	Financial Performance and Contracts Committee **15 June 2020**
Title	**Chief Financial Officer Report Outturn Month 12 (March 2020)**
Report of	Director of Finance (Section 151 Officer)
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A: Revenue tables Appendix B: Reserves tables Appendix C: Capital tables
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Summary

This report contains a summary of the Council's revenue and capital outturn for the financial year 2019/20 as at Month 12 (31 March 2020). It also contains information on the level of debt and the top 10 debtors as at 31 March 2020.

Officer Recommendations

1. For the Committee to note the overall financial outturn at the end of 2019/20 for General Fund services, Housing (HRA), Schools (DSG) and capital budgets.

2. Note the overall use of reserves reflected in the report.

1 Summary

1.1 This report sets out the Council's financial position at the end of the 2019/20 financial year (31st March 2020).

1.2 The revenue position for 2019/20 as at month 12 is a net overspend of £0.050m. This compares to the last forecast presented to this committee which was an overspend of £1.055m as at the end of month 10 (see below, table 1). The month 11 forecast showed a £1.411m improvement against month 10 and forecast a £0.356m underspend. The final outturn in month 12 was an adverse movement against month 11 of £406k but after an improvement in the reserves position of over £20.411m, partly as a result of the MHCLG Covid-19 funding received in late March. Table 1 shows the position at month 12 and the movements from month 11 and also the month 10 position (being the last report published to the Committee).

1.3 The table presents the expenditure on service delivery separately from two significant year end contributions to reserves, comprising £7.647m of Community Infrastructure Levy (CIL) and s106 planning receipts and £8.772m of Covid-19 grant funding received from central government in late March. The Committee should note that the general reserve is still above the agreed £15m level.

1.4 This outturn position is an improvement in reserves of £20.411m against the month 11 forecasts. This is made up of a reduced net use of reserves in service delivery of £3.992m (from £5.511m to £1.519m), the transfer of £7.647m of CIL/s106 receipts to reserves, and carry forward of the unallocated element of the Covid-19 funding of £8.772m.

Table 1: Year-end outturn position, and comparison to month 10 and month 11 forecasts

Service Areas	Revised Budget	Outturn (before reserves)	Variation to revised budget	Transfer (to) / from reserves	Outturn after reserve transfers	Variation to revised budget	In-Month change	Month 11 variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults and Health	115,988	118,528	2,540	(285)	118,243	2,255	(526)	2,780
Children's Family Services	67,424	68,032	609	12	68,044	621	(455)	1,075
Environment	11,985	14,526	2,540	(1,481)	13,044	1,059	(287)	1,346
Growth and Corporate Services	40,495	42,335	1,840	(635)	41,700	1,205	245	960
Assurance	5,688	6,273	585	(742)	5,531	(157)	(227)	70
Finance	59,518	52,974	(6,544)	1,612	54,586	(4,932)	1,656	(6,588)
Subtotal A (services)	**301,098**	**302,668**	**1,570**	**(1,519)**	**301,148**	**50**	**406**	**(356)**
CIL/s106	0	(7,647)	(7,647)	7,647	0	0	0	0
Subtotal B (before C-19 grant)	**301,098**	**295,021**	**(6,077)**	**6,128**	**301,148**	**50**	**406**	**(356)**
Covid-19 grant	0	(8,772)	(8,772)	8,772	0	0	0	0
Outturn at Month 12	**301,098**	**286,249**	**(14,849)**	**14,900**	**301,148**	**50**	**406**	**(356)**
In-Month change	*0*	*26,877*	*(19,946)*	*20,411*	*465*	*406*		
Forecast at Month 11	***301,098***	***306,253***	***5,155***	***(5,511)***	***300,742***	***(356)***		
In-Month change	*0*	*(1,468)*	*(1,468)*	*56*	*(1,412)*	*(1,411)*		
Forecast at Month 10	***301,098***	***307,721***	***6,623***	***(5,567)***	***302,154***	***1,055***		

1.5 The total cost to the Council of the local response to the Covid-19 pandemic has been estimated, however, as the situation evolves those estimates are being kept under review. Grant funding received in late March from MHCLG amounted to £9.417m. Costs of £645k were identified as having been incurred in service delivery and these service costs were funded from the grant. The balance of £8.772m is being carried forward to be applied to costs being incurred during 2020/21. Details of how the £646k was allocated to each directorate is show in Table 2.

Table 2: MHCLG Covid-19 Grant allocation applied in-year

Directorate	Covid-19 Grant allocated £	Main spend areas
Adults and Health	24,028	PPE, Care home supplies
Children's Family Services	1,350	PPE
Environment	569,348	Loss of parking income, agency cost to cover sickness, additional spend on park closures
Growth and Corporate services	51,000	Temporary accommodation additional spend, increased security costs
Assurance	0	
Finance	0	
Total	**645,725**	

1.6 A significant proportion of financial impact in relation to Covid-19 will be in 2020/21. Work is on-going as to how the pandemic will affect the Council's finances. The council has a number of external contracts including: CSG, Re (Regional Enterprise), Cambridge Education (CE), GLL and NSL. The extent to which there will be claims against the income elements of these contracts is currently unknown and details are still to be worked through, however, we are already applying supplier relief to those contracts. This matter is the subject of a separate paper on this agenda.

1.7 The key movements since last month are summarised in Table 3.

Table 3: Movement from Month 11 to Outturn

Service Areas	Movement Adverse / (Favourable)	Commentary
	£'000	
Adults and Health	(502)	There is a favourable monthly movement in Social Care budget (£0.502m). This is chiefly due to improvement in the cost of placements, which was reduced through the year-end review of all placement activity details (but system data had not been updated to reflect this). Changes include reduction the cost of Home Care (£0.239m), Supported Living (£0.222m) and various other services (£0.163m) commitments. The Social Care reduction is offset by increases in Leisure, Sports and Physical Activity (£0.194m). There was also a small reduction in the budget variance of £0.072m in Corporate Equalities & Intelligence and Health & Safety.

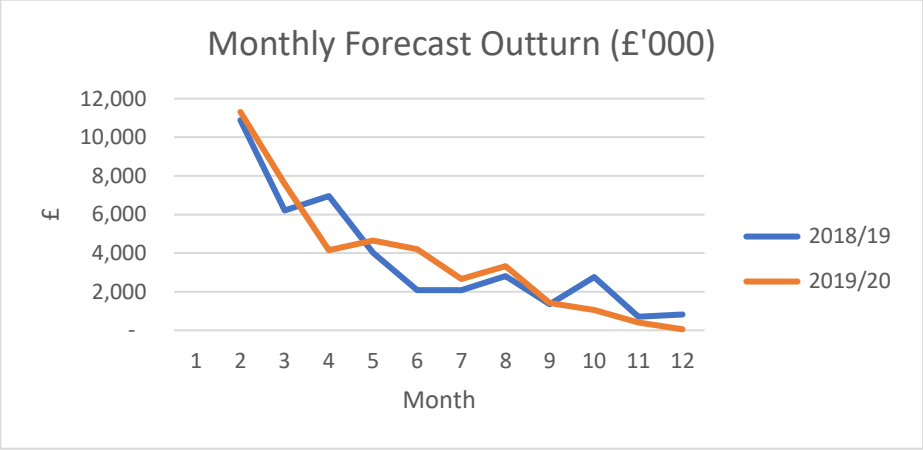
Service Areas	Movement Adverse / (Favourable)	Commentary
Children's Family Services	(453)	There is a favourable movement largely due to placement commitments reducing (£0.523m) following a review of all placement 'end dates' and improved or lower placement charge rates, which had not been identified before the year-end reconciliation. Other smaller movements are as follows: • Social Care Management – a favourable movement of £0.196m where a number of small forecast costs did not materialise. •Performance Improvement and Customer Engagement – a favourable movement of £0.185m mainly due the release of a prior year accrual (£0.150m). • CSC 0-25 - an adverse movement of £0.186m where care package costs had not been fully identified in previous months. • 'Onwards and Upwards' – adverse movement of £0.183m after finalisation of cost negotiations with Brent Council. • A late adverse movement due to expenditure on Family Group Conferences of £0.080m and the creation of a related bad debt provision (£0.089m).
Environment	282	The overall adverse movement is due to: • Parking & Infrastructure - £0.492m adverse movement arising from the underachievement of parking income (previously planned to be funded via the Special Parking Account). • Greenspaces Development - £0.064m adverse movement mainly relating to additional running costs and income previously assumed not being realised. •Street Scene - £0.193m favourable movement due to a reduction in fuel and savings in staffing and related costs and contracts.
Growth and Corporate services	296	The adverse movement is made up of the following: • A decision not to use £1m from the MTFS reserve as planned, due to latest information on Brent Cross cost recovery meaning this was no longer required. • £0.269m favourable movement in Re as a result of identifying recoverable Brent Cross costs dating back to 2018/19. • Commercial Management - £0.232m favourable movement due to legal spend being less than anticipated as the strategic contract review has been deferred during the C19 response period. • CSG Managed Budgets - £0.346m favourable movement. The bulk of this is in Estates, with additional income from rent along with service underspends being realised at year end which had not been identified previously. • Customer Services & Digital - £0.210m adverse movement from P11. Predominantly due to additional Office 365 licences and partially offset by increased citizenship ceremony income. • Human Resources & OD - £0.311m favourable movement from P11. Predominantly due to the additional income from the recharge of Matrix costs across the council.
Assurance	(227)	A favourable movement of £0.227m predominantly in legal advice and monitoring due to the service retaining the additional legal income, along with other spend efficiencies in the Governance service area and partially offset by increased costs in Electoral Services staffing dated back to 2018/19.
Finance	1,011	The year-end outturn for functions within the Finance Directorate delivered results as expected at Period 11. The significant movement between the periods was as a result of the increased contributions to reserves, specifically in relation to Housing Benefit. This contribution was funded by the increased recovery of overpayments and helps to increase the financial resilience of the council. The final position for the Department was an underspend of £5.5m.
Total	**406**	

1.8 Detailed variances for each service areas can be found in **Appendix A**.

Forecast outturn through the year

1.9 Figure 1 below shows how forecasting for 2018/19 and 2019/20 compare. It demonstrates that in both years, an initially high forecast overspend that has been progressively reduced through the course of the year, to a final outturn of around £0.050m overspent. Review of the forecast and actual year end position will continue through 2020/21 financial reporting with the objective of improving the overall accuracy of the forecast position reported each month. It should be noted that these figures are also influenced by budgeted and unbudgeted use of reserves.

Table 4: Reported Monthly Forecast Outturn (General Fund Revenue)



Reserves

1.10 The council has set aside specific amounts as reserves for future policy purposes or to cover contingencies. As at 1 April 2019, the council held reserves of £63.626m. The table below shows the uses and additions in year and the resulting balance as at the 31 March 2020 which is £67.692m. This includes the unused part of the Covid-19 grant of £8.772m, so the number net of the Covid-19 is £58.920m. The expectation at the time of setting the budget was that reserves would be circa £55.569m. This compares to the expectation at month 10 of £48.347m.

1.11 A detailed breakdown of the drawdown of reserves can be found in **Appendix B**.

Table 3: Reserves Position

Reserve Movements	Balance Brought Forward	Use of reserves agreed in budget setting	Resulting balance	Additional in-year use of reserves	Increases to Reserves	Resulting balance
	£000s	£000s	£000s	£000s	£000s	£000s
Revenue Reserves - non-earmarked	49,950	(8,057)	41,893	(3,405)	1,325	39,813
Revenue Reserves - earmarked	9,298	0	9,298	(1,201)	1,152	9,249
Revenue Grant unapplied (Covid-19)	0	0	0	0	8,772	8,772
Total Revenue	**59,248**	**(8,057)**	**51,191**	**(4,606)**	**11,249**	**57,834**
Capital Reserves	4,378	0	4,378	(2,267)	7,747	9,858
Total All	**63,626**	**(8,057)**	**55,569**	**(6,873)**	**18,996**	**67,692**

2 Revenue Forecast - General Fund services

Adults Services and Health

2.1 The revenue outturn position for Adults Services and Health for 2019/20 is a £2.279m overspend; this shows a £0.502m favourable movement compared to Month 11.

2.2 This position includes the delivery of 2019/20 MTFS cashable efficiency savings of £5.787m, which is 91% of the financial year target. This excludes costs avoided of circa £1m.

2.3 Underlying demand pressure, however, is circa £2m higher, but this was mitigated through £1m of equipment capitalisation and application of Disabilities Facilities Grant of £0.997m. These mitigations helped reduce the year end overspend position.

2.4 The service went into the year managing a considerable level of pressures which directly impacted upon budget performance. The improved position is due to the successful efforts to control costs and provide effective contingency planning.

2.5 Throughout the year the service was also adapting to new forecasting tools and also working to maintain and improve data quality issues. A Mosaic budget report is now in operation and there is an improvement plan with weekly monitoring meetings to improve forecasting in 2020/21, as well as monitoring Covid-19 related costs and uncertainties.

2.6 Projected cost pressures earlier in the financial year led to an expectation of a draw-down on the Ordinary Residents Provision, but year-end review of commitments and data cleansing in Mosaic has meant that this provision will not now be applied to the 2019/20 position. This provision, amounting to £2.897m, will now be carried forward to 20/21.

2.7 Table 6 details the outturn position.

Table 4: Adults Outturn

Service	Revised Budget	Outturn (before reserves)	Reserve Movements	Month 12 Outturn after reserve movements	Month 12 variation to revised budget	Month 11 variance	In-Month change
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care	98,503	100,047	29	100,076	1,573	2,197	(624)
Leis, Sports and Phys Activity	554	1,384	(40)	1,344	790	596	194
Public Health	16,719	17,000	(274)	16,726	7	(0)	7
Corporate Health & Safety	212	121	0	121	(91)	(12)	(79)
Adults and Health Total	**115,988**	**118,552**	**(285)**	**118,267**	**2,279**	**2,780**	**(502)**

2.8 2019/20 Outturn Summary: The overall position for 2019/20 is an overspend of £2.279m. Key pressures making up this overspend are as follows:

- Adult Social Care is overspending by £1.573m broken down into:
  - Placements Budget overspending by £2.526m
  - Non-Placement Budget underspending by £0.953m.

<u>Placements Budget</u> overspend of £2.526m.

- Relates primarily to various client cohort social care costs: Older Adults (£3.675m); Mental Health (£0.453m) offset by underspends in Learning Disabilities under 65 (£0.997m) and Physical Disabilities under 65 (£0.602m).
- The overspend in Older Adults is mostly due to Residential and Nursing Care because of lengthier care packages and increased average weekly costs compared to start of the year. Mental Health budget overspend is due to a combination of increased number, length of care packages and weekly average costs in Residential and Nursing. Learning Disability under 65 underspends is mostly against the same service types (residential and nursing). Physical Disabilities under 65 underspends is mostly because of Residential and Nursing, Direct Payments and Supported Living.

Non-Placement Budget underspend of £0.953m is due to:

- Workforce Budget £0.688m, delays in recruitment and vacancy holding to help manage the financial pressure across the service.
- Prevention Services Budget £0.265m, predominately relates to additional funding towards equipment spending.

2.9 Leisure, Sports and Physical Activity overspend position of £0.790m is due to:

- Client income loss due to closure of wet area of Finchley Lido leisure centre. The closure is in place since February 2019.
- The outturn includes a pressure due to loss of client income because of Covid-19 restrictions applied. The impact takes account the period between mid-February to end of the financial year.

