



C A B I N E T

S U P P L E M E N T A R Y P A C K

Monday, 18th May, 2020

at 6.00 pm

Tim Shields
Chief Executive

15 May 2020

Contact:
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AGENDA

Monday, 18th May, 2020

ORDER OF BUSINESS

Item No		Page No
8	2019/20 Overall financial position, property disposals and acquisitions report - Key Decision No. FCR Q10 - TO FOLLOW This OFP presents an update on the current financial position which takes account of the estimated financial impact of COVID 19 and the on-going emergency.	1 - 38



**2019/20 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS
AND ACQUISITIONS REPORT (FEBRUARY 2020)
KEY DECISION NO. FCR Q10**

CABINET MEETING DATE:

18th MAY 2020

CLASSIFICATION:

OPEN

WARD(S) AFFECTED:

All wards

CABINET MEMBER

Deputy Mayor Rebecca Rennison

Cabinet Member for Finance, Housing Needs and Supply

KEY DECISION

Yes

REASON

Spending or Savings

GROUP DIRECTOR

Ian Williams: Finance and Corporate Resources

1.0 CABINET MEMBER'S INTRODUCTION

- 1.1 This report would normally set out the financial position of the Council at the end of February 2020. However, as predating the Covid-19 pandemic, this would provide a poor assessment of the Council's current financial position.
- 1.2 We are instead presenting in this report, an assessment of the financial impact of Covid-19; which updates the assessment made in the Special Cabinet report of 22nd April.
- 1.3 The Council responded swiftly to the Covid-19 pandemic, putting in place the support and resources local residents and businesses need, with our staff doing an incredible job and coordinating everything from food deliveries to emergency accommodation, working closely with local partners and the voluntary sector.
- 1.4 However, this has come at a cost to our finances. This report sets out how in April and May 2020 we will have spent a further £5.5 million on General Fund services in responding to Covid-19 in Hackney. Over the same period, we have also seen a drop in income of £15.5 million that would normally go towards funding local services, with a further £2.5 million in lost rental income from Council homes and properties.
- 1.5 Extrapolating this out to a full year, on our current forecast, that leaves Hackney Council facing an in-year shortfall of £71 million. Support from the Government to date has totalled just shy of £18 million, with recent rhetoric from the Secretary of State for Housing, Communities and Local Government implying little more support is coming.
- 1.6 While our sound financial management and a robust reserves policy means there is no immediate risk to services, the forecast budget gap currently equates to nearly half the level of severe funding cuts we have seen from central Government over the past decade - in just one year.
- 1.7 On top of this the Government is changing the way it calculates the impact of Covid-19 on local authorities' budgets. In this return we have been asked to forecast our year end position on the assumption that life returns to normal from the end of July, and our spend and income return to pre-Covid-19 positions. This is naive at best and at worst could be used to provide a misleading picture of the perilous position local authorities will find themselves in if the Government fails to act. We have provided this information in good faith and hope it is used in the same manner.
- 1.8 And while we are delighted that the Government has listened to calls from local authorities up and down the country, including Hackney, to halt the Fair Funding Review, unless formally shelved the prospect of further funding cuts, at a time when what is needed is investment, continues to hang over local authorities.

1.9 We recognise this is a unique set of circumstances and we are prepared to work with central government on finding a way forward. But as this report sets out, without a clear commitment from Government to help meet the shortfall in funding brought about by Covid-19, we risk seeing a health crisis both followed and compounded by a crisis in public services, an impact on the most vulnerable and a rise in inequality. This cannot be allowed to happen.

2.0 GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 Clearly the epidemic and the 'lockdown' have significant implications for the Council's services and considerable financial implications. This report presents an update on the Government's response to this in terms of emergency measures and financial support for local authorities, and an update of the potential financial implications set out in the Cabinet report of 22nd April. As with those in the previous Cabinet report, these estimates are provisional and will be revised as more information becomes available.

2.2 It must be noted that Government funding listed in this report is intended to cover the epidemic only and funding is of a one-off nature. It follows that to protect the Council's financial position going forward, we must ensure that no expenditure commitments are given that are of an ongoing nature without full political oversight and update through future Cabinet Reports where they will require a subsequent increase in cash limits.

2.3 On the issue of Government funding, I retain concerns about its adequacy, which are discussed in this report.

2.4 To enhance governance and accountability and to facilitate control of Covid-19 spending particularly in the context of the available grant, the finance teams are carrying out a comprehensive expenditure tracking exercise which will identify and record all Covid-19 related spend. This will be produced for senior officers on a fortnightly basis and reported to Cabinet each month in the Overall Financial Position Report.

2.5 On other matters, On 28th April, the Government confirmed that the review of relative needs and resources (Fair Funding) and the move to 75% business rates retention will no longer be implemented in April 2021. At this stage, it is not clear when these reforms will be introduced.

2.6 It also remains unclear when the Comprehensive Spending Review will take place. It is doubtful that the government will be in a position in the near future to commit to public spending levels over the medium term given the current uncertainty and flux in the economy. It follows that we will need to continue to plan with little or no funding certainty over the medium term in the context of significant additional spending and reduced income as a consequence of Covid.

- 2.7 It is by no means clear what the longer-term financial impact on local government will be as a result of Covid-19 but this week we saw some dire warnings on the outlook for the economy. On Wednesday 13th May, ", the Chancellor warned that the UK faces a "significant recession, after figures showed the economy shrank by 2% in the first three months of the year. The figures are the first official look at the lockdown's financial effects and show a contraction of 5.8% in March GDP (gross domestic product) alone - the biggest monthly fall on record. As we know the UK went into lockdown near the end of the quarter and so the quarterly GDP figure is only a partial representation of the lockdown's financial impact. Chancellor Rishi Sunak told reporters that "Technically a recession is defined as two quarters of negative GDP, we've now had one...so yes, it is now very likely that the UK is facing a significant recession at the moment and this year."
- 2.8 Prior to this announcement, the Bank of England warned that the UK economy is heading towards its sharpest recession on record. The coronavirus impact, it stated, would see the economy shrink 14% this year, based on the lockdown being relaxed in June. Bank governor Andrew Bailey went on record as saying that there would be no quick return to normality and he described the downturn as "unprecedented" and said consumers would remain cautious even when lockdown restrictions are lifted. Mr Bailey also said: "Not all of the economic activity comes back. There is quite a sharp recovery. But we have also factored that people will be cautious of their own choice. "They don't re-engage fully, and so it's really only until next summer that activity comes fully back."
- 2.9 On a related matter, the press reported on Wednesday 13th May, that a Treasury document estimated the UK's deficit could reach £337 billion this year because of the pandemic, compared to the forecast £55 billion in March's Budget. The assessment, drawn up for the Chancellor and dated May 5, reportedly warned that to fill such a gap in the public finances through tax revenue rises would be "very challenging without breaking the tax lock". The paper said measures including income tax hikes, a two-year public sector pay freeze and the end of the triple lock on pensions may be required to fund the debt. It suggests either raising taxes or reforming tax reliefs to fill the gap in public finances. In the worst-case scenario, the assessment reportedly warns that the deficit could increase to £516 billion in the current financial year. The Treasury declined to comment on the report, but it is understood that the document is one of many put together by different teams to discuss ideas about future policy.
- 2.10 In the report to Cabinet on the 22 April 2020 Cabinet put in place a delegation to the Chief Executive and Group Director of Finance and Corporate Resources in particular in relation to the allocation of funding to services. At this stage and in light of the relative short passage of time since the last Cabinet meeting the allocations are still notional and are being held corporately so that they can be considered alongside the second tranche of funding. A further update on these will be provided at the next Cabinet meeting in June.

- 2.11 The reason for the lateness of the report is because in order to give the most accurate assessment of the council's financial position, we needed to include the financial data included in a financial survey data returned to the Ministry for Housing, Communities and Local Government (MHCLG). This was not completed until 15th May.

3.0 RECOMMENDATIONS

- 3.1 Cabinet to note the updated potential financial implications of Covid-19 as set out in this report.**

- 3.2 Cabinet to reconfirm the recommendation 3.1 approved at the meeting of 22nd April. The recommendation was “that authority be delegated to the Chief Executive and the Group Director of Finance and Corporate Resources to allocate COVID-19 Grant Funding to the Council service areas as required in consultation with the Mayor and Deputy Mayor (Finance)”. This will again be reviewed at the next cabinet meeting.**

4.0 REASONS FOR DECISION

- 4.1 To facilitate efficient financial management and control of the Council's finances with special regard to the impact of the Covid-19 Pandemic.

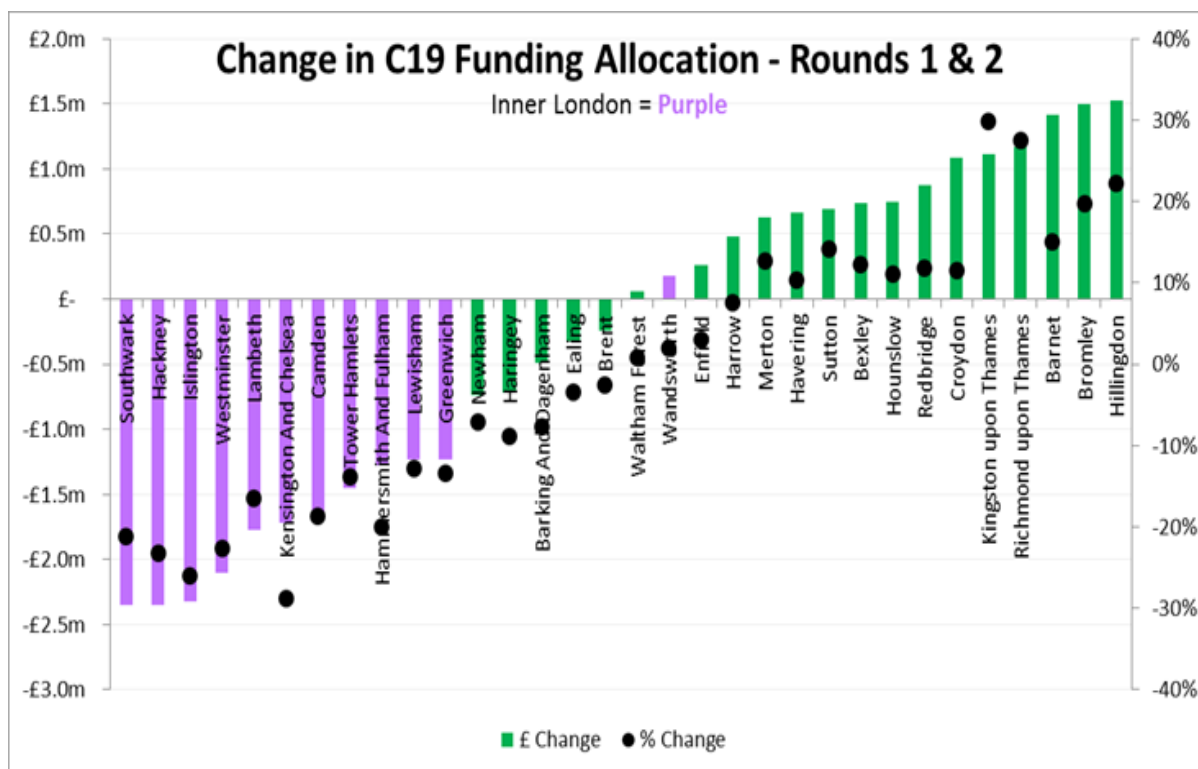
5.0 EMERGENCY FUNDING MEASURES ANNOUNCED BY THE GOVERNMENT

- 5.1 The emergency funding announced by the Government up until 20th April was reported in detail, in the Special Cabinet report of 22nd April. This included the initial Emergency Fund allocation of £1.6bn, the second £1.6bn allocation announced on 18th April; the £500m Hardship Fund which provides support to council taxpayers in local areas; various business rates holidays, reliefs and discounts, and grants to small businesses and to small and medium businesses (with a rateable value (RV) of £51k or less) in the retail, leisure and hospitality sectors.
- 5.2 Since 20th April, the individual authority allocations under the second £1.6bn allocation were announced and Hackney received £7.74m. This compares to £10.09m under the original allocation, leaving our tranche 2 funding £2.3m less than tranche 1.
- 5.3 The reduction reflects the use of a different allocation method by the Government. Tranche 1 was allocated primarily on the basis of Adult Social Care Relative Needs Assessments (87.5%), with the balance being allocated out on the basis of shares of total Settlement Funding Assessment.

- 5.4 The method used for tranche 2 is a simple per capita allocation (£28 per head). In county areas, 65% is apportioned to the county council and 35% to the district council. The result of this change in methodology is a greater proportion of funds going to non-urban areas, particularly the shire districts which only received £10m in total out of the first £1.6bn tranche
- 5.5 The MHCLG website stated that the split of funding between county and district councils also reflects the financial pressure being felt by councils as a result of residents doing the right thing and staying at home, *rather than using services including car parks and leisure facilities*. This is clearly an admission by the Government that it recognises that councils will lose income as a result of Covid-19 and it has chosen to respond by compensating district councils for this.
- 5.6 The difference between the allocations under tranche 1 and tranche 2 for each tier of council is shown in the table and chart below and as can be seen, shire districts get significantly more funding under tranche 2 while counties get significantly less and metropolitan districts are also allocated less.

	Tranche 1	Share	Tranche 2	Share	Variance
Shire districts	9,742,549	1%	214,031,274	13%	204,288,725
Fire	6,538,840	0%	28,499,109	2%	21,960,269
Outer London boroughs	144,049,448	9%	154,462,258	10%	10,412,810
Metropolitan districts	395,191,207	25%	332,519,830	21%	-62,671,377
Unitaries (<u>without</u> fire)	336,057,906	21%	339,673,509	21%	3,615,603
Shire counties (<u>without</u> fire)	340,580,419	21%	236,772,491	15%	-103,807,928
Inner London boroughs	110,166,778	7%	90,502,560	6%	-19,664,218
Greater London Authority	9,302,766	1%	9,249,974	1%	-52,792
Shire counties (<u>with</u> fire)	201,603,123	13%	148,396,337	9%	-53,206,786
Unitaries (<u>with</u> fire)	46,766,964	3%	39,892,658	3%	-6,874,306
England	1,600,000,000	100%	1,594,000,000	100%	-6,000,000

- 5.7 As can be seen from the table, shire districts' share has increased from 1% to 13% (in fact, the average payment to shire districts has increased from £51,000 to £1.1m).
- 5.8. Elsewhere in the country, it is higher-needs authorities that have lost-out as they get less under a flat per capita distribution, while the opposite is the case for lower needs councils.
- 5.9 In London, Outer London boroughs receive marginally more, although Newham's allocation has fallen reflecting its high needs. The position in London is shown in the next chart and as can be seen, all Inner London boroughs with the exception of Wandsworth lose funding compared to tranche 1. Hackney and Southwark have the largest loss of funding relative to tranche 1 in £m terms, while Kensington and Chelsea have the largest % loss. Most Outer London boroughs get more funding in tranche 2.



- 5.10 Just as this report was being finalised (13th May), the Prime Minister pledged an extra £600m for infection control in care homes to fight COVID-19. Our role in this will primarily be one of passporting the funding and so the allocation we receive cannot be viewed as further assistance to mitigate the financial pressures we are under.
- 5.11 In line with a guidance note issued by ADASS and the LGA, Adults Services has worked with social care providers in the borough to understand the financial pressures they are under as a result of COVID-19. We are now in the process of agreeing a temporary flat-rate uplift with providers in order to mitigate these additional costs and assist with sustainability. The cost of these arrangements is recorded in the updated cost estimates presented below.
- 5.12 Since April 22nd, further government guidance has been published on the Emergency Fund and related assistance. There has been some further clarity on how local early years providers can combine central government business support measures with early years funding provided by the Council. It has been confirmed that it is possible to part-furlough staff who work on services funded by the public sector, when those staff also work on services not funded by public funding. A recent letter from the Secretary of State for Education also noted that young people who have left, or are about to leave, care, whether that's foster families or residential care, may be especially vulnerable right now. The letter stated that no young person should have to leave care during this period, and this cost is to be funded from the Emergency Fund. Locally we are extending some placements in this respect and are carefully tracking the additional costs as attributable to Covid-19.

5.13 On 27th April the Government responded to criticisms of its business grants system by introducing a new fast-track finance scheme which will provide loans with a 100% government-backed guarantee for lenders. Small businesses will be able to borrow for a loan of up to 25% of turnover subject to a maximum of £50,000. According to the Government, businesses will be able to access the cash within days. Loans will be interest free for the first 12 months, and businesses can apply for the grants online by completing a form. No repayments will be due during the first 12 months.

5.14 On the business grants system we are administering on behalf of the central government, we received £64.6m in grant funding to allocate qualifying local businesses as one-off grants. As at 15 May 28 grant payments totalling £54.75m (84% of the total) have been made to 3,708 ratepayers:

Scheme 1 (Small Business Rate Relief Cases RV up to £15k), 2,297 businesses paid with a total payment of £22.97m

Scheme 2a (Retail Relief Cases RV up to £15k), 233 businesses paid with a total payment of £2.33m

Scheme 2b (Retail Relief Cases RV over £15k up to £51k), 1,178 businesses paid with a total payment of £29.45m.

5.15 On business rates relief, as noted in the report of April 22nd, the government has implemented a range of additional business rates reliefs over and above those already granted and included in our 2020/21 NNDR 1 return, for various groups of businesses. An additional £46.3m of retail relief has been granted to 2,280 retail, hospitality, and leisure ratepayers. The Government has confirmed that the EU has agreed to suspend State Aid rules in relation to these reliefs. We have also identified £745k of relief to be awarded under the new Nursery relief scheme, and these have started to be awarded. We will be compensated for these business initiatives through S31 grant.

5.16 As noted above, the Government announced it would provide local authorities in England with £500m of new grant funding to support economically vulnerable people and households in their local area. No additional funding for this initiative has been announced since. We have amended our Discretionary Policy under Section 13A which will allow us to make the council tax reductions and are working with our software suppliers on the upgrades needed to the core software to process these and to rebill claimants. The latest software release from our supplier is currently being tested by the Council's Revenues and Benefits service. As reported previously, we have also invested an additional £500,000 in the Council's Discretionary Crisis Support Scheme, which residents can apply for urgent financial support with emergency needs and a further £120,000 has been invested to support Discretionary Housing Payments for those needing support with rent.

- 5.17 MHCLG has issued two surveys to collect information on what local authorities are planning to spend which will hopefully inform its decision on future funding support for councils. However, there are a number of longer-term pressures that the surveys do not collect information on. It is difficult to predict the extent of these as they will depend on the duration of prolonged social distancing and self-isolation of vulnerable people and how long it takes to develop a vaccine. We are already finding indications, for example, that care markets are changing with an underlying increase in costs.
- 5.18 Growth in council tax and NNDR taxbases has been and will continue to be constrained which will impact on income later on this year and in future years. There will also be an increase in capital costs resulting from delays to projects and there is the potential for significant stagnation in local economies which will impact on local authority traded and other income going forward. We also anticipate significant price increases in the future as many suppliers look to recoup lost earnings.
- 5.19 It is clear that MHCLG must ensure that proper allowance is made for these pressures as well as the others noted in section 6 below as it designs and implements its strategy for addressing the full financial consequences of Covid-19. Failure to do this will increase the likelihood of many councils issuing Section 114 notices (unable to declare bankruptcy, councils instead issue a Section 114).
- 5.20 More generally, MHCLG needs to give councils more clarity and certainty about its future Covid-19 funding plans and there needs to be a move away from the current approach of incremental funding to a more comprehensive and sustainable approach.

6.0 UPDATED COST AND INCOME PRESSURES ANALYSIS

- 6.1 On May 15th, we submitted a further Covid survey return to MHGLG. We submitted the first one in April which formed the basis of the April 22nd Special Cabinet report on the financial impact of Covid. As with the first, this survey is designed to help departments across central government understand the impact of the Covid-19 pandemic on local authority finances - "This collection is for planning purposes; to help us identify where the greatest pressures are likely to be going forward and to inform our ongoing assessment of likely future costs. The information you provide will not be used for monitoring or auditing purposes." (MHCLG)
- 6.2 This second survey requires more detailed information than the first survey and we are now reporting April, May, and the full year impact, whereas in the first one we reported March, April and the full year. However, there is one very significant difference. In the first survey it was left to councils to determine how to estimate the full year but in this survey, MHCLG have stated that

“Where full financial year estimates are requested, **please estimate these assuming current restrictions remain in place until the end of July 2020, and thereafter the situation reverts entirely back to a position you anticipated prior to COVID-19.** Note that this assumption is intended for accounting purposes only and solely to improve consistency in the returns provided and should in no way be interpreted as government policy.”

- 6.3 Whilst acknowledging the caveat re the purpose of this definition, it must be recognised that the full year estimates calculated in this way will be a significant underestimation of the true underlying pressures the Council faces. For example, even if the lockdown restrictions are eased in June and July, there will not be the same number of businesses paying full rates post July as there were prior to Covid-19 nor the same demand for commercial waste collection nor the same income from fees and charges. And given the country will almost certainly be in a very serious recession by the third quarter of this year, it is impossible to see how income levels will return to their pre Covid level in 2020/21 at all let alone by the end of July. In fact, some of these income reductions will work through into 2021/22 and potentially beyond this depending on the severity of the recession. Also, many of the additional cost pressures faced are not going to cease at the end of July and will continue throughout the year.
- 6.4 It follows that the full year estimates of increased spend and reduced income as specified by MHCLG and returned in the second survey are a wholly inadequate indicator of the pressures the Council faces and are not comparable to the estimates that were included in the Special Cabinet report of April. Given this, as well as calculating estimates for the survey, services have also calculated their own estimates of the full year impact without the MHCLG end of July constraint noted above.
- 6.5 And so in the tables below, we show the April, May and Full Year estimates as returned on the survey to MHCLG plus an additional column which is our estimate of the full year cost which is a far more accurate and meaningful estimate of the pressures we face than what MHCLG have asked for and is more comparable with previous estimates.

Covid-19 Additional Expenditure Pressures - General Fund (GF)

Service area	April 2020 £m	May 2020 £m	MHCLG Full Financial Year 2020-21 £m	LBH Full Financial Year r2020-21 £m
Adult Social Care – additional demand	0.050	0.050	0.300	0.750
Adult Social Care – supporting the market	0.567	0.567	3.400	4.400
Adult Social Care – workforce pressures	0.050	0.100	0.500	0.750
Adult Social Care - Personal protective equipment (PPE)	0.155	0.140	0.437	0.437
Adult social care total	0.822	0.857	4.637	6.337
Children’s Social Care – workforce pressures	0.040	0.080	0.400	0.640
Children's Social Care - residential care	0.021	0.031	0.230	0.690
Children's Social Care - care leavers	0.007	0.014	0.105	0.315
Children’s Services - other	0.015	0.015	0.060	0.090
Children's Social Care total	0.083	0.140	0.795	1.735
Education - SEND	0.000	0.015	0.020	0.045
Education - other	0.042	0.150	0.917	0.917
Education total	0.042	0.165	0.937	0.962
Housing - homelessness services	0.083	0.067	0.268	0.772
Housing - rough sleeping - accommodating and supporting those brought into alternative accommodation	0.040	0.097	0.330	0.832
Housing total excluding HRA	0.123	0.164	0.598	1.604
Cultural & related - Sports, leisure, and community facilities	0.200	0.180	0.800	3.400
Cultural & related total	0.200	0.180	0.800	3.400
Environment & regulatory - waste management	0.300	0.300	1.200	2.400
Environment & regulatory - total	0.300	0.300	1.200	2.400
Finance & corporate - ICT & remote working	0.155	0.070	0.278	0.278
Finance & corporate - Revenue & benefits expansion	0.000	0.031	0.243	0.690
Finance & corporate - other	0.155	0.252	0.483	0.588
Finance & corporate - total	0.310	0.353	1.004	1.556
Other - Shielding	0.130	0.130	0.500	1.000
Other - PPE (non-Adult Social Care and HRA)	0.029	0.298	0.952	1.968
Other - unachieved savings/delayed projects	0.281	0.281	1.274	2.925
Other - excluding service areas listed above	0.192	0.192	0.769	0.938
Other total (includes Shielding)	0.632	0.901	3.495	6.831
TOTAL SPENDING PRESSURE (General fund)	2.512	3.060	13.466	24.825

Covid-19 Additional Expenditure Pressures - Housing Revenue Account (HRA)

Service area	April 2020 £m	May 2020 £m	Full Financial Year 2020-21 £m	LBH Full Year Estimate £m
HRA - supplies and materials including PPE	0.015	0.015	0.060	0.100
HRA other	0.350	0.350	2.100	2.100
TOTAL SPENDING PRESSURE (HRA)	0.365	0.365	2.160	2.200

6.2 Overall the total full year spending pressure (GF and HRA) is £27m on the basis of our estimates (which are not constrained by the MHCLG requirement to assume everything returns to normal in financial terms at the end of July), which compares to an estimated total pressure of £25.5m in the Special Cabinet report, reflecting more up to date data and more experience with the cost pressures.

6.3 Turning to income, a summary of the estimated reductions for April, May, Full Year (MHCLG basis) and the full year (LBH basis) is shown below.

Covid-19 Reduced Income - General Fund

Income Source	April 2020 £m	May 2020 £m	MHCLG Full Financial Year 2020-21 £m	LBH Full Financial Year 2020-21 £m
Business Rates cash receipt losses	3.400	3.400	13.800	8.280
Council Tax receipt losses	1.500	1.500	6.000	9.360
Total Council Tax & Business Rates	4.900	4.900	19.800	17.640
Highways and Transport Sales Fees & Charges (SFC) losses	1.000	1.500	6.500	9.500
Cultural & Related SFC losses	0.050	0.050	0.250	0.250
Planning & Development SFC losses	0.100	0.100	0.500	0.500
Other SFC income losses	0.616	0.510	2.166	3.816
Sales, Fees & Charges (SFC) income losses total	1.766	2.160	9.416	14.066
Commercial Income losses	0.609	0.609	2.831	3.552
Other income losses	0.359	0.359	1.436	1.831
Other Income Losses	0.968	0.968	4.267	5.383
TOTAL INCOME LOSS	7.634	8.028	33.483	37.089

Note: For the survey we have to show the loss in council tax suffered by LBH & the GLA whereas in our estimate we just show the impact on LBH. This is the same for business rates - in the survey we show the losses suffered by LBH, the GLA & Government but in our estimate, we just show LBH's losses.

Also, for the survey we have to include business rates reliefs in the losses which is not shown here as it makes it difficult to disentangle the true losses from those covered by reliefs

Covid-19 Reduced Income - HRA

Income Source	April 2020 £m	May 2020 £m	Full Financial Year 2020-21 £m	LBH Full Year Estimate £m
HRA – residential rent arrears	1.000	1.000	5.200	5.200
HRA – commercial rent arrears	0.030	0.030	0.110	0.110
HRA – losses from voids	0.000	0.020	0.120	0.120
HRA – other	0.250	0.250	1.200	1.200
TOTAL INCOME LOSS	1.280	1.300	6.630	6.630

- 6.6 Overall the total estimated full year income reduction (GF and HRA) is £44m on the basis of our estimates (which are not constrained by the MHCLG requirement to assume everything returns to normal in financial terms at the end of July), which compares to an estimated total reduction of £46m in the Special Cabinet report - a small reduction of £2m
- 6.7 The income position on the General Fund is virtually unchanged from the position in the Special Cabinet Report (£37m). The HRA though is assuming a reduction in income of £2m compared to the Special Cabinet report, reflecting a downward reassessment of residential rent arrears in the light of recent collections and the clear financial impact of Covid-19 on our tenants.
- 6.8 The analysis shows that the total full year provisional financial pressure (expenditure and income) on the General Fund and HRA arising out of Covid-19 is £71m which compares to £72m in the Special Cabinet report. The pressure on the General Fund is £62m and that on the HRA is £9m
- 6.9 The Government still has not announced any financial support for councils' HRAs but it is now gathering information on the HRA in the latest survey which hopefully means it may provide funding at some stage.
- 6.10 In terms of the General Fund, as noted above, we have received £10.1m Emergency Fund Grant from the first tranche and £7.7m from the second tranche. to set against these pressures and we have £15m of unallocated General Fund balances that we are legally required to maintain and that the Group Director of Finance and Corporate Resources has to personally and professionally sign off. It is therefore clear that based on these estimated pressures a significant funding gap will start to emerge towards the end of the first three months and further funding will be required from Government in addition to the Emergency Fund and 18th April allocations, to plug this gap.

- 6.11 The actual level of additional spending and income loss will of course depend primarily on the length of time emergency Covid-19 measures remain in place and the extent to which society recovers and gets back to normal in the coming months. Also, policy decisions will impact on income such as the extent to which fees, charges and rent are waived or delayed will impact on the overall income loss. Officers will continue to assess the expected spending increases and income losses as new information becomes available and report this back through the OFP.
- 6.12 In respect of the HRA, as stated previously, no support has yet been identified by the Government and the projected level of reserves is £15m.
- 6.13 The Group Director of Finance and Corporate Resources is currently in the process of reviewing all earmarked reserves, planned investments and other opportunities to identify the potential to free up resources but the organisation's financial resilience was already under significant stress and it is unlikely that significant resources can be freed up.
- 6.14 Finally, it must be noted that some residents and businesses may well experience a longer-term impact and this will, in turn, impact on the Council's services. As with the current period of 'lockdown', the Council's role supporting Hackney will remain crucial. As more information becomes available on the duration and impact of the pandemic and hence potential medium and long-term effects, we will reflect this in our financial analysis.

