

London Borough of Enfield

Finance & Performance Scrutiny Panel

14 September 2021

Subject: MTFP Update, Covid-19 Risks and Financial Resilience

Cabinet Member: Cllr Maguire, Cabinet Member for Finance & Property

Executive Director: Fay Hammond, Executive Resources

Purpose of Report

1. The report provides an update on the Council's 2022/23 to 2026/27 Medium Term Financial Plan and the risks that are faced as a consequence of the ongoing pandemic. The Council has done a significant amount of work ensuring that its budgets are more robust, and it has greater financial resilience and the impact of this is also considered in enabling the Covid-19 risks to be better withstood.

Relevance to the Council Plan

2. Robust finances are essential to delivering the Council's Corporate Plan objectives:
3. Good homes in well-connected neighbourhoods
4. Build our Economy to create a thriving place
5. Sustain Strong and healthy Communities

Medium Term Financial Plan 2022/23 to 2026/27

6. Cabinet set out its Medium Term Strategy for the five year period 2022/23 to 2026/26 at its meeting on 7 July 2021. The Strategy set out the financial challenges facing the Council over the medium term and the approach to identify efficiencies to address the funding gap. The key themes of the report were the uncertainty which currently exists in many aspects of the funding environment, the funding gap and the approach to delivering efficiencies.
7. The two major uncertainties facing the Council are Government funding and the ongoing impact of the global pandemic. In respect of Government funding there is a lack of a financial settlement from Government beyond 2021/22 and delays in the delivery of flagship policy including the long term funding of adult social care, implementation of Fair Funding to replace the current inequitable funding framework and the long overdue reset of Business Rates. The launch of the spending review was planned for before the summer recess of Parliament but is delayed until the start of September with the funding announcement now likely to be November rather than October. It is still

unclear as to whether this will be a single or multi year settlement. The impact of the Pandemic is covered in the next section of the report.

8. Table One below sets out the gap faced by the Council over the medium term.

Table One – Medium Term Financial Plan Summary

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
Funding	14.728	(7.465)	(8.955)	(4.527)	(3.021)	(9.240)
Spend	(1.043)	14.697	15.573	13.804	12.882	55.913
Gap	13.685	7.232	6.618	9.277	9.861	46.673

9. The picture for 2022/23 in particular is complex with one off Covid-19 funding and pressures being reversed out of the budget. A full explanation was included in the Medium Term Financial Strategy report to Cabinet with a commitment to bring an update on the assumptions and forecasts in October.
10. The underlying position, however, is familiar with demographic pressures of £3.466m, Inflation £7.435m and Capital Financing £3.520m outstripping the Council's tax raising powers £3.640m (rate increase of 2% and growth in the tax base) in the absence of additional Government support.

Covid-19 Risks

11. 2020/21 was a very challenging year for the Council with an appreciation of potential financial pressures gained early on but Government funding being "drip fed" throughout the financial year. Eventually, Government Grant covering the Council's costs and as a consequence of in years savings and effective financial management the balance sheet was strengthened.
12. For 2021/22 there is additional general grant of £10.554m and extension of the Sales Fees and Charges Losses Compensation Scheme as well as some support for Collection Fund losses, albeit some £5.6m short of the sum required when the Council was setting its budget back in February. At the time of the settlement there was a clear steer from Government that there would be no further support beyond the current financial year.
13. The impact of the ongoing Pandemic on the Council's finances has been set out in the first Quarterly Monitoring report of the year to Cabinet on 15 September. At present it is forecast that the various streams of support, both direct to the Council and also through the NHS will cover the additional costs incurred. The full detail is available in the Cabinet report which is published the day after the agenda for this Panel.
14. However, the risk is that these pressures persist beyond 2021/22 and continue into 2022/23 and indeed beyond. These are all under continuous review and there is a strong likelihood that £3m to £4m will need to be built into the Medium Term Plan initially as a one off but potentially as ongoing cost. The key areas of risk are:
15. Emergency Accommodation and Homelessness
16. The Council has put a strategy in place – "Preventing Homelessness and Rough Sleeping Strategy 2020-2025 to address emergency accommodation and homelessness pressures, both to reduce the impact on the residents of the Borough and to significantly reduce the cost to the Council and ultimately

the Council Tax Payer. In September 2019 there were 4,419 households in temporary accommodation, and this was forecast to increase to 4,700 by 2025. The Strategy, through a nine point plan, aims to reduce this number to 500 by 2025. However, for Enfield this is possibly where the impact of the Covid-19 pandemic has been most greatly felt. Rather than seeing a decline in 2020/21 the team needed to house 300 additional families who in normal times the Council would not have need to accommodate.

