the allocation of £40.5m to Havering to be disbursed as Small Business Grants of £10k to each business property with an RV under £15k where the ratepayer was eligible for SBRR, and grants of £10k and £25k to businesses with an RV under £51k in the Retail, Hospitality and Leisure Sectors (businesses with an RV of £15k up to £51k would be awarded grant at the £25k level). As at 6 September 2020, 2,808 businesses were awarded grants totalling £37.725m. Grants were paid to eligible businesses in accordance with the Local Rating List as at 11 March 2020. 100% of eligible businesses have now received a payment.

In early May a further top up grant to the Council of £1.758m was awarded and was intended to assist companies that had not previously been aided on account of their paying business rates only as part of a rates-inclusive property rental cost and who had suffered a significant drop in their income as a result of the COVID pandemic. A 20% drop was established as the minimum level of reduction that would qualify for this purpose. The Council elected to target these funds at occupiers of incubator accommodation with wrap around business support, market traders, and occupiers of retail space in multiple occupation not otherwise separately rated.

At 12 July, grants to the total of £0.244m had been paid.

On 13 July a second phase of funding was announced to broaden the eligibility to any micro business operating otherwise than only from a private residence. It was anticipated that further grants totalling £1.461m would be allocated by 31 July to those businesses whose income has been most severely impacted by COVID. A further £53k was to be paid to 160 OFSTED-registered childminders across the Borough.

Demand from eligible applicants was lower than expected and as a result it was possible to raise the level of grant payment from £5k to £10k and the total payments made available for childminders was increased to £77k.

At 8 September, grants in the following sums had been paid:

Category	Number	Grant Paid £'000
A Micro enterprises in business incubators and other space not separately rated	89	780
B Retailers occupying space not separately rated	42	420
C Established Market Traders	31	82
D Registered childminders	128	77

Totals	290	1,359
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A further 20 grants of £10k are currently being processed thus containing grants within the relevant funding envelope. Final payments will be made on 24 September with any unallocated funds being returned to HM Government.

3 REVENUE MONITOR PERIOD FIVE (NON COVID) AND SAVINGS

- 3.1 Understandably the focus during lockdown has been on our response to the crisis and delivering a comprehensive safe service to our businesses and the most vulnerable members of our community. As the recovery period commences the Council has recommenced many of its services and support it provides to the public. This process has identified new pressures in services experiencing greater demand but also potential efficiencies through different ways of working adopted during lockdown.
- 3.2 This monitoring report sets out the service reported position at the end of August and the directorates view on the potential outturn position from all known information. The table below sets out non COVID departmental variances and projected variances from the savings originally agreed in February. The paragraphs below then set out department commentary on these variances.

Table 7 Non-COVID Department projections

Service	Revised Budget (£m)	BAU Forecast Variance (£m)	MTFS Tracker Shortfall (£m)	BAU & MTFS Shortfall (£m)
Public Health	(0.209)	0.000	0.000	0.000
Children	38.207	1.678	0.467	2.145
Adults	60.500	1.110	1.035	2.145
Neighbourhoods	5.872	1.050	0.135	1.185
Regeneration Programme	1.006	0.000	0.000	0.000
Housing Service (GF)	3.833	0.313	0.000	0.313
oneSource Non Shared	2.379	0.156	0.756	0.912
Chief Operating Officer	6.424	0.059	0.000	0.059
SLT	1.797	0.000	0.000	0.000
oneSource (LBH share)	12.625	0.689	0.300	0.989
Held Centrally	0.000	0.000	4.186	4.186
General Fund Sub Total	132.434	5.055	6.879	11.934

Neighbourhoods

Highways and Environment – Pressures and savings include:

- £0.330m on Staffing/Agency;
- £0.360m for loss of income. It is anticipated that both the 20% discount and the 1 hour free parking offer introduced in an effort to help boost local business' economy will continue for the remainder of 2020/21.
- £0.020m for loss of income from pitch lettings.
- £0.136m of contractual savings are mitigating some of the pressures
- £0.180m across the service due to reductions in expenditure and increases in income lines.
- £0.252m undelivered Public Realm vacancy factor saving of £0.202m and reduced income due to the delayed adoption of Street Trading policy £0.050m.

Registrars and Bereavement – Pressures and Income include:

- £0.294m Terms and conditions pressures;
- £0.043m loss in Memorial sales
- £0.104m cancellations and reductions of bookings for wedding ceremonies
- £0.103m increased income from Birth registrations
- £0.216m Increased cremation and cemetery income and a decrease in transportation costs are mitigating some of the pressures.
- Unachievable savings of witness committal plan of £0.020m and premium Saturday Appointment of £0.015m

Planning – Pressures and underspends include:

- £0.251m unachieved income due to the budget for the principal fees & charges within Planning being built in anticipation of a 20% fee uplift, which Government has not introduced to date
- £0.112m a cost pressure in relation to the Terraquest contract.
- £0.120m unbudgeted legal and ICT expenditure.
- £0.165m under achievement of Community Infrastructure Levy (CIL) administration fees and Planning Performance Agreement (PPA) income.
- £0.248m salary underspends reduced by costs of Interim Head of Development Management costs and OneSource legal resource and other minor underspends.
- The £0.050m MTFS saving for Building Control income 2020-21 will not be achieved this year due to Covid.

Business Support –forecast underspend £0.069m

- The Neighbourhoods Supplies and Services saving of £0.088m has been identified as not achievable. However, reductions in support costs £0.045m; staffing £0.107m for 2020-21 and minor underspends of £0.005m are mitigating this pressure in year.

Housing General Fund

The overspend is due to the a fall in rental income on the HMO properties, as a result of Universal Credit only allowing residents to claim the LHA single room rate of £101 per week, instead of the one bedroom rate of £149 per week, which was recoverable previously.

This position could be improved by £0.214m, if the decision to apply an uplift to rental income is reversed. This is going to be reviewed.

This forecast also assumes the New Burdens carry forward of £0.201m, will be available in 2020/21. A decision is awaited from Members.

Regeneration

The Regeneration Programme Delivery forecasts a balanced position. Total costs of £0.191m have been offset by a drawdown from an earmarked reserve. Costs include Bridge Close advisors' fees £0.145m and Romford Masterplan costs £0.046m. The reserve balance remaining after drawdowns is currently forecast at £0.395m.

Regeneration continues to progress the existing JVs and Regeneration Projects including Rainham and Beam Park, Bridge Close and Mercury Land Holdings (MLH). Regeneration also continue to explore new opportunities - to date there are no financial implications to report as monitored by the Regeneration Officer Board.

OneSource Non-Shared

oneSource non-shared are forecasting an overspend of £0.912m which relates to a combination of unmet savings of £0.756m and a BAU variance of £0.156m. The unmet savings are a combination of ICT's borough wide wifi, £0.150m, savings in relation to Fusion implementation and Asset Management's rental income target due to be achieved as a result of vacating administrative buildings, £0.455m. The BAU variance of £0.156m relates in the main to the historic income shortfalls against target relating to Romford Market of £0.300m. There are also pressures in relation to HR Trade Union support costs of £0.147m which were engaged to support the Council through its Terms and Conditions review. These pressures are offset in part by a forecasted surplus relating to housing benefit subsidy overpayments.

Chief Operating Officer

The forecasted overspend within the Chief Operating Officer directorate of £0.058m relates in the main to unfunded posts within the Joint Commissioning Unit. The service are hopeful of securing funding over the coming months which should lead to an improvement within the forecast. There are other pressures within the directorate such as pre-existing income shortfalls within the Music School due to a decline in pupil numbers,

however these are being offset from an underspend within the Library Service of £0.2m due to unused growth that was built into the MTFS to fund the cost of extending opening hours.

OneSource Shared

The oneSource shared overspend of £1.040m relates to a combination of unmet savings, £0.300m and a BAU variance of £0.689m. The unmet savings result from delays in restructuring within Finance which should be resolved with full effect by 21/22 and unachievable ICT savings in relation to switching off legacy systems and reducing CRM agency spend. The BAU variance of £0.689m is derived from a combination of expensive interim and agency costs within Finance coupled with a pressure on the Microsoft licences budget.

Adults Directorate

The period five reported position for BAU and including unachieved savings for the Adults' Directorate is an overspend of £2.145m (BAU pressure of £1.110m and unachieved MTFS of £1.035m). This is an increase of £0.641m from the period four position of £1.504m, the increase is due to changes in forecast across a number of services within the directorate including a review of income, including what losses are likely to be recoverable from central government.

Adults' were expected to deliver £2.542m in MTFS savings for 2020/21 plus a further £0.234m of corporate savings. At present it is predicted £1.035m of the £2.542m will not be achieved leaving £1.507m of achieved savings, however, further work is being undertaken by the Service and the Joint Commissioning Unit to review the position and to re-commence savings delivery work which has ceased during the pandemic.

Adult social care budgets are experiencing pressure this year due to an increase in commissioned costs and an expected fall in income. A lot of investigation has been carried out in prior periods to data-cleanse the activity and make forecasts as robust as possible, however there is still a level of ambiguity due to Covid-19 and related uncertainty around longer term care provision requirements, and how the needs of the community might have been impacted by the pandemic. The long term impact of Covid-19 is still being evaluated in terms of cost, a further unknown impact is the cost of Nursing clients that have been directly placed by Health but after the emergency period will transfer to social care. The pandemic is forecast to impact on income as well, notably due to changes in process and national decisions as a result of the pandemic. There is also an impact on the bad debt provision.

Uplifts to provider rates have been applied, these have a net cost to the service of some £0.306m. Income inflation of £0.310m has also been applied, which is flagged as unachievable due to income rates only increasing either due to demand increases or policy change.

At period five there are pressures due to suspension of CHC assessments, due to levels of complexity and due to transition cases coming to ASC. These areas need attention to help manage ongoing high cost pressures. A review of all MTFS savings is underway.

The Mental Health – non Section 75 service is currently projected to overspend by £0.589m, this is largely due to the impact of Covid-19 but also due to supported accommodation/living transition cases coming across to this service which were not expected. Costs due to transition are currently £0.004m per week. A plan to address budget overspend is being developed.

An overspend of £1.099m is currently predicted for The Adult Community Team, due to pressures in provisions. Spend has increased overall by £0.364m largely due to increases in residential care of £0.250m, homecare of £0.049m, supported accommodation of £0.039m, direct payments of £0.065m and a reduction to day care £0.038m. The forecast includes costly 1 to 1 packages (e.g., one package costs £0.153m). Overall, forecasts are up on last year by some £0.400m despite hospital discharges since 19 March being funded by the CCG. There is therefore the risk that CCG funded packages, which may be above our usual rates (particularly in nursing care) will revert to ASC at some point, pushing up costs in excess of budget. CHC assessments are currently suspended by the Trust, meaning that community care costs, that would have been expected to be health funded, are currently falling to the local authority. Generally, complexity is increasing, as was the case in 2019/20. We have more 1 to 1 support in place, despite there being a thorough review of this provision. Sometimes 24 hour support is required, with the local authority picking up the majority of the costs, as the S117 funding tool only allocates 25% of the package cost to be health funded. The impact of this, and the implications of CHC assessments being suspended, are being raised with health colleagues via appropriate forums.

Learning Disabilities is predicting an overspend of £2.394m, which is an increase of £0.251m from the previous period. The main change this month is due to one transition case which is expected to cost £0.010m per week due to the need for high support once the individual turns 18. This case was receiving 4 to 1 support, which is expected to move to 2 to 1 support. This change has been factored into the forecast. Other movement is due to provisions increasing by £0.046m in total. Two other very high cost transition cases have transferred from Children's Services at a cost of £0.105m and

£0.150m per year.. The high cost of out of borough placements is also an area of concern. The commissioning of more local provision would ensure lower costs and therefore less requirement to use more expensive out of borough providers.

There is an underspend of £0.534m predicted at period five within Strategy and Commissioning which reduces the directorate overspend overall. There are a number contract budgets which are no longer required in the service to be adjusted for.