7.0 REDUCTION IN EXPENDITURE

- 7.1 It looks likely on the basis of the updated analysis that we will not have sufficient resources to meet the service requirements and income losses arising out of the Covid-19 epidemic in the medium term unless further Government funding is forthcoming. It follows that the Council may need to consider the extent to which it stops expenditure on non-essential work across both the revenue and capital budgets and what resources can be reallocated to fund the Council's response to the Covid-19 crisis as part of the Medium Term Financial Planning process. In addition, steps may need to be taken to support the Council's financial stability. Options include delaying some capital projects and new revenue-based initiatives; and looking at the service investments made as part of the 2020/21 budget setting process to see which investments can be paused or cancelled to free up money to fund our response to the Covid-19 crisis.
- 7.2 The Group Director of Finance and Corporate Resources is, as was set out in the report in April, currently examining the following areas in order to generate options to support the Council's financial stability:
- Reviewing the Council's reserves to develop options for re-appropriating reserve funds to help support the Council's response to Covid-19 as part of the closure of accounts process. This may mean delaying some projects or activities initially expected to be funded from reserves.

- Looking at the investments made in services as part of the 2020/21 budget setting process to see which investments can be paused or cancelled to free up money to fund the Council's response to the Covid-19 crisis.
- Refining and developing a governance process to ensure expenditure is signed off by appropriate officers to keep expenditure focused on the Covid-19 response.
- Closely monitoring the Council's income streams and debt levels to see what effect the Covid-19 crisis is having on the Council's income.
- Looking at the cost of all non-essential services to assess what costs could be saved in the event it is necessary for the Council to enter into a period of financial 'lockdown'.
- Working with HMT and service Directors to identify aspects of the Council's impressive response to Covid-19 which might help to identify opportunities to change service delivery / ways of working in ways that might mitigate some of the impact on services presented by significant financial threat outlined in this report. This is an opportunity to ensure that the ambition, innovation, and imagination shown in the Council's response is not lost but embedded in future operating models.

7.3 The Group Director of Finance and Corporate Resources will also be undertaking further analysis of the structural impact of additional spending and loss of income to distinguish between genuinely short term, one off impacts and the more medium and longer term impacts.

7.4 It is intended that a report will be brought to Cabinet reflecting the review and analysis set out in sections 7.2 and 7.3, together with any key decisions, before the summer recess.

7.5 In the longer term we must also recognise that the costs the Government has incurred in respect of the Covid-19 pandemic and the consequences for the economy, in particular the inevitable reduction in tax revenues, will have to be paid for and so the likelihood of a further round of public sector austerity post 2020/21 is a real possibility. This will have implications for our services and the stability of our financial position going forward.

7.6 In addition, the Government's response to the Covid-19 crisis is developing with the potential for more funding announcements and support to local government to meet the financial implications of the crisis. The Group Director of Finance and Corporate Resources will continue to update the Council as these announcements are made and it is the Group Director of Finance and Corporate Resources' intention to bring back a further update to future meetings.

8.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

This report is primarily an update on the Council's financial position and the implications of the Covid-19 crisis. No alternative options are available.

9.0 BACKGROUND

9.1 Policy Context

This report describes the Council's Medium-Term Financial position at end April 2020 which takes account of the estimated potential impact of Covid-19.

9.2 Equality Impact Assessment

Equality impact assessments are carried out at budget setting time and included in the relevant reports to Cabinet. Such details are not repeated in this report.

9.3 Sustainability

As above.

9.4 Consultations

Relevant consultations have been carried out involving, the Mayor, the Deputy Mayor and Member for Finance, Housing Needs and Supply, HMT, Heads of Finance and Directors of Finance.

9.5 Risk Assessment

The risks associated with the schemes Council's financial position are detailed in this report.

10. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

- 10.1 The Group Director, Finance and Corporate Resources' financial considerations are included throughout the report.

11. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

- 11.1 The London Borough of Hackney is a Category 1 responder under the Civil Contingency Act 2004 and accordingly has duties including to assess risk and to maintain plans for emergencies and to provide advice and assistance in connection with the making of arrangements for the continuance of commercial activities by the public, or the continuance of the activities of bodies other than public or local authorities whose activities are not carried on for profit, in the event of an emergency.

- 11.2 Under section 138 of the Local Government Act 1972, where an emergency or disaster involving destruction of or danger to life or property occurs or is imminent or there is reasonable ground for apprehending such an emergency or disaster, and a principal council are of opinion that it is likely to affect the whole or part of their area of all or some of its inhabitants, the council may
- (a) incur such expenditure as they consider necessary in taking action themselves (either alone or jointly with any other person or body and either in their area or elsewhere in or outside the United Kingdom) which is calculated to avert, alleviate or eradicate in their area or among its inhabitants the effects or potential effects of the event; and
 - (b) make grants or loans to other persons or bodies on conditions determined by the council in respect of any such action taken by those persons or bodies.
- 11.3 The Coronavirus Act 2020 provides for a variety of powers for, and obligations placed upon, local authorities during the Coronavirus pandemic, which may have financial implications for the Council.
- 11.4 Having set the budget earlier in the year, the Council is under a duty to monitor that budget during the course of the year and to take remedial action if at any time it appears likely that expenditure will exceed available resources.

Appendix 1: Covid-19 Survey returned to MHCLG on 15th May

Report Author	Russell Harvey – Tel: 020-8356-2739 Senior Financial Control Officer russell.harvey@hackney.gov.uk Ian Williams – Tel: 020-8356-3003 Group Director of Finance and Corporate Resources ian.williams@hackney.gov.uk
Comments of the Group Director of Finance and Corporate Resources	Ian Williams – Tel: 020-8356-3003 Group Director of Finance and Corporate Resources ian.williams@hackney.gov.uk
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Cabinet

18 MAY 2020

**2019/20 Overall financial position,
property disposals and acquisitions
report**

Key Decision No. FCR Q10

Appendix 1

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COVID-19 local authority financial management information

COVID-19 local authority financial management information

You are reporting on behalf of:**Billing or precepting authority:**

This is Round 2 of a data collection designed to help departments across central government understand the impact of the COVID-19 pandemic on local authority finances. This collection is for planning purposes; to help us identify where the greatest pressures are likely to be going forward and to inform our ongoing assessment of likely future costs. The information you provide will not be used for monitoring or auditing purposes. We will also share a summary of the findings with you in due course.

As outlined in Round 1, we recognise that the situation your authority faces is continually changing and we will continue to repeat and refine this collection on a rolling monthly basis. For Round 2, you are asked to restate your April 2020 estimates based on actual/outturn data where available, alongside projected estimates for May 2020 and the full 2020-21 financial year.

Where full financial year estimates are requested, please estimate these assuming current restrictions remain in place until the end of July 2020, and thereafter the situation reverts entirely back to a position you anticipated prior to COVID-19. Note that this assumption is intended for accounting purposes only and solely to improve consistency in the returns provided and should in no way be interpreted as government policy.

We appreciate that you might not have precise figures, but your estimates are extremely useful in the absence of robust data. However please ensure to exercise accurate, professional judgement when submitting your estimates. All submissions should be agreed by your authority's S151 Officer but do not require official certification.

Whilst the majority of this form is broadly similar in structure to Round 1, there are some additional sections and questions, and more detailed data required in places. As such, you may need to liaise with relevant colleagues in your authority in order to complete the form.

Please submit your response through DELTA by 11pm on Friday 15 May 2020. We cannot accept returns after the closing deadline. You must hit submit on completing the form otherwise your return will not be counted.

For enquiries, please use the contact details below:

For DELTA registration and collection access enquiries: DELTAadmin@communities.gov.uk

For general enquiries relating to the collection: lgfcoviddata@communities.gov.uk

Section A: Allocation of £3.2bn grant funding by service area

On 19 March 2020, £1.6bn emergency funding was announced to help local authorities respond to the COVID-19 pandemic. On 18 April 2020, a further £1.6bn funding for local authorities was announced. This section relates specifically to your combined allocation from this £3.2bn funding and not any other additional funding which your authority might be receiving to respond to COVID-19.

Of this £3.2bn funding, your authority has received:

Question A1: What proportion of your grant funding have you allocated to the following service areas?

We recognise that some COVID-19-related activities may be cross-cutting, and that you may not have formally allocated the additional funding separately across service areas. However, please estimate as best you can. This should be done using notional allocations to reflect your priority areas of spending pressure if you do not yet have more reliable data/ formal allocation plans available. We do not expect most authorities to use the 'Not yet allocated' category; you should only populate this field if you are certain that your authority does not have plans to use this funding.

Please ensure the following areas of funding are recorded under 'Other' instead of specific service lines: Forgone savings and delayed or stopped projects, all Personal Protective Equipment (PPE) excluding that which falls under Adult Social Care (ASC), and Shielding.

Please provide percentage figures for each service area ensuring that they sum to 100%. If your authority does not provide a service or has not allocated any of this grant funding to a particular service area, you must enter 0%

You may wish to refer to your Round 1 April submission on the use of your initial £1.6bn funding allocation. If completed on DELTA, your Round 1 submission can be found in the DELTA data store. However, please note that the categories used below are more detailed than those used in Round 1 and are therefore not entirely comparable.

For additional information, where available, please click the information (i) button.

The summary RAG rating asks for your overall assessment of the confidence you have in the accuracy of the figures provided. This uses a standard RAG rating system where red reflects estimates based on limited evidence/weak assumptions, and green reflects strong evidence and clearer assumptions.

Service Area	Estimated proportion of grant funding likely to be deployed in this area, (%)
1 - Adult Social Care – additional demand	3 %
2 - Adult Social Care - supporting the market	18 %
3 - Adult Social Care - workforce pressures	3 %
4 - Adult Social Care - PPE	2 %
5 - Adult Social Care - other	0 %
Adult Social Care - sub total	26%
6 - Children's Social Care – workforce pressures	3 %
7 - Children's Social Care – residential care	3 %
8 - Children's Social Care – care leavers	1 %
9 - Children Social Care - other	0 %
Children's Social Care - sub total	7%
10 - Education - SEND	0 %
11 - Education - home to school transport	0 %
12 - Education - other	4 %
	4%

Education - sub total

13 - Highways and Transport

0 %

14 - Public Health

0 %

15 - Housing - homelessness services

3 %

16 - Housing - rough sleeping

3 %

17 - Housing - other

0 %

Housing - sub total

6%

18 - Cultural & related - Sports, leisure and community facilities

14 %

19 - Cultural & related - other

0 %

Cultural & related - sub total

14%

20 - Environment & regulatory - cremation, cemetery and mortuary services

0 %

21 - Environment & regulatory - waste management

10 %

22 - Environment & regulatory - other

0 %

Environment & regulatory - sub total

10%

23 - Planning & development

0 %

24 - Police, fire and rescue services

0 %

25 - Finance & corporate - ICT & remote working

1 %

26 - Finance & corporate - revenue & benefits

3 %

27 - Finance & corporate - other

2 %

Finance & corporate - sub total

6%

28 - Other - shielding

4 %

29 - Other - PPE (non-Adult Social Care)

8 %

30 - Other - unachieved savings/delayed projects

11 %

31 - Other - excluding service areas listed above

4 %

Other - sub total

27%

32 - Not yet allocated

0 %

Total Percentage Check

100%

Confidence in accuracy of allocation estimates (RAG rating)

AMBER

Question A2: If you have allocated any funding to 'Other services', excluding the subcategories listed (i.e. shielding, PPE, forgone savings/delayed projects), please specify.

Voids (delays in sales), unavoidable contract extensions, casual staff

Section B: Additional spending pressures due to COVID-19

Question B1: Compared to what you had budgeted prior to the COVID-19 pandemic, please estimate how much additional money you have spent, and plan to spend, on the following service areas due to pressures caused by COVID-19.

We are looking for gross additional spending so please do not deduct any grant funding for Covid costs or other payments you have received when providing estimates.

As in Section A, we recognise that COVID-19 activities may be cross-cutting across service areas, and it may not be possible to apportion additional spend due to COVID-19 with complete accuracy. However, please estimate as best you can.

Please ensure the following areas of expenditure are recorded under 'Other' instead of specific service lines: Forgone savings and delayed or stopped projects, all Personal Protective Equipment (PPE) related spend excluding spend that falls under Adult Social Care (ASC), and Shielding.

You should report your additional spend estimates in millions, though you can provide figures to the nearest thousand pounds (up to 3 decimal places) if you are able to do so. If your authority does not provide a service or you have not spent any more as a result of COVID-19, you must enter 0 (zero).

If submitted, you may wish to view your Round 1 April form which can be found in the DELTA data store. However, please note that the categories used below ask for more detailed data than in Round 1 and are therefore not entirely consistent. For Round 2, please use actual expenditure/turn-based estimates where possible for April.

Where full financial year estimates are requested, please estimate these **assuming current restrictions remain in place until the end of July 2020, and thereafter reverts entirely back to a situation you anticipated prior to COVID-19. Note that this assumption is intended for accounting purposes only and solely to improve consistency in the returns provided and should in no way be interpreted as government policy.**

For additional information, where available, please click the information (i) button.

Estimated additional spending pressure due to Covid-19

Service Area	April 2020 (£m)	May 2020 (£m)	Full financial year 2020-21 (£m)
1 - Adult Social Care – additional demand	April 2020 £ 0.050 m	May 2020 £ 0.050 m	Full year 2020-21 £ 0.300 m
2 - Adult Social Care - supporting the market	April 2020 £ 0.567 m	May 2020 £ 0.567 m	Full year 2020-21 £ 3.400 m
3 - Adult Social Care - workforce pressures	April 2020 £ 0.050 m	May 2020 £ 0.100 m	Full year 2020-21 £ 0.500 m
4 - Adult Social Care - PPE	April 2020 £ 0.155 m	May 2020 £ 0.140 m	Full year 2020-21 £ 0.437 m
5 - Adult Social Care - other	April 2020 £ 0.000 m	May 2020 £ 0.000 m	Full year 2020-21 £ 0.000 m
ASC sub total	April 2020 £ 0.822 m	May 2020 £ 0.857 m	Full year 2020-21 £ 4.637 m
6 - Children's Social Care – workforce pressures	April 2020 £ 0.040 m	May 2020 £ 0.080 m	Full year 2020-21 £ 0.400 m
7 - Children's Social Care – residential care	April 2020 £ 0.021 m	May 2020 £ 0.031 m	Full year 2020-21 £ 0.230 m
8 - Children's Social Care – care leavers	April 2020 £ 0.007 m	May 2020 £ 0.014 m	Full year 2020-21 £ 0.105 m
9 - Children Social Care - other	April 2020 £ 0.015 m	May 2020 £ 0.015 m	Full year 2020-21 £ 0.060 m
GSC sub total	April 2020 £ 0.083 m	May 2020 £ 0.140 m	Full year 2020-21 £ 0.795 m
10 - Education - SEND	April 2020 £ 0.000 m	May 2020 £ 0.015 m	Full year 2020-21 £ 0.020 m

11 - Education - Home to school transport	April 2020	May 2020	Full year 2020-21
	£ 0.000 m	£ 0.000 m	£ 0.000 m
12 - Education - other	April 2020	May 2020	Full year 2020-21
	£ 0.042 m	£ 0.150 m	£ 0.917 m
Education sub total	April 2020	May 2020	Full year 2020-21
	£ 0.042 m	£ 0.165 m	£ 0.937 m
13 - Highways and Transport	April 2020	May 2020	Full year 2020-21
	£ 0.000 m	£ 0.000 m	£ 0.000 m
14 - Public Health	April 2020	May 2020	Full year 2020-21
	£ 0.000 m	£ 0.000 m	£ 0.020 m
15 - Housing - homelessness services	April 2020	May 2020	Full year 2020-21
	£ 0.083 m	£ 0.067 m	£ 0.268 m
16 - Housing - rough sleeping	April 2020	May 2020	Full year 2020-21
	£ 0.040 m	£ 0.097 m	£ 0.330 m
17 - Housing - other (excluding HRA)	April 2020	May 2020	Full year 2020-21
	£ 0.000 m	£ 0.000 m	£ 0.000 m
Housing sub total (excluding HRA)	April 2020	May 2020	Full year 2020-21
	£ 0.123 m	£ 0.164 m	£ 0.598 m
18 - Cultural & related - Sports, leisure and community facilities	April 2020	May 2020	Full year 2020-21
	£ 0.200 m	£ 0.180 m	£ 0.800 m
19 - Cultural & related - other	April 2020	May 2020	Full year 2020-21
	£ 0.000 m	£ 0.000 m	£ 0.000 m
Cultural & related sub total	April 2020	May 2020	Full year 2020-21
	£ 0.200 m	£ 0.180 m	£ 0.800 m
20 - Environment & regulatory - cremation, cemetery and mortuary services	April 2020	May 2020	Full year 2020-21
	£ 0.000 m	£ 0.000 m	£ 0.000 m
21 - Environment & regulatory - waste management	April 2020	May 2020	Full year 2020-21
	£ 0.300 m	£ 0.300 m	£ 1.200 m
22 - Environment & regulatory - other	April 2020	May 2020	Full year 2020-21
	£ 0.000 m	£ 0.000 m	£ 0.000 m
Environment & regulatory sub total	April 2020	May 2020	Full year 2020-21
	£ 0.300 m	£ 0.300 m	£ 1.200 m
	April 2020	May 2020	Full year 2020-21
	£ 0.000 m	£ 0.000 m	£ 0.000 m

23 - Planning & development			
24 - Police, fire and rescue services	April 2020	May 2020	Full year 2020-21
	£ 0.000 m	£ 0.000 m	£ 0.000 m
25 - Finance & corporate - ICT & remote working	April 2020	May 2020	Full year 2020-21
	£ 0.155 m	£ 0.070 m	£ 0.278 m
26 - Finance & corporate - revenue & benefits	April 2020	May 2020	Full year 2020-21
	£ 0.000 m	£ 0.031 m	£ 0.243 m
27 - Finance & corporate - other	April 2020	May 2020	Full year 2020-21
	£ 0.155 m	£ 0.252 m	£ 0.483 m
Finance & corporate sub total	April 2020	May 2020	Full year 2020-21
	£ 0.310 m	£ 0.353 m	£ 1.004 m
28 - Other - shielding	April 2020	May 2020	Full year 2020-21
	£ 0.130 m	£ 0.130 m	£ 0.500 m
29 - Other - PPE (non-Adult Social Care)	April 2020	May 2020	Full year 2020-21
	£ 0.029 m	£ 0.298 m	£ 0.952 m
30 - Other - unachieved savings/delayed projects	April 2020	May 2020	Full year 2020-21
	£ 0.281 m	£ 0.281 m	£ 1.274 m
31 - Other - excluding service areas listed above	April 2020	May 2020	Full year 2020-21
	£ 0.192 m	£ 0.192 m	£ 0.769 m
Other sub total	April 2020	May 2020	Full year 2020-21
	£ 0.632 m	£ 0.901 m	£ 3.495 m
TOTAL ESTIMATED SPENDING PRESSURE (General Fund)	April 2020	May 2020	Full year 2020-21
	£ 2.512 m	£ 3.060 m	£ 13.486 m

Additional Housing Revenue Account (HRA) Pressures:

32 - HRA - workforce pressures	April 2020	May 2020	Full year 2020-21
	£ 0.000 m	£ 0.000 m	£ 0.000 m
33 - HRA - supplies and materials including PPE	April 2020	May 2020	Full year 2020-21
	£ 0.015 m	£ 0.015 m	£ 0.060 m
34 - HRA - other	April 2020	May 2020	Full year 2020-21
	£ 0.350 m	£ 0.350 m	£ 2.100 m

HRA total	April 2020	May 2020	Full year 2020-21
	£ 0.365 m	£ 0.365 m	£ 2.160 m

Question B2: For the selected service lines and total service pressures below, you are asked to express your additional spending as a percentage of your original budgeted expenditure for April, May and 2020-21 prior to the COVID-19 pandemic.

You should calculate the additional spending pressure due to COVID-19, as reported in Question B1, divided by budgeted spend in this area prior to COVID-19. For example: (additional April ASC spending pressure/original April ASC budget pre-COVID-19)*100.

You may be able to use your 2020-21 revenue account (RA) submission to inform your original budget baselines if it does not take account of COVID-19 funding and pressures. For April and May, if you do not have a monthly budget profile, you should use 1/12 of your original annual budget for any given spending line. Please enter 0% if you have no additional pressures or do not provide a particular service.

Estimated additional spending pressure due to Covid-19 as a proportion of budgeted expenditure

Service Area	April 2020 (%)	May 2020 (%)	Full financial year 2020-21 (%)
1 - Adult Social Care - total	April 2020 13 %	May 2020 14 %	Full Year 2020-21 6 %
2 - Children's Social Care - total	April 2020 2 %	May 2020 3 %	Full Year 2020-21 1 %
3 - Education	April 2020 3 %	May 2020 10 %	Full Year 2020-21 5 %
4 - Highways and Transport	April 2020 0 %	May 2020 0 %	Full Year 2020-21 0 %
5 - Public Health	April 2020 0 %	May 2020 0 %	Full Year 2020-21 0 %
6 - Housing (excluding HRA) - total	April 2020 13 %	May 2020 17 %	Full Year 2020-21 5 %
7 - Cultural & related - total	April 2020 16 %	May 2020 15 %	Full Year 2020-21 5 %
8 - Environment & regulatory - total	April 2020 9 %	May 2020 9 %	Full Year 2020-21 3 %
9 - Planning & development	April 2020 0 %	May 2020 0 %	Full Year 2020-21 0 %
10 - Police, fire and rescue services	April 2020 0 %	May 2020 0 %	Full Year 2020-21 0 %
11 - Finance & corporate - total	April 2020 7 %	May 2020 8 %	Full Year 2020-21 2 %

12 - Other - total (includes shielding)	April 2020	May 2020	Full Year 2020-21
	67 %	67 %	30 %

TOTAL ESTIMATED SPENDING PRESSURE	April 2020	May 2020	Full Year 2020-21
	10 %	12 %	4 %

Additional Housing Revenue Account (HRA) Pressure:

13 - HRA - total	April 2020	May 2020	Full Year 2020-21
	5 %	5 %	2 %

Question B3: If you have allocated spending pressures to ‘Other services’, excluding the subcategories listed (i.e. shielding, PPE, forgone savings/delayed projects), please specify. Please do not use more than 100 characters.

Voids, unavoidable contract extensions, casual staff

Question B4: Using the RAG rating below, please assess the confidence you have in the accuracy of the additional expenditure figures provided. This uses a standard RAG rating system where red reflects estimates based on limited evidence/weak assumptions, and green reflects strong evidence and clearer assumptions.

Confidence in accuracy of spend pressure estimates (RAG rating)

AMBER

Section C: Income reductions due to COVID-19

Question C1: Compared to what you budgeted prior to the Covid-19 pandemic, how much have the following sources of income been reduced due to pressures caused by COVID-19?