2.10 Public Health Safety, Health & Wellbeing budget is underspending by £0.092 mostly due to staffing budget.

2.11 Public Health is a ringfenced grant funded budget and is reporting a breakeven position.

2.12 As part of the budget realignment exercise the service are carrying out trend analysis looking at placement activity, focussing on client numbers per service area and type of provision, gathering intelligence on average costs. This will obviously include the impact upon this area of Covid-19. The full impact will be known as year progresses, but the key areas of impact will be due to new and existing clients needing care at higher needs, lengthier care packages and increased weekly unit average costs.

Emerging Issues and pressures

2.13 The emerging issues for Adults and Public Health for 2020/21 include the impact of the Covid-19 pandemic in terms of increased service demand, support to the care sector, impact on the leisure industry and the subsequent increase in costs during the year post ‘lockdown’.

2.14 One area where the implications of Covid-19 is already emerging is the increase in activity relating to early discharges from hospital. Service are currently reporting weekly to NCL/CCG on activity and it is expected that additional related costs are recovered from Health funds however there is a risk that all data submitted may not be match and funding will fall short. This will continue to be monitored throughout the year

2.15 Another area which has been affected from the outset of the pandemic is the leisure industry. The service are in discussion with our leisure partner, GLL, around the financial impact of closure and loss of revenue already seen and expected for the duration of this financial year. There is also a further risk as there was a planned saving of £1.1m for 2020/21 which will now be difficult to achieve.

2.16 While there is an expectation that these Covid-19 related pressures will be supported by the additional MHCLG funding contribution and funds passported by local Health partners, there remains some uncertainty over the recovery of these funds. The Adults and Public Health Senior Management Team is reviewing plans regularly and looking at ways to mitigate costs and maximise cost recovery.

Children and Family Services

2.17 The revenue outturn position for Children's Services for 2019/20 is a £0.622m overspend; this shows a £0.453m positive movement compared to Month 11. This position includes a further £1.400m of pressures managed during 2019/20 as a result of the reduction in staffing and legal budgets made earlier in the financial year. Table 7 details the outturn position.

Table 5 Children's Outturn position

Service	Revised Budget	Outturn (before reserves)	Reserve Movements	Month 12 Outturn after reserve movements	Month 12 variation to revised budget	Month 11 variance	In-Month change
	£	£	£	£	£	£	£
Children Social Care	50,338	52,552	0	52,552	2,214	2,645	(430)
Early Intervention & Prevention	17,953	16,536	80	16,615	(1,338)	(1,111)	(227)
Family Services Management	(867)	(1,054)	(68)	(1,122)	(254)	(458)	204
Total	**67,424**	**68,034**	**12**	**68,046**	**622**	**1,075**	**(453)**

2.18 The overall position for 2019/20 is an overspend of £0.622. Key pressures making up this overspend are as follows.

- Family Services where the increase in volume and cost of legal cases has resulted in an overspend of £0.225m.
- Education and Skills also has a legal fees funding gap of £0.138m, both totalling £0.363m.
- CSC 0-25 budget has an overspend of £1.785m attributable to both staffing (mainly agency) of £0.524m and non-staffing overspends, £1.261m. Most of the non-staffing overspends fall within Supported Living (£0.799m), Direct Payments (£0.415m) and Residential Care (£0.213m), as more clients have engaged within the service than anticipated.
- Onwards and Upwards – The service has an overspend of £1.483m and relates to over-18 unaccompanied asylum seeking children (UASC) - young people who are unable to access benefits or housing consequently the full cost for accommodation rests with the Local Authority. The service is also faced with the continuous pressure of providing support for care leavers over 18.

- Residential Family Assessments which is overspent by £0.143m due to increases in client's cost.

2.19 These overspends have been offset by several underspends including:

- External Residential Placements and Agency Fostering both have underspends of £0.349m and £0.251m, respectively. This is primarily driven by finding lower cost alternatives in provision and demand being less than anticipated.
- Asylum Seekers has an underspend of £0.698m due to less demand on both under 18's (UASC) and over 18's (Leaving Care).
- Social Care Management has an underspend of £0.475m due to an underspend in staffing budgets.
- Early Help 0-19 is underspending by £1.031m mainly due to delays to recruitment, staff on maternity leave and a combination of income and grants recognised in 2019/20.

Emerging Issues and pressures

2.20 The emerging issues for Children's and Family Services for 2020/21 include the impact of the COVID-19 pandemic in terms of increased service demand, at a time of already increasing numbers, and the subsequent increase in costs which is expected to emerge once the 'lockdown' arrangements embed and schools return.

2.21 One area where the implications of COVID-19 is already emerging is Children's and Family Services main external contract with Cambridge Education (CE). Early discussions on supplier relief (which includes the school's catering provider ISS) have already commenced. The extent of these claims is being captured and will be confirmed in the early months of 2020/21.

2.22 While there is an expectation that this will be supported by the additional MHCLG funding contribution, existing savings already built into the 2020/21 budget, including the remodelling of placements to reduce the number of high cost placements (£0.450m) and anticipated Department for Education funding for Unaccompanied Asylum-Seeking Children (£0.300m) are considered at risk. In total, £1.355m of the 2020/21 MTFS savings are now considered at risk.

2.23 The Children's and Family's (CFS) Senior Management Team is actively mitigating these pressures through the CFS MTFS board which includes Finance and a specific project lead charged with coordinating actions across the service.

Environment

2.24 The final outturn position for Environment is a net overspend of £1.628m against a revised budget of £11.985m, this shows an adverse movement of £0.282m compared to month 11. This is summarised in Table 8 below:

Table 6 Environment Outturn

Service	Revised Budget	Outturn (before reserves)	Reserve Movements	Month 12 Outturn after reserve movements	Month 12 variation to revised budget	Month 11 variance	In-Month change
	£	£	£	£	£	£	£
Street Scene	13,904	14,691	(71)	14,620	717	902	(185)
Greenspaces Development	1,027	1,975	(638)	1,337	311	246	64
Parking & Infrastructure	(6,902)	(5,707)	(699)	(6,406)	497	4	492
Environment Management	3,485	3,648	(74)	3,574	89	196	(107)
Environment Subtotal	**11,513**	**14,608**	**(1,481)**	**13,126**	**1,613**	**1,348**	**264**
Re managed Budgets	472	487	0	487	15	(2)	17
Total	**11,985**	**15,095**	**(1,481)**	**13,613**	**1,628**	**1,346**	**282**

2.25 The overall position for 2019/20 is an overspend of £1.628m, key pressures making up this variance is as follows:

- Street Scene budget has an overspend of £0.717m mainly due to the overspend within Recycling and Waste Refuse, for additional staffing and vehicle costs and an underachievement of £0.160m in Commercial Waste income. These overspends have been partially offset by savings made in staffing, contracts and running costs across the other services.

- Greenspaces Development budget has an overspend of £0.311m, as the service was unable to meet its 2019/20 MTFS savings. This has been partially mitigated by additional income received (including tree works), as s106 funding. The outturn position includes reserve funding for the tree planting programme of £0.571m as well as full use of the Parks Improvement Fund reserve £0.068m.

- Parking & Infrastructure budget has a net overspend of £0.497m. This is largely due to an underachievement in parking income of £1.135m. £0.536m of this is due to Covid-19 and this amount has been funded by Tranche 1 of the Covid-19 grant. This results in an overspend of £0.599m for parking income. The overspend in parking is partially offset by a saving achieved on the LED programme due to faster than anticipated progression of programmed works. Additional operational savings have been achieved by changes in the contract maintenance requirements and reduced management costs. The outturn position includes funding from the Special Parking Account (SPA) reserve to cover project costs within the special parking account as well to fund winter maintenance costs. However, use of the SPA has been reduced by £996k from the level of use anticipated at month 11.

- Environment Management has an overspend of £0.089m. This is largely due to agency costs. The outturn position includes reserves totalling £0.074m received from the special account reserve to cover project costs.

- Re-Managed Budgets - overspend of £0.015m against managed budgets is due to additional legal costs processed at month 12, which were over the estimated projection included in month 11.