17. In 2021/22 the Covid-19 grant is covering £1.320m of additional cost and £1.900m of undelivered savings. Whilst there has been a more promising start to the year with 200 families moved out of temporary accommodation there are three factors impacting on the cost of the service – the nightly rate payable in Enfield is higher than the allowable rent charge; under the changes to the grant regime Enfield bears the cost of the management fee which has risen with the increased unemployment in the Borough; and pressure on the cost of incentive payments to landlords. These pressures are unlikely to be addressed during the course of the financial year and the savings attached to the delivery of the Strategy will in all likelihood need to be reprofiled across the five years of the MTFP.
18. Adult Social Care
19. Adult Social Care came in under budget in 2020/21 with the Covid-19 Pandemic suppressing some demands on the service but with a recognition that this would be followed by a surge in demand in 2021/22. This is evidenced in the Quarter One Revenue Monitoring Report with £5.2m of additional cost of which £0.9m is for additional hospital discharge costs met by grant routed through the NHS. Of the £4.3m, the direct impact on the service is £1.2m which is supported through general grant with the remainder met from the Contain Outbreak Management Fund, Infection Control and Rapid Testing Grant (all Government Grants supporting the Covid-19 pressures).
20. This is a complex service and one where there will inevitably be on going costs but these will not be straightforward to forecast. The key risk areas are the additional demands on the service due to the cancellation of routine operations for hips, knees etc. and ongoing hospital discharge charge costs. Additionally, there is the potential for Long Covid to place further demands across the whole service.
21. Children's Social Care
22. The position in Children's Social Care is similar to Adults with a surge in demand. There are a number of pressures coming through in the 2020/21 financial year currently forecast at £1.4m which is all covered by grant. There is greater demand for care placements and support packages for children with Special Educational Needs or severe emotional and/or mental health needs. There has been approval for additional agency workers £0.4m and fixed term appointments £0.6m agreed against grant awards for 2021/22 but there is a significant risk that this demand will persist into 2022/23 and indeed beyond.
23. SEN Transport
24. This service had historically overspent but work through the Pressure Challenge Board in 2018/19 and 2019/20 right sized the budget and

recognised the need for demographic growth year on year in the MTFP. The service delivered to budget in 2020/21 but this was in part due to reduced payments to contracts during the lockdown in early 2020 with school closures.

25. Despite the inclusion of £0.630m of demographic growth for 2021/22 the service is reporting a pressure of £1.9m. A detailed review of the pressure is underway, but the key drivers are greater than anticipated growth in users and the cost of single occupancy routes. The number of single occupancy routes is however predominantly driven by behavioural issues and in borough provision being across a greater number of sites rather than the impact of social distancing due to Covid-19.
26. Resources
27. There is £4.1m of Covid-19 spend being forecast for Resources with the large value spend areas being delivery of Winter Grant activities £1.9m and support for those shielding for which there are specific grant streams. This work is not currently expected to continue beyond 2021/22. The two major risk areas going forward are Financial Assessment where there has been a need for additional staff and overtime work at a cost of £0.4m and Revenue & Benefits £0.5m where there has been a similar increase in workload and reliance on agency staff and Civica on Demand. At present it is difficult to forecast when these two pressures will ease, and they are certainly key risk areas for 202/23.
28. Fees & Charges
29. In 2021/22 there is currently a total shortfall of £5.5m across all services. There are minor shortfalls on waster income, regulatory service and leisure but the great impact is currently on pay and display parking charges of £2.7m. As with spend the income is being closely monitored and the position regularly review. Car parking is undoubtedly the great risk with footfall in town centres is still down and potentially could never return to pre Covid-19 levels.
30. Collection Fund
31. The impact of Covid-19 on both Business Rates and Council Tax was one of the specific risks highlighted when the budget was approved in March and the Council took a prudent approach on its forecasts for both of these revenue streams.
32. For Council Tax, the risks were threefold – increased number of residents on Council Tax Support reducing the Tax Base, lower in year collection and reduced historical collection putting pressure on Bad Debt Provisions. The in year position for 2021/22 is currently positive on all three fronts with the extension of the Government's furlough scheme being the major contributory factor. The extension of the scheme had not been announced until after the Council set its budget. The risk does remain though and the impact of the scheme ceasing at the end of September will need to be closely monitored, for both its impact on 2021/22 and also in 2022/23 with assumptions of economic recovery built into the first three years of the MTFP.
33. There is a similar picture with Business Rates. Again, a prudent position was adopted when setting the budget with a reduction in tax take of £4m for the year ahead of a limited extension of retail and leisure reliefs for the first

quarter of the year announced by Government in the early March. There are no in year concerns at present but given the sums involved and some continued uncertainty on economic recovery, this is definitely an area for close monitoring for the remainder of the year. For the MTFP, the suppressed levels of Business Rates were assumed to remain in 2022/23 before recovering to pre pandemic levels across the subsequent three years.

Financial Resilience

34. The Council has delivered an expensive programme of work to ensure that its overall finances are robust and sustainable and this has been the subject of regular reports to Audit & Risk Committee initially and General Purposes Committee more recently. Historical spending pressures and unachievable income and savings targets have been stripped from the budget and the annual service overspends present addressed over time leading to a balanced outturn for 2020/21.
35. As a consequence of this work coupled with the generation of in year savings and tight financial management preserving the revenue Contingency the Council's balance sheet has been strengthened, the headline changes being £10m set aside for future Covid-19 pressures and the Risk Reserve being increased to £20.923m to cover unquantified risks facing the Council.
36. This work very much continues. The strategy of Budget Pressure Challenge Boards is still in place with the first two having taken place – covering Emergency Accommodation & Homelessness and Special Education Needs Transport. Also, in operation is the Savings Tracker which has been in place since late March after approval of the Budget by Council. Individual savings proposals are managed on a project basis with actions milestones and scrutinised ahead of the start of the financial year. The Tracker is reported in detail in the Quarterly Revenue Monitoring Report.

Conclusions

37. The general environment of uncertainty continues and the robust monitoring and management of the in year budget and regular review of medium term assumptions already in place will continue. A number of the risks identified will undoubtedly materialise and will need to be brought into the 2022/23 to 2026/27 Medium Term Financial Plan

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Appendices

Background Papers

The following documents have been relied on in the preparation of this report: