

1 Executive Summary

Forecast outturn as at P3 is showing a general fund overspend of £5.803m and an HRA overspend of £2.014m. This is an adverse movement of £2.956m in total from P2 to P3. Table 1 provides a summary of the overall position including the HRA; detailed analysis is given in the individual sections in Part 2. The key drivers and headline figures are summarised as follows:

- **CSG Managed Budget:** £1.034m forecast overspend as at P3 as a result of new Depot and Colindale parking leases, some lost income, Colindale (cleaning contract) and some accruals missed as a result of the COVID-19 pandemic. This forecast has improved by £0.563m due to several mitigation measures put in place by the budget holder and are detailed in section 2.
- **Human Resources & OD:** £0.050m forecast overspend as at P3 as a result of trade union costs being higher than budget. The forecast has moved favourably by £0.354m from P2 to P3 due to a corporate mitigation put in place. This service area shall be moved from Growth and Corporate Services to the Finance directorate in the coming months.
- **Housing Strategy:** £0.700m forecast overspend as at P3 predominantly as a result of additional COVID-19 temporary accommodation costs. The forecast has moved adversely by £0.566m from P2 to P3 as a result of an increased bad debt provision and increased TA costs as a direct result of the COVID-19 pandemic. These costs are partially offset by recoverable TA income from tenants.
- **CSG Management Fee:** £0.353m forecast overspend as at P3 predominantly as a result of a shortfall in Schools Traded Service income relating to 2019/20 along with a £0.250m adverse change from P2 to P3 as a further shortfall is expected in current year schools traded income.
- **Regional Enterprise:** £3.097m forecast overspend as at P3 and a £2.519m adverse movement from P2. This is due to expected income loss totalling £4.872m for contract year 7, of which £1.7m has been capped as Re's liability through the GI shortfall mechanism agreed in accordance with PPN02 and confirmed by letter of variation dated 19th June. The remaining £3.172m is therefore LBB's pressure and expected to be claimed through the supplier relief mechanism. The actual impact of the pandemic on income levels and the consequent impact of the cap on RE's liability only became apparent in early July. Additional measures have been put in place to ensure timely and comprehensive provision of information to feed into the council's claim for loss of income.
- **HRA:** £2.014m forecast overspend as at P3 due to shortfalls in dwelling rent and service charges compared to budget, along with increased repairs, maintenance and other capital charges. Additional costs and lost income as a result of the COVID-19 pandemic accounts for roughly 50% of the adverse variance.

1.1 Budget Changes from P2 to P3

There have been two realignments from P2 to P3 that have affected individual lines but not the overall bottom line budget, summarised as follows:

- Virement of £0.055m to Programmes, Performance and Risk to support the hiring of a business support manager, this has been funded across a number of service lines within Growth and Corporate Services.
- £0.255m virement within Re, increasing the management fee budget whilst reducing the Guarantee income budget by equal and opposite amounts due to CPI indexation being announced and finalised after P2.

There has been a virement of £2.112m which affects the bottom-line budgets. This is the transfer of two net income budgets from CSG Management Fee to the Finance Directorate, approved by P&R committee on 17th June and summarised as follows:

- £1.689m Council Tax court costs awarded, to be managed and monitored by the revenues and benefits team along with all associated costs and gainshare arrangements

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- £0.433m MHCLG Business Rates collection costs grant, also to be managed and monitored by the revenue and benefits team who will have closer oversight of the arrangements and associated transactions.

Table 1 - Overall Position

Service Areas	Revised Budget	2019/20 Outturn	P3 Actuals	Forecast Outturn	Budget Variance	Change in Budget Variance
CSG Management Fee	22,430,022	20,702,985	9,360,985	22,782,996	352,974	250,000
Commercial Management	1,229,368	1,003,346	199,499	1,229,368	-	12,146
Customer Services & Digital	1,004,170	1,016,830	196,948	1,067,985	63,815	124,821
Programmes, Performance & Risk	465,674	409,079	85,022	465,674	-	-
CSG Managed Budget	3,842,930	5,143,443	1,984,710	4,876,729	1,033,799	(563,408)
Regeneration	-	63,748	35,026	-	-	-
Estates	837,697	707,248	81,798	1,001,325	163,628	163,628
Employment Skills & Ec Dev	951,420	141,182	50,396	939,074	(12,346)	1,464
Housing Strategy	7,186,831	7,415,739	5,898,226	7,886,561	699,730	566,278
Growth and Housing	496,726	124,757	351,334	325,700	(171,026)	1,240
Strategy & Communications	1,087,406	1,271,176	263,092	1,087,406	-	-
Human Resources & OD	1,347,460	871,921	912,289	1,397,460	50,000	(353,777)
Deputy Chief Executive	510,781	695,429	568,649	1,036,581	525,800	455,630
TOTAL CSG & Corporate Services	41,390,485	39,566,883	19,987,974	44,096,859	2,706,374	658,022
Transformation Programme - DCE	-	172,422	1,313,266	-	-	-
Total Transformation	-	172,422	1,313,266	-	-	-
Guaranteed Income	(15,818,188)	(16,853,271)	(289,767)	(12,566,109)	3,252,079	2,612,693
RE Management Fee	17,440,982	19,073,929	8,675,086	17,285,717	(155,265)	(93,675)
RE Projects	-	(208,474)	8,883,227	-	-	-
Total Re	1,622,794	2,012,184	17,268,546	4,719,608	3,096,814	2,519,018
Total General Fund G & C S	43,013,279	41,751,489	38,569,786	48,816,467	5,803,188	3,177,040
HRA	2,540,483	4,893,353	(5,437,653)	4,554,432	2,013,949	(221,075)
GRAND TOTAL	45,553,762	46,564,842	33,132,133	53,370,899	7,817,137	2,955,965

1.2 COVID-19 Update

The budget set in February 2020 was sufficient to support 2020/21 spending, however in light of recent events; the return submitted to MHCLG in Mid-June identified up to £5.331m of pressures relating to additional expenditure and lost income across both the general fund and the HRA as a direct or indirect result of the COVID-19 pandemic. The emerging P3 forecast position has identified the following expected COVID-19 impacts and these are all built into the forecasts above and identified separately below. We are expecting to report £7.285m COVID-19 pressures to MHCLG in the Mid-July submission.

P3 COVID Forecast	Forecast	Comment
Housing General Fund	802,000	TA Payments, discretionary payments, BDP increase totalling £12302m; all offset by £0.500m rental income from increased TA
HRA	1,347,000	Repairs and maintenance fee increase as a result of MEARS contract extension, lost non-dwelling rental incomes and increased BDP
Re	3,316,996	£3.172m GI supplier relief, £0.145m indexation pressure
CSG Managed Budgets	934,000	£0.202m lost commercial rent from Barnet house, £337k lost income from commercial property acquisitions, £0.275m budget removed for review of commercial portfolio whereby costs are still being incurred in 2020/21 due to COVID delays, £0.120m security costs on land at risk of encampment
Customer Services & Digital	395,655	£0.231m IT and Customer services related costs, £0.164m short fall in B, D & M income compared to last year
Strategy and Comms	127,666	£52k campaigns costs to date plus additional £75k expected which includes issues of Barnet first
CSG Management Fee	250,000	Shortfall in Schools Traded Income services
Other	111,309	TPAP corporate re-entry programme, shortfall in filming and advertising revenue
TOTAL forecast COVID-19 Impact	7,284,626	

2 MTFS Savings 2020/21

There is a total of £3.874m in MTFS savings built into the Growth and Corporate Services budget for 2020/21 across both the Housing and Growth, and Policy and Resources committee lines. Following the meeting in Early July, we established that none of these savings are at significant risk of not being delivered in light of the current pandemic situation.

Table 2 – MTFS Summary

New Line Ref	Department	Opportunity Area	Description of saving		
				2020/21	
				£000	Committee
ARG1	GCS	Accommodation Strategy	Exiting NLBP2 lease at lease termination in June 2020.	(1,300)	H&G
ARG2	GCS	Accommodation Strategy	Moving from Barnet House to new offices in Colindale has created the opportunity to generate income from sub-letting Barnet House.	(203)	H&G
ARG4	GCS	Rental opportunity	Increased income for full years' worth of rent or hire fees for new lettings agreed part way through 19/20	(343)	H&G
ARG6	GCS	Rental opportunity	Commercial property acquisitions for improved place shaping and to meet other strategic in-borough objectives, resulting in incidental income. (estimate based on £20m capital investment early in 2020, resulting in a half year rent, followed by the remainder in 2021)	(337)	H&G
H1	Housing	Housing	500 additional acquisitions of properties for use as affordable temporary accommodation by Open Door Homes supported by Loan from Council, as a cheaper alternative to existing temporary arrangements which utilise the private rented sector. Savings also achieved by premium of 1.24% interest on loans made by the council to Open Door Homes.	(44)	H&G
H2	Housing	Housing	Transfer of 156 properties acquired by Council for use as affordable temporary accommodation to Open Door Homes. Savings achieved by transfer of debt management and premium of 1.24% interest on loans made by the council to Open Door Homes.	(172)	H&G
H5	Housing	Housing	Trickle transfer of 950 council homes to Open Door Homes. Savings achieved as Open-Door Homes will pay an annual premium to the council for each property and make use of the asset base to fund the building of more affordable homes.	(300)	H&G
H6	Housing	Housing	The proposal would see an additional 300 affordable homes acquired in Greater London. This will be achieved either through an extension of the existing Cheyne programme, or with another provider. These properties will be delivered into a 40-year lease model which after the term completes can be purchased for £1. Properties would be let as per the existing programme with rents set at Local Housing Allowance rates. The programme parameters would be in line with the existing Cheyne leasing programme. Provision of this affordable supply would result in increased temporary accommodation cost avoidance.	(136)	H&G
P&R1	GCS	CSG	The Council entered into the Customer & Support Group contract for customer and back office services in the autumn of 2013. This contract will deliver a total £125m saving over a 10-year period. This includes a reduction in the cost of back office services of £70m, or £7m per annum (average across the contract). The contract price has already been reduced and forms	(871)	P&R

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			part of the Council's existing budget and Medium-Term Financial Strategy.		
P&R3	GCS	Human Resources	Strategic HR services were previously provided through the CSG contract which contained a reduction in the cost of back office services including Strategic HR. Strategic HR has been returned to the council on the same basis, with savings targets for future years.	(14)	P&R
P&R5	GCS	Commercial Team	Reconfigure Commercial, Performance and Executive Support (yr. 1 counted in snr mgt line)	(153)	P&R
				(3,874)	

3 Emerging Risks and Opportunities

The following table shows the emerging financial risks that have not already been built into the revenue and capital tables included in this report.

Table 3 – Risks

Risk RE:	Description of Risk	Mitigating actions	Total risk £'000
TFL Income - managed budgets	In 19/20 LIP works fees were recharged to capital based on the core fee plus 15%, at month 3 it has been assumed that the core fee (at least) will be recharged to capital and funded from TFL. This is based on the TFL 'sunken costs' bid	Multiple bids have been submitted, and it has been assumed that the 'sunken costs bid' includes the core fee recharged to capital. Confirmed by LBB lead and RE	797
Guaranteed income	Loss on income against GI is currently projected to be £3.172m; this is based on current activity but may increase if there is a second wave of the pandemic	Month by month actual review	Unable to quantify
TFL Income - 2021 capital financing	TFL capital funding that was previously announced has been stopped as a result of COVID. The revised allocation will be used to input social distancing measures and to fund previous committed works. It is not yet clear what this allocation will be, however capital lip works are still ongoing.	Multiple bids have been submitted with further bids being submitted later in the summer. There is a risk that the full value won't be granted. Works are under scrutiny with LBB service area and RE	2,049
TFL Income - 1920 capital financing debtor	In 19/20 there was a capital financing debtor of £2.3m however there is a risk that due to COVID this income either won't be received or there will be a significant delay in receiving this income. TFL claims need to be made on invoices (not GRN) in line with TFL financial guidance. Given the current conditions these invoices may not be available until the end of the year or may not be received due to companies potentially not reopening	TFL bid to be submitted by LBB client leads which should mitigate this risk	2,300
Managed budgets	DLO standby charges under dispute; re are in discussions on if standby charges should be contained within managed budgets	Currently expected to contain DLO charges	120
Guaranteed income - Legal costs	Legal costs have been assumed in line with 1920 as aware of potential pressures, however as no actuals have been processed the level of activity is not yet known, however potential for overspend to exceed 19/20	Costs continue to be discussed in CMM meetings	tbc
GI Bad Debt	Write offs at the end of the financial year should not have an impact on LBB as they should be netted off of the GI. However, as there are 2-year ends 19/20 bad debt provision had to be increased by £189k to cover write offs which will be offset at the end of the contract year which is in the following financial year.	Detailed work to be done on BDP in order to determine a process so that there isn't a negative impact on the financial year	190
Guaranteed Income - Regen PDA Income	PDA Income is coded to HRA but counted towards Re's GI. This could lead to a shortfall in income against GI cost centres. If the total PDA projections received from Re exceed the £806k budget, then this will result in a pressure as the income is reported under HRA. The total income in 19/20 was less than the budget as PDA's are coming to an end so the risk should flatten out as the financial year goes on	Re to provide monthly updates as agreed with the client so that any ongoing pressures/issues are identified	tbc
Management fee	Potential pressures as a result of changes in services provided	To be agreed with commercial lead	350
Management fee	Projections assume LIP core fee is in line with 19/20 agreement	Ongoing discussions with service leads confirm core fee	158
RE Total			5,964
Housing:			

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Regen	There is a risk the developers at West Hendon could default on paying the sales proceeds of the decant CPO properties due to Covid related issues	Simon Bailey is in discussion with the developer and we have a signed contract, it is unlikely to impact the accounts	200
HRA	LBB have taken a view to slowdown and temporarily pause the HRA acquisitions scheme. This will impact dwelling rents in the short run but the extent is not yet known. Uncertainty is on the amount and timing.	Increasing the pace of the HRA acquisitions programme towards the latter months of 2020/21	200
Housing Total			400
GCS:			
CSG - Management Fee	CSG Schools traded services income shortfall of £250k in 2019/20 which impacts the 2020/21 financial year. There is also a £250k in-year shortfall expecting to impact 2020/21, both of these (Total £500k) are built into the 2020/21 forecast as at P3, however there is a risk of an additional shortfall up to £100k which may materialise as the financial year progresses	Potentially mitigated through KPI failure credits	120
CSG - Management Fee	Estates lost income gainshare built into the CSG core fee contract budget, estimated at this stage and is difficult to quantify in the early months	Potentially mitigated through KPI failure credits	100
Growth and Development	Further work to be undertaken to model all recharges including the new staff members, % splits to be agreed and if lower than forecast it could present a pressure in the coming months	Review of the recharge model	100
GCS:			320

GRAND TOTAL

6,684