Parking Analysis

2.26 The chart below shows the number of PCNs issued in 2019/20 along with the number issued in 2018/19 as a comparison.

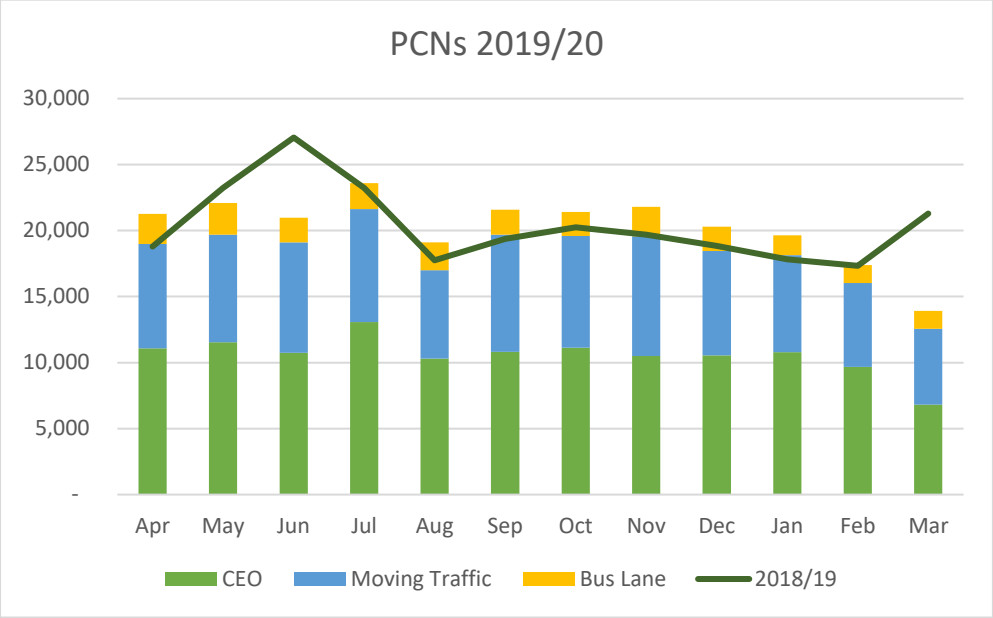


Figure 1 PCNs issued 2018/19 v 2019/20

2.27 Figure 10 above shows how the number of PCNs issued in 2018/19 and 2019/20 broadly track the same trendline. The key differences to note are in May-July, when a number of moving traffic contravention sites were introduced Moving Traffic Contraventions sites were introduced. Initially this caused a spike in PCNs issued for those sites as they were new but as behaviour adapted the numbers issued reduced.

2.28 Due to Covid-19 it is clear to see that there is a significant reduction in the number of PCNs issued in March 2020 compared with the same month in the previous year.

Emerging Issues and pressures

2.29 The emerging issues and pressure for 2020/21 are as follows:

2.30 Due to Covid-19 the Environment department will suffer an inevitable reduction in income. This will be mainly within parking but also affect commercial waste as well as rental income, sporting and event income within the Greenspaces area. Modelling is currently underway to assess the likely financial impact and consider plans to mitigate it.

2.31 Greenspaces did not achieve £0.450m of MTFS savings in 2019/20. In 2020/21, Greenspaces already has a pressure within their budget and work is under way to ensure an underlying balanced budget is achieved by the end of the year. However, this will be a risk until that work is concluded.

2.32 There is a risk to achieving the MTFS savings of £4.150m as due to the pandemic resources have been redirected from delivering savings to managing the crisis. It is likely a proportion of these savings will be achieved however it is likely that the full amount will not be achieved during 2020/21.

Growth and Corporate Services

2.33 The final outturn for Growth and Corporate Services which includes Regional Enterprise (Re) is showing a net overspend of £1.256m. This a £0.296m adverse change from the forecast presented as at month 11 which showed a projected overspend of £0.960m. The Month 11 forecast included an assumed drawdown of £1m from the MTFS reserve in Regional Enterprise relating to the year-6 management fee deferral. A decision was made not to drawdown this amount as the revenue position proved to be better than forecast (principally due to Brent Cross cost recovery). As a result, it become possible to maintain the reserve balance. When excluding the consideration of the £1m Re reserve, the in-month movement in controllable forecast was a £0.704m favourable movement.

Table 7 Growth and Corporate Services Outturn

Service	Revised Budget	Outturn (before reserves)	Reserve Movements	Month 12 Outturn after reserve movements	Month 12 variation to revised budget	Month 11 variance	In-Month change
	£	£	£	£	£	£	£
Customer Support Group	25,066	25,987	(141)	25,846	781	1,002	(221)
Deputy Chief Executive	503	703	(8)	695	192	(1)	194
Growth and Development	8,491	8,424	28	8,453	(38)	231	(270)
Commercial & ICT	2,467	2,429	0	2,429	(38)	28	(65)
Human Resources & OD	977	872	0	872	(105)	208	(313)
Strategy & Communications	1,187	1,381	(110)	1,271	84	16	68
GCS Subtotal	**38,691**	**39,797**	**(230)**	**39,567**	**876**	**1,483**	**(607)**
Transformation Programme	0	480	(308)	172	172	0	172
Regional Enterprise (Re)	1,805	(5,538)	7,550	2,012	208	(524)	731
Total	**40,495**	**34,739**	**7,012**	**41,751**	**1,256**	**960**	**296**

2.34 Analysis of the £1.256m overspend is summarised as follows:

- Customer Support Group (which combines CSG management fee and CSG managed budgets) is overspent by £0.781m predominantly in CSG managed budgets and partially offset by an underspend in CSG management fee. This overspend is due to a number of key factors noted in previous reports such as additional security costs incurred on vacant Brent Cross sites and due to the delayed move from NLBP along with additional rates for the Colindale building that are currently being challenged and awaiting resolution.

- Re is showing a £0.208m overspend predominantly in relation to the expected overspend in the management fee, however, is partially offset by Brent Cross project costs dating back to 2018/19 which are deemed recoverable so are presented as a credit in the RE projects line. Prior to the decision on the Brent Cross accrual, RE would have presented a £0.5m overspend which would have been completely offset by the drawdown from the £1m reserve discussed above.

- Customer Services and Digital (included within commercial and ICT) is showing a £0.334m overspend predominantly due to additional Office 365 licence and roll-out costs and are partially offset by citizenship ceremony income in registrars deemed temporary due to Brexit. This overspend is offset by the underspend in Commercial Management as a result of legal costs surrounding the strategic contract review not materialising.

2.35 The emerging 2020/21 Position is summarised as follows:

- There are currently MTFS savings of £3.874m to be delivered in 2020/21 which includes Estates (£2.183m), Housing (£0.653m) and Commercial/CSG (£1.083m).

- A number of these savings targets are reliant on key milestone dates for certain events to happen (such as NLBP2 lease termination expected in June 2020), however, with the date of returning to normalisation being unknown we cannot reliably quantify the extent of the delivery of the above savings targets.

- The recent COVID-19 pandemic has resulted in additional costs alongside expected income shortfalls however at present it is expected that these will either be funded by the additional MHCLG contribution or mitigated within the services.

Assurance

2.36 The assurance directorate is showing an overall underspend of £0.157m against a budget of £5.688m. This is a favourable change of £0.227m from month 11 and is summarised in Table 10 below:

Table 8 Assurance Outturn

Service	Revised Budget	Outturn (before reserves)	Reserve Movements	Month 12 Outturn after reserve movements	Month 12 variation to revised budget	Month 11 variance	In-Month change
	£	£	£	£	£	£	£
Assurance Management	814	859	0	859	45	(1)	46
Counter Fraud Operations	437	1,215	(792)	423	(14)	0	(14)
Electoral Service	803	904	50	954	150	2	149
Governance	2,261	2,062	0	2,062	(199)	5	(204)
Assurance and Business Development	589	584	0	584	(6)	15	(21)
Internal Audit	376	371	0	371	(5)	(0)	(4)
Legal Advice and Monitoring	0	(142)	0	(142)	(142)	0	(142)
Organisational Resilience	407	420	0	420	13	50	(37)
Assurance Total	**5,688**	**6,273**	**(742)**	**5,531**	**(157)**	**70**	**(227)**

2.37 The reasons for the overall favourable outturn position can be summarised as follows:

- **Electoral Services** £0.150m overspent. This is a complex issue whereby the net spend in 2019/20 was accrued into 2020/21 to be reclaimed from the ECU which left the position as net £Nil. However, £0.252m of additional staff on-costs had been identified dating back to 2017/18 and 2018/19 which could not be fully funded by the

elections reserve. Instead, a lower top-up was made to the reserve instead of the £0.150m planned top up. This resulted in an overall overspend along with the elections reserve closing at £0.307m which is sufficiently prudent to fund future elections.

- **Governance** service is £0.199m underspent which is predominantly due to vacancies in the current structure along with reduced spend due to other efficiencies across the three budgets.

- **Legal Advice and Monitoring** is £0.142m underspent which is predominantly due to a prior-year correction involving the reversal of PO's that had been over-receipted dating back to 2018/19. A corporate decision was made to retain the credit as an in-year underspend.

Finance

2.38 The finance directorate is showing an overall underspend of £5.577m against a budget of £59.518m. This is an adverse movement of £1.011m from month 11 arising from the decision to set £1.887m aside as part of resilience reserves, made possible through the year end outturn in Revenues and Benefits. This is summarised in Table 11 below:

Table 9 Finance Outturn

Service	Revised Budget	Outturn (before reserves)	Reserve Movements	Month 12 Outturn after reserve movements	Month 12 variation to revised budget	Month 11 variance	In-Month change
	£	£	£	£	£	£	£
Central Expenses	52,116	47,597	0	47,597	(4,519)	(5,003)	484
Finance	3,467	(5,522)	8,772	3,250	(217)	129	(346)
Grants	29	12	(25)	(13)	(42)	(14)	(28)
Revs & Bens	3,906	1,471	1,637	3,107	(798)	(1,700)	902
Assurance Total	**59,518**	**43,557**	**10,384**	**53,941**	**(5,577)**	**(6,588)**	**1,011**

2.39 Central Expenses includes corporate costs such as Levies, Capital Financing costs, Housing Benefit costs and historical early retirement commitments. The nature of these items means that significant budget variances can be seen when external events occur. An example is that slippage on the capital programme can delay the council incurring borrowing costs. The budget variance for these areas was an overall underspend of £4.5m. This was primarily driven by Capital Financing (£3.8m). Changes in the MTFS and a reprofiled capital programme mean that this is unlikely to reoccur, at least not to the same value. The remainder is related to the recovery of Housing Benefit overpayments.

2.40 The net position across the remaining lines within finance is an underspend of £1.057m which is a significant achievement during a period of transition, which has required high levels of interim staff.

2.41 Contributions to reserves within Finance include an £8.8m reserve relating to the Covid19 response funding from Central Government, received in March 2020. This will offset expenditure in 2020/21.

Savings

2.42 In 2019/20 the council budgeted to deliver £19.965m of savings. Table 12 below summarises the value of savings that are expected to be achieved against that savings programme. It shows that £18.268m of savings were delivered by year end, representing 91.5% of the target.

Table 10 Savings delivery 2019/20

Service Area	Savings target 2019/20	Savings Delivered as at 31/03/2020	(Gap)/Over to plan	Service area gap %
	£'000	£'000	£'000	
Adults & Safeguarding	(7,518)	(7,871)	353	-4.70%
Children and Family Services	(3,912)	(3,912)	0	0.00%
Environment	(4,567)	(3,717)	(850)	18.61%
Growth and Corporate Services	(3,925)	(2,739)	(1,186)	30.22%
Assurance	(43)	(29)	(14)	32.56%
Total	**(19,965)**	**(18,268)**	**(1,697)**	
Percentages	**100.00%**	**91.50%**	**8.50%**	

2.43 Adults and Health savings include £1.132m Public Health Savings and £6.386m in the Adult Social Care budgets. Public Health achieved 100% of savings whilst Adult Social Care has overachieved savings target (£6.386m) by 5.52% or £0.353m. The overachievement counts to 4.70% of the overall savings. The overachievement is mostly linked with placements. Of the overall achieved figure 85.89% is cashable saving and the rest (14.11%) is cost avoidance.

2.44 The Children's and Family savings of £3.912m for 2019/20 were all achieved.

2.45 Environment savings include £0.200m savings not achieved within the year as it became clear that they were unachievable as previously planned. A further £0.200m savings were not achieved due to delays in fully mobilising the new advertising contract. This will now be fully delivered in 2020/21., Greenspaces were unable to achieve their £0.450m savings. All savings will continue to be pursued in 2020/21 and delivery reported.

2.46 Growth and Corporate Savings have all been fully delivered in 2019/20 aside from two Housing savings relating to temporary accommodation cost reductions associated with the OpenDoor Homes purchase of 500 additional properties (£0.161m), and the savings (and additional income) associated with the transfer of 156 general fund properties to OpenDoor Homes (£1.025m). These savings are expected to be fully delivered in 2020/21.

2.47 Assurance savings have been fully delivered aside from the £0.014m associated with the payment for BT lines for elected members which has been pushed to 2020/21 due to contract timing.

3 Housing Revenue Account

3.1 The agreed Housing Revenue Account (HRA) budget for 2019/20 planned for a deficit of £10.713m, to be offset by a corresponding use of the reserve built up in previous years. A key determinant of that budget position was a planned contribution to capital expenditure of £9.074m as illustrated in Table 13.

3.2 It was decided in 2019/20 and reported previously that the transfer to capital funds would not take place and be funded from borrowing (further to the removal of the HRA borrowing cap), reducing planned expenditure by £9.074m. Overall, the HRA then budgeted to deliver a reduced deficit, of £1.639m.

3.3 At Month 11, the forecast HRA outturn was a deficit of £2.932m. The P12 outturn position was a net deficit of £4.894m (£3.255m above the revised budget). The in-month change from Month 11 to Month 12 is an adverse movement of £1.962m.

3.4 The brought forward HRA reserve balance was £12.321m with the outturn of £4.894m deficit this subsequently reduces the HRA reserve balance to be carried forward to 2020/21 to £7.427m. This reserve balance remains above the required minimum level of £3m and will be reviewed during the updating of the HRA business plan in 2020/21.

Table 11 Housing Revenue Account Outturn

	Original Budget £'000	Revised Budget £'000	Month 12 Outturn after reserve movements £'000	Variance £'000
Dwelling Rent	(48,609)	(48,609)	(49,799)	(1,190)
Service & Other Charges	(9,010)	(9,010)	(8,434)	576
Housing Management	18,440	18,440	21,958	3,518
Internal recharges	2,121	2,121	2,330	208
Repairs & Maintenance	7,570	7,570	7,622	52
Provision for Bad Debt	250	250	333	83
Regeneration	837	837	412	(425)
Capital Charges	7,570	7,570	7,569	(1)
Acc Adj/ Depreciation	22,564	22,564	23,045	481
Interest on Balances	(95)	(95)	(142)	(47)
RCCO	9,074	-	-	-
HRA Surplus/(Deficit)	**10,713**	**1,639**	**4,894**	**3,255**
Transfer to/(from) reserves	(10,713)	(1,639)	(4,894)	(3,255)
HRA Surplus/(Deficit)	**-**	**-**	**-**	**-**

3.5 The overspend of £3.255m is largely attributable to Housing Management and partially offset by increased Dwelling Rent (also covered in previous reports). The housing management overspend is predominantly due to a higher than expected number of change notices within the management fee (in relation to universal credit migration, warden and security costs, and additional decanting).

3.6 The adverse movement of £1.962m from month 11 to month 12 is accounted for under housing management and is attributable to three main factors:

- £1m insurance costs where final values were only confirmed shortly before year end.
- £0.5m additional depreciation and capital charges (impairments) arising from updated stock valuations at year end and final confirmed in building stock volumes at year end.
- Additional costs arising from specific projects such as corporate anti-fraud measures, and the clearance of the leaseholder control account balances at year-end.

3.7 Work is being undertaken to review these and other areas in more detail to ensure more robust forecasting for HRA costs in 2020/21.

4 Dedicated Schools Grant

4.1 As at the end of March 2020, the DSG outturn position is an underspend of £1.808m which includes the 2019/20 brought forward reserve of £1.543m. Month 12 has seen an adverse movement of £0.198m compared to Month 11. This is mainly due to a reduction in income due to a clawback in Early Years and the overstatement of Pupil Premium LAC grant initially in 2018-19.

4.2 The overall underspend of £1.808m includes the school improvement amount of £0.200m, which, as agreed with School Forum (under de-delegation), is to be carried forward into 2020/21. The outturn position is summarised in Table 14.

Table 12 Dedicated Schools Grant Outturn

	Revised Budget £'000	Month 12 Outturn after reserve movements £'000	Month 12 variation to revised budget £'000	Month 11 variance £'000	In-Month change £'000
Expenditure					
Schools:					
- Individual Schools Budget	141,058	140,642	(416)	(375)	(41)
- Growth Fund	2,118	489	(1,629)	(1,675)	46
- Central schools expenditure	1,281	1,295	14	21	(7)
- ESG retained funding	902	902	0	0	(0)
Sub-total	**145,358**	**143,328**	(2,030)	**(2,028)**	(1)
Early Years Block	28,928	28,545	(383)	(209)	(174)
High Needs Block	46,703	47,237	533	521	13
Total	**220,990**	**219,110**	(1,879)	**(1,717)**	(163)
Funded by:					
DSG Income	(219,447)	(219,375)	72	(289)	361
DSG c/f	(1,543)	(1,543)	0	0	0
Total	**(220,990)**	**(220,918)**	72	**(289)**	361
Net DSG		**(1,808)**		**(2,006)**	**198**

5 Capital Programme

5.1 The capital outturn for 2019/20 capital investment programme is £274.260m, of which £230.260m relates to the General Fund programme and £44.000m relates to the HRA capital programme. This is £27.897m less than the budget.

Table 13 Capital Outturn

Service Area	2019/20 Budget £000	Additions/ (Deletions) £000	(Slippage)/ Accelerated Spend £000	2019/20 Outturn £000	Variance from Approved Budget £000
Adults and Health	15,294		(1,972)	13,322	(1,972)
Children's Family Services	21,003	(2)	(516)	20,485	(518)
Growth and Corporate services	77,490	463	(23,146)	54,807	(22,683)
Environment	22,301	180	(2,185)	20,296	(2,005)
Brent Cross	101,312		10,163	111,475	10,163
Regional Enterprise (Re)	10,427		(552)	9,875	(552)
General Fund Programme Total	**247,827**	**753**	**(18,121)**	**230,260**	**(17,567)**
HRA	54,330	(542)	(8,181)	44,000	(10,330)
Grand Total	**302,157**	**211**	**(26,302)**	**274,260**	**(27,897)**

5.2 The key issues and variances for each service area are summarised below. **Appendix C** provides further details of the Capital programme by project.

5.3 **Adults and Health** – The final outturn position is a net spend of £13.322m (approximately 87.10% of the forecast outturn). In total £1.972m of slippage will be spent in 2020-21 covering: The Investing in IT project forecasting slippage of £0.236m to cover phase two of system implementations and improvement; and Sports and Physical Activities forecasting slippage of £1.736m to cover contingency for unquantifiable demolition impact. Both projects are on track against the revised planning and the slippages will be used in full in 2020-21. Investing in IT project covers improvements to client recording systems (Mosaic), whilst Leisure and Sport projects has delivered new leisure centres in Barnet.

5.4 **Children's and Family Service –** The spend to date is £20.485m, which represents 96% of the forecast outturn, and a net positive variance of £0.518m from the overall £21.003m budget. This variance is mainly due to overall reprofiling of the capital budget (£0.516m) to reflect revised project plans, meet school requirements and to reflect externally agreed direct funding from the Department for Education (DfE).

Capital projects within Children's and Family Service are split between as Family Services (£1.686m) and Education (£19.317m). The main area of capital expenditure is on the Education programme which includes major projects such as:

- St James/Blessed Dominic which has a budget of £11.968m and a final outturn position of £12.251m,
- Alternative provision for the Pupil Referral Unit which has a budget of £1.700m and an outturn of £1.551m. Further reprofiling on the Alternative Provision project

(£0.149m) is required with planning permission for the new school delayed until 22 June Committee meeting

- Several smaller, modernisation projects to improve conditions at various individual schools. The budget for these total £1.700m and the outturn is £2.390m. Reprofiling can often occur with the need to undertake modernisation work outside of term time.

5.5 **Growth and Corporate services –** The final outturn position is a net expenditure position of £54.807m which represents 70% of the adjusted 2019/20 budget (£77.953). The net variance to be slipped into 2020/21 is £23.146m. Capital projects in this directorate are be split up between Corporate Services and Housing General Fund. The material variances can be summarised as follows:

- Corporate Services is showing a £16.257m underspend/slippage in total; of which £9.946m is due to the current suspension of Saracens loan drawdowns, £2.043m is due to office build costs related to the retention payment slippage around the later practical completion date, the delayed family services move and the delayed conference AV kit out. £1.857m is due to the ICT strategy project delivery being slipped into 2020/21.
- Housing (General Fund) is showing a £6.426m underspend/slippage in total; of which a £2.779m is due to Empty Properties schemes whereby we have made less CPO acquisitions than expected in 2019/20 along with additional income recovered from the auction of 2x properties in 2019/20. A further £2.824m is due to delays in the Microsite development programme of affordable homes.

5.6 **Environment** - The spend to date is £20.296m against a budget of £22.301m, resulting in slippage of £2.185m.

- Total accelerated spend against Environment (RE) totals £1.544m. This is mainly due to £1.476m spend against Highways TFL which occurred ahead of plan, and £1.749m accelerated spend against NRP phase 2 in line with 19/20 capital betterment costs. This was offset by £1.013m slippage (NRP) due to delayed works such as Hampden Way resurfacing, and £0.339m slippage against Colindale parks and open spaces for Rushgrove park works (now expected in 2020/21) and £0.314m slippage against Refurbish and regenerate Hendon Cemetery and Crematorium for the new roof to the gatehouse and internal alterations (also expected in 2020/21).
- Total slippage against other Environment projects totals £4.056m due to slippage of £2.874m for the delay in the delivery of vehicles, further slippages of £0.191m for the delays in signing the contract for the DMS system, £0.289m for the delay in the installation of cameras and implementing CPZ and a further £0.702m for park works. Accelerated spend of £0.327m for highways permanent re-instalment works, as this programme is due to be completed over the next two years.

5.7 **Brent Cross** - The overall development comprises four programmes, Land Acquisitions, Thameslink Station, Critical Infrastructure and Strategic Infrastructure Charge, each with several work packages within them.

- Land purchases were £4.2m under budget in 2019/20. Three properties that were expected to complete prior to year-end have slipped into 2020/21. The reasons for

the slippages include delays in legal documentation from owners' solicitors, valuation in dispute and appropriate council approval for a hardship case.

- The BX Thameslink Programme comprises four elements: Train Operators Compound (TOC), Station, Rail systems & sidings and the Waster Transfer Station (WTS). The completed elements to date are the TOC and sidings work packages. The final outturn for 2019/20 is £17.9m over the in-year budget. This is due to the need to realign the programme as a consequence of the revised rail processions and the re-procurement of the WTS main works contract as reported to the Housing & Growth Committee in the quarterly update report.

- The Critical Infrastructure scheme was £3.5m under budget in 2019/20, which is an unfavourable movement of £7m compared to the month 11 forecast. The movement relates to £7.4m of General Vesting Decisions being served on plots 261/262 & plots 263 - 266 as the council holds the title and right to possession as at 31st March 2020, which is offset by favourable variances in both the Southern Junctions and Plot 53/54 work packages (£0.4m)

- The Strategic Infrastructure Charge element of the programme is now complete. All £23m of drawdown payments have been paid as at Dec 2019. The Council have completed the agreement with Homes England, of which the first £23m was received on the 31st March 2020. This has allowed substituting the current borrowing funding stream in year. The HE loan accelerates delivery, creates greater financial resilience and increases the council's land value.

5.8 **Regional Enterprise (Re) –** The spend to date is £9.875m against an adjusted budget of £10.427m, resulting in additional slippage of £0.552. This is mainly due to £0.283m against Colindale – Highways and Transport due to major restructuring of the programme, moving away from car based schemes to pedestrian and cycle schemes, and £0.148m against Grahame Park Community facility on the new Grahame park health centre which has been subject to major delay due to refusal of planning permission by the Mayor of London.

<u>HRA Capital Investment</u>

5.9 The HRA capital programme has a net outturn position of £44m, or 82% of the adjusted 2019/20 budget (£52.788m). This has resulted in an underspend/slippage position of £8.181m. This is predominantly due to HRA acquisitions which have underspent by £7.958m against a budget of £21m and is due to delays whereby additional acquisitions will happen in 2020/21.

<u>Funding of the Capital Investment Programme</u>

5.10 The composition of capital funding is detailed in Table 16. The level of funding from Capital receipts, Revenue/ Major Repairs Allowance (MRA) and Community Infrastructure Levy (CIL) funding remain broadly the same as the previous period.

Table 14 Funding the Capital Programme 2019/20

Service Area	Grants/ Other contributions	S106	Capital Receipts	Revenue/ MRA	CIL	Borrowing	Total
	£0	£0	£0	£0	£0	£0	£0
Adults and Health		298	1,145		11,511	367	13,322
Children's Family Services	15,021	4,564	115		355	429	20,485
Growth and Corporate services	2,669	228	7,569		1,323	43,018	54,807
Environment	3,684	186	974		3,688	11,764	20,296
Brent Cross	86,320		23,000			2,155	111,475
Regional Enterprise (Re)		9,875					9,875
General Fund Programme	**107,694**	**15,151**	**32,803**		**16,877**	**57,735**	**230,260**
HRA	5,107		5,789	20,931		12,173	44,000
Total Capital Programme	**112,801**	**15,151**	**38,592**	**20,931**	**16,877**	**69,908**	**274,260**

6 Debtors

6.1 Between February 2020 and March 2020 overall debtors increased by £3.599m. An analysis of debtors as at the 31 March 2020 is provided below at Table 17 and 18. It should be noted that this information is a snapshot as at that date and the position will change daily.

6.2 Overdue debtors (up to 30 days and older) as at 31 March 2020 was £26.923m a decrease of £6.292m for the same period in 2019 where the outstanding balance was £33.215m.

6.3 In light of Covid-19, debt collection to individuals and SME businesses was paused until June 2020 in recognition of the financial hardship many were facing and therefore this will also impact the level of debt at year-end.

Table 15 Aged Debt Analysis as at 31 March 2020

Debtor	Not Overdue £000	Up to 30 days £000	30 - 60 days £000	60 - 90 days £000	Over 90 days £000	Total Debt £000
Month 12	3,559	10,410	4,205	843	11,465	30,482
Month 11	4,538	6,085	3,559	2,048	10,653	26,883
Movement	**(979)**	**4,325**	**646**	**(1,205)**	**812**	**3,599**

6.4 Table 18 gives detail of the top ten individual debts by debtor, totalling £18.641m.

Table 16 Top 10 debtors as at 31 March 2020

Debtor	Not Overdue	Up to 30 days	30 - 60 days	60 - 90 days	Over 90 days	Total Debt
	£000	£000	£000	£000	£000	£000
NHS Barnet CCG	988	5,509	2,478	0	2,591	11,565
The Fremantle Trust	0	57	0	0	1,300	1,357
Mott Macdonald Ltd	868	305	535	0	341	2,049
Comer Homes	0	0	0	0	993	993
Hasmonean High School	0.385	676	0	0	1	677
BXS Limited Partnership	0	402	0	0	0	402
Regional Enterprise Ltd	1	5	262	0	88	356
Metropolitan Police Service	0	93	0	0	158	251
Middlesex University	329	21	0	210	-10	550

London Borough of Ealing	247	0	1	0	194	442
Total	**2,434**	**7,068**	**3,275**	**211**	**5,655**	**18,641**

6.5 NHS Barnet has paid £1.092m since the end of month 12. The remaining amounts are being followed up with the CCG (now reconfigured as North Central London CCGs) by the Director of Finance and the Executive Director for Adults and Health

6.6 Legal discussions are ongoing regarding The Fremantle Trust with Adults leading on the discussion. It is unclear at this stage when the matter is likely to be resolved.

6.7 Payment of £908k is expected by the end of May 2020 from Mott Macdonald and discussions on the further balance will continue.

6.8 The estates team continue to work with HBPL on the Comer Homes Debt.

6.9 Hasmonean School have paid £676k leaving a balance of £835.07.

6.10 The BXS balance has been paid in full.

6.11 The Regional Enterprise debt has now been escalated to the Head of Finance (Exchequer), only £6k has been paid against the outstanding debt since the end of month 12

6.12 Metropolitan Police have paid £186k and £65k appears to have been raised in error. The Assistant Finance Manager (Accounts Receivable) has raised this with the service area**.**

6.13 Middlesex University have paid £497k since month 12 and discussions are underway on the remainder.

6.14 The London Borough of Ealing debt has been escalated to the Head of Finance (Exchequer) who will be discussing with the service area and the Head of Finance for Adults.

7 Treasury Management

Investment Performance

7.1 Investment deposits are managed internally. As at 31st March 2020, deposits outstanding were £103.785 million, achieving an average annual rate of return of 0.57% against a benchmark average (7-day London Interbank Bid Rate - LIBID) of 0.57%. This benchmark is the rate that banks pay to attract deposits from other banks. The list of deposits outstanding is detailed in the table below. The balance excludes loans to Saracens (£3.4 million) and to Open Door Homes.

Table 17 Investments Outstanding as at 31 March 2020

	Principal (£'000)	Interest Rate (%)	Start Date	Maturity Date	Lowest long term rating	Historic risk of Default (%)
Money Market Fund						
MMF Federated Investors	18,420	0.54			AAA	0.000
MMF Aviva	17,690	0.55			AAA	0.000
MMF Invesco	24,175	0.54			AAA	0.000
Total Money Market	**60,285**					
Banks						
Australia & New Zealand	7,500	0.78	29-Nov-19	29-May-20	AA-	0.006
Bank of Scotland	8,400	0.45	23-Oct-19	92 day call	A+	0.013
Santander	7,600	0.85	22-Nov-19	22-May-20	A	0.007
Thurrock Borough Council	5,000	1.10	28-Feb-20	29-May-20	AA-	0.004
Fife Council	5,000	1.10	03-Mar-20	03-Jun-20	AA-	0.004
Plymouth City Council	5,000	1.05	05-Mar-20	05-Jun-20	AA-	0.004
Lloyds	5,000	1.05	03-Mar-20	03-Mar-21	A+	0.045
Total Banks	**43,500**					
Total Investments	**103,785**	**0.57**				**0.005**

NB: All the above counterparties have a limit of £25 million. No limits are exceeded.

Borrowing

7.2 The council has operated within the Prudential Indicators with an emphasis on high quality relatively liquid investments to ensure that cash is available to meet expenditure requirements. The Local Government Act 2003 requires the council to set maximum limits on its total outstanding debt. During the period to 31 March 2020, there were no breaches of the Authorised Limit (maximum permitted debt) and the Operational Boundary (the value of debt considered affordable).

7.3 The council's timeframes and credit criteria for placing cash deposits and the parameters for undertaking any further borrowing are set out in the Treasury Management Strategy (TMS). The TMS for 2019/20 was approved by Council on 5 March 2019. The TMS requires regular compliance reporting to include an analysis of deposits made during the period. This also reflects good practice and will serve to reassure that all current deposits for investment are in line with agreed principles as contained within the TMS.

7.4 The total value of long-term loans as at 31st March 2020 was £386.65m. In the ten months to 31 January 2020 £80 million of new 50-year borrowing was acquired from the PWLB, with a further £2.6 million of interest free loans from Salix Finance Limited acquired to fund environment friendly projects. The average rate of interest on the new PWLB borrowing is 1.86% (range 1.67% to 2.15%) compared with an average interest rate for the existing long-term borrowing of 3.86%. Plans for additional borrowing to support the three-year capital programme were placed on hold following the Government's decision to increase the PWLB margin over gilts to 1.8%. Cash balances remain healthy with no immediate need for additional long-term borrowing. Discussions on raising additional debt are ongoing with the Municipal Bond Agency.

Long-term Borrowing

7.5 The total loans outstanding has increased in the twelve months by £37.753 million to £386.653 million (31 March 2019: £349.08 million). PWLB rates have been highly volatile and should rates for 50-year debt dip below 2.25% consideration will be given to funding the capital programme. The authorised debt limits (absolute maximum permitted) is £739.4 million and the Operational Boundary (maximum consistent with long term affordability) is £639.4 million.

Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

7.6 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

7.7 The upper limit for variable rate exposure (40%) allows for the use of variable rate debt to offset changes in short-term investment returns. Currently the only variable debt is LOBO loans (because of the interest options). These represent 16% of current borrowing.

Table 18 Upper limits for Interest rate exposure

	Limits for 2019/20 %
Upper Limit for Fixed Rate Exposure	100
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	40
Compliance with Limits:	Yes

Table 19 Maturity Structure of Fixed Rate Borrowing

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 31/03/20 £'000	% Fixed Rate Borrowing as 31/03/20	Compliance with Set Limits?
Under 12 months	0	50	0	0.00%	Yes
12 months and within 24 months	0	50	0	0.00%	Yes
24 months and within 5 years	0	75	4,573	1.18%	Yes
5 years and within 10 years	0	75	20,516	5.31%	Yes
10 years and above	0	100	361,564	93.51%	Yes
Total			**386,653**	**100.00%**	

7.8 The above indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. Barnet debt is currently all long-term with no refinancing risk associated with short-term debt.

Table 20 Capital Financing Requirement and External Debt

	Outturn for March 2020 £'000
Prudential Indicator – Capital Financing Requirement (CFR)	
CFR – Non-housing	392,121
CFR – Housing	212,807
Total CFR	**604,928**
Prudential Indicator – The Operational Boundary for External Debt	
Borrowing	639,385
Other long-term liabilities	15,601
Total debt	**654,986**

7.9 CFR is the cost of capital assets less disposals and provision for MRP. As debt should only be for capital purposes, normally borrowing should be less than the CFR indicating that all borrowing is for capital purposes. The operational boundary for external debt is the expected debt level if capital expenditure plans are fully implemented.

8 REASONS FOR RECOMMENDATIONS

8.1 This report contains a summary of the Council's revenue and capital outturn for the financial year 2019/20 as at Month 12 (31 March 2020).

9 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

9.1 None

10 POST DECISION IMPLEMENTATION

10.1 None

11 IMPLICATIONS OF DECISION

11.1 Corporate Priorities and Performance

11.1.1 This supports the council's corporate priorities as expressed through the Corporate Plan for 2019-24 which sets out our vision and strategy for the next five years. This includes the outcomes we want to achieve for the borough, the priorities we will focus limited resources on, and our approach for how we will deliver this.

11.1.2 Our three outcomes for the borough focus on place, people and communities:

- a pleasant, well maintained borough that we protect and invest in
- our residents live happy, healthy, independent lives with the most vulnerable protected
- safe and strong communities where people get along well

11.1.3 The approach for delivering on this is underpinned by four strands; ensuring residents get a fair deal, maximising on opportunities, sharing responsibilities with the community and partners, and working effectively and efficiently

11.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

11.2.1 This report considers the financial position of the Council at the end of the financial year.

11.3 Social Value

11.3.1 None applicable to this report, however the council must take into account the requirements of the Public Services (Social Value) Act 2012 to try to maximise the social and local economic value it derives from its procurement spend. The Barnet living wage is an example of where the council has considered its social value powers.

11.4 Legal and Constitutional References

11.4.1 Section 151 of the Local Government Act 1972 states that: "without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 111 of the Local Government Act 1972 relates to the subsidiary powers of local authorities to take actions which are calculated to facilitate, or are conducive or incidental to, the discharge of any of their functions.

11.4.2 Section 28 of the Local Government Act 2003 (the Act) imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the authority must take such action as it considers necessary to deal with the situation. Definition as to whether there is deterioration in an authority's financial position is set out in sub-section 28(4) of the Act.

11.4.3 The council's Constitution, Article 7 Committees, Forums, Working Groups and Partnerships, sets out the functions of the Financial Performance and Contracts Committee as being Responsible for the oversight and scrutiny of:

- The overall financial performance of the council
- The performance of services other than those which are the responsibility of the: Adults & Safeguarding Committee; Assets, Regeneration & Growth Committee; Children, Education & Safeguarding Committee; Community Leadership & Libraries Committee; Environment Committee; or Housing Committee
- The council's major strategic contracts including (but not limited to):
  - Analysis of performance
  - Contract variations
  - Undertaking deep dives to review specific issues
  - Monitoring the trading position and financial stability of external providers
  - Making recommendations to the Policy & Resources Committee and/or
  - theme committees on issues arising from the scrutiny of external providers at the request of the Policy & Resources Committee and/or theme committees
  - consider matters relating to contract or supplier performance and other issues and making recommendations to the referring committee
- To consider any decisions of the West London Economic Prosperity Board which have been called in, in accordance with this Article.

11.4.4 The council's Financial Regulations can be found at:
https://barnet.moderngov.co.uk/ecSDDisplay.aspx?NAME=SD349&ID=349&RPID=638294

11.5 Risk Management

11.5.1 Regular monitoring of financial performance is a key part of the overall risk management approach of the Council.

11.6 Equalities and Diversity

11.6.1 Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome. The equalities impact will be revisited on each of the proposals as they are developed. Consideration of the duties should precede the decision. It is important that policy and Resources Committee has regard to the statutory grounds in the light of all available material such as consultation responses. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

11.6.2 A public authority must, in the exercise of its functions, have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

11.6.3 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- (c) Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

11.6.4 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

11.6.5 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- Tackle prejudice, and
- Promote understanding.

11.6.6 Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act. The relevant protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race,
- Religion or belief
- Sex
- Sexual orientation
- Marriage and Civil partnership

11.6.7 This is set out in the council's Equalities Policy together with our strategic Equalities Objective - as set out in the Corporate Plan - that citizens will be treated equally with understanding and respect; have equal opportunities and receive quality services provided to best value principles.

11.6.8 Progress against the performance measures we use is published on our website at: www.barnet.gov.uk/info/200041/equality_and_diversity/224/equality_and_diversity

11.6.9 Measures undertaken as part of the Council's response to the Covid-19 pandemic have been undertaken in full awareness of the Council's commitment and responsibility to act in accordance with its own Equalities Policy and wider legislation. It is notable that the virus does appear to affect some parts of the community more than others, and the Council's actions have been informed by its commitment to mitigate impacts in all areas, and to appropriately protect or shield especially vulnerable individuals, in accordance with national guidelines.

11.7 **Corporate Parenting**

11.7.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. There are no implications for Corporate Parenting in relation to this report.

11.8 **Consultation and Engagement**

11.8.1 None in the context of this report

11.9 **Insight**

11.9.1 None in the context of this report

12 BACKGROUND PAPERs

None.