Children's Directorate

The projected overspend at period five for the Children's Directorate is £4.491m, which is a £0.206m decrease on the period four forecast of £4.697m. The BAU overspend at period five amounts to £1.678m.

The Learning and Achievement Service is forecasting a BAU underspend of £0.024m at period five, including projected unachieved MTFS of £0.100m.

At period five, the Children With Disabilities Placement budget is currently forecast to underspend by £0.013m, this position is made up of £0.160m overspend on Direct Payments which will be offset with the underspend of £0.156m on Short Breaks spend due to reduction in spend on commissioned holiday clubs (FIG & DABD) not going ahead due to COVID-19.

The forecast for SEN Transport is currently £0.950m lower than the actual spend in 2019/20, but this is still a forecast overspend of £0.162m against the revised budget. The forecast will be subject to change in September. The routes will be closely monitored, and whilst we are seeing an initial reduction in spend linked to the closure of schools; as numbers attending schools in September increase, demand for transport will also increase due to social distancing which will be linked to increase in unit cost.

Reduction in Education Support Grant (ESG) leaves a shortfall against the cost of providing LA statutory services, in spite of the savings made centrally and a contribution from LA maintained schools to meet the cost of central services. The Education Services team has reduced its operational costs by £0.590m through various service transformations, and contributions from schools thereby reducing the shortfall to £0.888m. Further mitigations (increased traded income target £0.100m, 'Fines' income target £0.150m, savings £0.050m) were planned to reduce the pressure to £0.600m, but this is proving challenging due to COVID-19.

Underspends in the Learning & Achievement Service includes: £0.019m in HIAS Development Leadership; £0.055m in Quality Assurance, Personnel Quality & Schools Provision & Commissioning and £0.014m in CWD Placements.

In **Children's Services**, the forecast BAU position at period five is an overspend of £2.169m, included projected unachieved MTFS of £0.367m.

Pressures continue to be experienced in relation to significant demand in the following areas: Leaving Care and UASC over 18 where changes to statutory duties for care leavers which is extended up to age 25 has resulted in an increase of 100% in numbers for this year within the Service. There are currently 22 young people with UASC status over the age of 18 with a further 14 transitioning from the Intervention and Support Service. This number is likely to increase as some of the young people are coming into care post 17 with a historically underfunded budget to meet these demand pressures.

There is continued pressure in S17 budget due to high cost of homeless families despite robust screening and assessment. The project to progress this area of work has been delayed due to Covid-19, the Service has been unable to recruit to specialist worker post despite extensive work on recruitment and retention.

The LAC Placements budget is currently underspent by £0.186m due to the numbers of young people presenting as LAC remaining stable in the last quarter.

The DSG High Needs Block has a carried forward deficit from 2019/20 of £1.1m. Current level of spending is £4.6m with a further overspend projected for 2020/21. Havering's allocation for the High Needs Block DSG funding increased by £3.5m compared to 2019/20, and the Schools Funding Forum has agreed to transfer £0.500m from the Schools Block. This will result in a projected overspend on the DSG High Needs Block for 2020/21 of £2.7m. A funding paper is being developed on this for consideration.

Public Health Directorate

The period five position for the Public Health Directorate is a nil BAU variance. Expenditure of £11.612m is projected against £11.178m ring-fenced 2020/21 Public Health grant, with a drawdown of the public health reserve of £0.434m resulting in a balanced position. The use of reserve is required to manage the recovery of services required to improve public health, and the impacts of agenda for change and HIV Pre-Exposure Prophylaxis (PrEP) services.

Central Government announced that the PHG in 2020/21 is £11.178m; this is an increase of £532k from 2019/20, which represents a 5% increase. The increase included funding for NHS Agenda for Change pay cost increases for eligible staff and also funding to deliver services to administer the drug PrEP for HIV prevention which is to be made available across England. Expenditure of £200k from 2020/21 is factored in to the table above to reflect these additional costs.

The brought forward balance of the Public Health Reserve in 2020/21 is £1.485m and on period four projections is expected to be £1.051m at the end of this financial year.

The costs of the current Outbreak Control Plan for Havering will be funded via the LA allocation for Test and Trace funding of £1.023m. The grant will be utilised by working with local NHS and key partners, and deploying testing capacity to high risk areas. Work is ongoing to develop a finance plan for use of this funding.

On current estimates the projected reserve balance at the end of financial year 2022/23 is expected to be £0.850m, assuming the Public Health Grant income remains at the same level as 2020/21, and assuming that the reserve is maintained at its current level at the end of 2020/21 at £1.051m. Despite prudent management of the PH Grant, the existing MTFS makes provision for a recurrent contribution of £0.707m per annum from 2021/22, to offset recurrent grant reductions. An additional £0.867m is also within the MTFS from 2022/23 to meet increased HCP contract costs.

2. MONITORING SAVINGS 2020-21

- 4.1 Due to the current COVID-19 pandemic, much of the work to realise the 2020-21 savings was suspended and/or delayed. As stated above all the proposals will be reviewed as part of the recovery strategy. At present out of the £14.5m savings approved by Members in the 2020-21 budget cycle, it is presumed only £7.621m of the savings will be achieved and £6.879m potentially unachieved.
- 4.2 A list of the unachievable savings are listed below:

Table 8 Unachieved Savings

FIS Ref	Description	Total Forecast Variance 2020/21
		£'000
AS9	Day Care Services Review	100
various	ASC Commissioning	935
Adults Total		1,035
COM03	Review of Transport	45
CH7	Scale and spread of Pathways Innovation Programme in Children's Social Care	50
PLACE07	Fostering recruitment and retention	125
PLACE08	Early Help and education inclusion	100
PLACE09	SEND passenger transport (existing MTFS saving).	100
PLACE06	Children's Centres - PLACE06	47
Children's Total		467
PLACE01	Registration and Bereavement Services - Implementation of Witness Committal officers and increased WC ceremonies	20
PLACE14	Increase income from Building Control	50
PLACE15	Street Trading	50
PLACE21	Premium Saturday Appointment Fee	15
Neighbourhoods Total		135
Various	Commercial Income	150
OPP09	Oracle Fusion Project	151
PLACE05	Asset Mgt Romford Administrative Buildings - PLACE05	455
oneSource NS Total		756
Various	OneSource	300
OPP13	Debt Enforcement - OPP13	0
oneSource S Total		300
various	Business Intelligence and Analytics	306
various	Centralisation of Services	300
various	Contracts and Procurement Review	1,140
various	Digital Platform	227
various	Full Cost recovery	200
various	Process Redesign, Automation and Robotics	250
OPP23	Reduction in support service costs	60
OPP18	Review of Business Support (E) - OPP18	250
OPP10	S106/CIL	470

FIS Ref	Description	Total Forecast Variance 2020/21
various	Service Reviews, Re-Design and Commissioning	983
Section 151 Total		4,186
Grand Total		6,879

5 CORPORATE BUDGETS AND CONTINGENCY

- 5.1 The Council holds a central contingency of £1m each year. This is held for unforeseen events and the Council will only use this as a last resort if no other funding is available.

An example of this is the recent pay offer made by the employers (although not yet accepted by all the unions nationally), which is in excess of the budgeted amount by £0.684m. This leaves £0.316m available to mitigate the corporate position

The Council also holds a number of budgets centrally mostly pending allocation to departments. These budgets are reviewed on a monthly basis, by the Section 151 officer, as part of the monitoring cycle. The current forecast position on these budgets is as set out in the table below.

Table 9 Corporate Budgets

Corporate Funding Update at 2020/21 - Period Five			
	Revised Budget	Known Commitments	Forecast (Under)/ Over spend
Base Budgets	£m	£m	£m
Corporate Risk Budget	0.229	(0.139)	(0.090)
Corporate Budget	12.689	(12.689)	0.000
Sub Total	12.918	(12.828)	(0.090)
Corporate Contingency	1.000	(0.684)	(0.316)
Treasury Management			(1.500)
Corporate Budget Fund	13.918	(13.512)	(1.906)

5.2 Treasury Management

The Council sets its treasury budgets based on the assumed Capital programme and forecasted level of cash balances each year. There are fluctuations on these budgets due to slippage and changes to the Capital programme, prevailing interest rates and borrowing decisions and the level of cash balances held by the Council.

The Council has not externally borrowed in the first five months of the year which has resulted in an underspend against the projected budget. This is mainly due to delays in the joint ventures resulting in slippage in the capital programme.

MRP for 2020/21 has also been calculated and is £430k less than the budget set aside. This underspend is partly offset by lower than budgeted interest received due to prevailing interest rates and cash balances reducing (£142.2m on 17th September).

The outturn on the treasury budget will largely be determined by how quickly the capital programme gets back on track and the extent and timing of any external borrowing decisions. This will be updated as the position becomes clearer later in the financial year.

6 EARMARKED AND GENERAL RESERVES

- 6.1 The Council holds general balances to mitigate against unforeseen risks. At the end of 2019/20 General Fund Balances stood at £12.687m and a further £900k is budgeted to be added in 2020/21 making a total available of £13.587m. The current overspend is projected to be £14.311m. The Council will do everything it can to identify efficiencies in order to reduce the overspend but if the overspend for the year exceeds the General Fund Balances, it will need to utilise Earmarked Reserves such as the Business Risk Reserve and the Business Rates Reserve to balance any remaining gap.
- 6.2 In a previous budget round the Council identified and agreed that balances should be increased to £20m over the next few years to properly reflect both the size of the authority and also the current risks it faces. This remains a priority for the authority and if balances were depleted at the end of 2020/21 then the medium term financial strategy will need to include funding to reach this target. The MTFS already includes planned contributions to reach the £20m target by 2024 but these will need to be increased if the overspend of £14.311m in 2020/21 is not reduced.
- 6.3 The Council holds General Fund Earmarked Reserves which totalled £49.663m* at the end of 2019/20. These reserves have varying levels of flexibility in terms of what they can be used for.

**Excludes schools, HRA and public health*

7 HOUSING REVENUE ACCOUNT

	COVID EXPENDITURE (April-Aug)	PROJECTION TO YEAR END
	£m	£m
Housing Revenue Account	0.361	0.361

The COVID costs incurred in the HRA relate to expenditure on Brunswick Court and Queen Street, to provide accommodation for hospital discharge patients and those individuals required to self isolate. Expenditure was also incurred on Royal Jubilee Court, to equip it for use by Key Workers.

Directorate	COVID INCOME LOSS (April-Aug)	PROJECTION TO YEAR END
	£m	£m
Housing Revenue Account	0.148	0.372

Since the start of the COVID pandemic, 228 tenants have expressed difficulties in paying their rent and service charges, as a consequence of the lockdown. The forecasted income loss resulting from this is £0.372m.

Table 8 Non-COVID Department projections				
	Exp Budget	Inc Budget	TOTAL Budget	BAU Variance
Housing Services (HRA)	29,623,070	(55,048,950)	(25,425,880)	131,500

The HRA Period 5 position is an overspend of £0.131m.

This is due to higher than expected utility bills, an additional staff requirement in the Compliance Team and Regeneration consultancy costs.

Rent & Service Charge Income.

The figures below are for the first 21 weeks of 2020/21.

	Rent Debit Raised	Income			Arrears	Collection Rate
		Housing Benefit	Direct Payments	Total Income		
Rent	22,752,452.55	- 8,579,252.53	- 13,326,612.65	- 21,905,865.18	937,114.78	96%

IMPLICATIONS AND RISKS

Financial implications and risks:

The financial implications are included in the body of this report.

Legal implications and risks:

The content of this report is legally compliant and follows Government guidance.

Human Resources implications and risks:

There are no immediate Human Resource implications arising from the report at this stage and any specific workforce impact is difficult to assess at the present time. However, any future savings proposals or changes to the funding regime that impact on staff numbers, will be managed in accordance with both statutory requirements and the Council's Managing Organisational Change & Redundancy policy.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants and this has been considered in its response to Covid-19.

Health and Wellbeing implications and risks:

The Council considers health and wellbeing implications in all the decisions it takes. The impact on general health and wellbeing is fully considered in setting and actioning the Council's budget each year

BACKGROUND PAPERS

None