As with Spending Pressures, please provide income loss estimates as best you can. You should report your losses in millions, though you can provide figures to the nearest thousand pounds (up to 3 decimal places) if you are able to do so. Please report your loss estimates using positive figures. In all cases, losses should be reported as the difference between the actual/projected amount to be collected post COVID-19 (including the impact of the business rate measures announced at and since Budget 2020) compared to what was originally expected to be collected prior to COVID-19 and prior to Budget 2020.

If your income has not been affected by COVID-19, you must enter 0 (zero). Additionally, if you are a precepting authority (county council in a two-tier area), you must enter 0 (zero) in the Business Rates and Council Tax lines. Billing authorities should show council tax and business rates losses, including those that will be attributable to preceptors.

If submitted, you may wish to view your Round 1 April form which can be found in the DELTA data store. However, please note that the format for this section has changed. For Round 2, please use actual outturn-based income losses where possible for April 2020.

Where full financial year estimates are requested, please estimate these **assuming current restrictions remain in place until the end of July 2020, and thereafter reverts entirely back to a situation you anticipated prior to COVID-19. Note that this assumption is intended for accounting purposes only and solely to improve consistency in the returns provided and should in no way be interpreted as government policy.**

For additional information, where available, please click the information (i) button.

Estimated income losses £m pressure due to Covid-19			
Income source	April 2020 (£m)	May 2020 (£m)	Full financial year 2020-21 (£m)
1 - Business Rates cash receipt losses	April 2020 £ 6.700 m	May 2020 £ 6.700 m	Full year 2020-21 £ 53.800 m
2 - Council Tax receipt losses - LCTS	April 2020 £ 0.200 m	May 2020 £ 0.200 m	Full year 2020-21 £ 0.600 m
3 - Council Tax receipt losses - payment failure	April 2020 £ 1.300 m	May 2020 £ 1.300 m	Full year 2020-21 £ 5.400 m
4 - Council Tax receipt losses - other	April 2020 £ 0.000 m	May 2020 £ 0.000 m	Full year 2020-21 £ 0.000 m
Council Tax receipt losses total	April 2020 £ 1.500 m	May 2020 £ 1.500 m	Full year 2020-21 £ 6.000 m
Collection Fund Losses - Total	April 2020 £ 8.200 m	May 2020 £ 8.200 m	Full year 2020-21 £ 59.800 m
5 - Highways and Transport Sales Fees & Charges (SFC) losses	April 2020 £ 1.000 m	May 2020 £ 1.500 m	Full year 2020-21 £ 6.500 m
6 - Cultural & Related SFC losses	April 2020 £ 0.050 m	May 2020 £ 0.050 m	Full year 2020-21 £ 0.250 m
7 - Planning & Development SFC losses	April 2020 £ 0.100 m	May 2020 £ 0.100 m	Full year 2020-21 £ 0.500 m
8 - Other SFC income losses	April 2020 £ 0.616 m	May 2020 £ 0.510 m	Full year 2020-21 £ 2.166 m
Sales, Fees & Charges income losses total	April 2020 £ 1.766 m	May 2020 £ 2.160 m	Full year 2020-21 £ 9.416 m
9 - Commercial income losses	April 2020 £ 0.609 m	May 2020 £ 0.609 m	Full year 2020-21 £ 2.831 m
10 - Other income losses	April 2020 £ 0.359 m	May 2020 £ 0.359 m	Full year 2020-21 £ 1.436 m
Non-collection Fund Losses Total	April 2020 £ 2.734 m	May 2020 £ 3.128 m	Full year 2020-21 £ 13.683 m
TOTAL ESTIMATED INCOME LOSS	April 2020 £ 10.934 m	May 2020 £ 11.328 m	Full year 2020-21 £ 73.483 m

Additional Housing Revenue Account (HRA) losses:

11 - HRA - residential rent arrears	April 2020	May 2020	Full year 2020-21
	£ 1.000 m	£ 1.000 m	£ 5.200 m
12 - HRA - commercial rent arrears	April 2020	May 2020	Full year 2020-21
	£ 0.030 m	£ 0.030 m	£ 0.110 m
13 - HRA - losses from voids	April 2020	April 2020	Full year 2020-21
	£ 0.000 m	£ 0.020 m	£ 0.120 m
14 - HRA - other	April 2020	May 2020	Full year 2020-21
	£ 0.250 m	£ 0.250 m	£ 1.200 m
HRA total	April 2020	May 2020	Full year 2020-21
	£ 1.280 m	£ 1.300 m	£ 6.630 m

Question C2: For the below lines, please express your estimated monthly and full year losses as a proportion of what you had budgeted for that income source in the given period.

Income losses, as reported in Question C1, should be displayed as a percentage of your budgeted income for each period prior to plans being changed due to the COVID-19 pandemic.

You may be able to use income estimates from your 2020-21 revenue account (RA) submission to inform your income baselines if it does not already take account of COVID-19 funding and pressures. For April and May, if you do not have a monthly budgeted income profile, you should use 1/12 of your original annual projected income for any given line. Please enter 0% if you have no additional pressures or do not provide a particular service.

Please express these figures as positive percentages and enter 0% if you are not reporting any losses.

For additional information, where available, please click the information (i) button.

Estimated income loss expressed as percentage of budgeted income prior to COVID-19

Income source	April 2020 (%)	May 2020 (%)	Full financial year 2020-21 (%)
1 - Business Rates cash receipt losses	April 2020	May 2020	Full Year 2020-21
	53 %	53 %	35 %
2 - Council Tax receipt losses - total	April 2020	May 2020	Full Year 2020-21
	17 %	17 %	6 %
3 - Collection fund losses - total	April 2020	May 2020	Full Year 2020-21
	38 %	38 %	23 %
4 - Highways and Transport Sales Fees & Charges (SFC) losses	April 2020	May 2020	Full Year 2020-21
	47 %	70 %	25 %
5 - Cultural & Related SFC losses	April 2020	May 2020	Full Year 2020-21
	22 %	22 %	9 %
6 - Planning & Development SFC losses	April 2020	May 2020	Full Year 2020-21
	27 %	27 %	11 %
7 - Other SFC income losses			

	April 2020	May 2020	Full Year 2020-21
8 - Sales, Fees & Charges income losses total	18 %	15 %	5 %
9 - Commercial income losses	80 %	80 %	38 %
10 - Other income losses	78 %	78 %	26 %
11 - Non collection fund losses - total	37 %	43 %	16 %
TOTAL ESTIMATED INCOME LOSS	38 %	39 %	21 %
Additional Housing Revenue Account (HRA) losses:			
HRA total	11 %	11 %	5 %

Question C3: If you have recorded any income reduction under 'Other' please specify the reason.

Children centres fee income,ASC charging income, events, temp acc rent, registrars

Question C4: Using the RAG rating below, please assess the overall confidence you have in the accuracy of the income reduction figures provided. This uses a standard RAG rating system where red reflects estimates based on limited evidence/weak assumptions, and green reflects strong evidence and clearer assumptions.

Confidence in accuracy of income reduction estimates (RAG rating)

AMBER

Question C5: How much of the Business rate loss you have reported in C1 is attributable to the following?

Please express in £ millions (up to 3 decimal places) and assess the confidence you have in the accuracy of figures.

Reason for Business Rate Loss	April 2020 (£m)	May 2020 (£m)	Full financial year 2020-21 (£m)
COVID-19 reliefs	April 2020 £ 3.333 m	May 2020 £ 3.333 m	Full year 2020-21 £ 40.000 m
Deferrals	April 2020 £ 0.000 m	May 2020 £ 0.000 m	Full year 2020-21 £ 0.000 m
Other	April 2020 £ 3.400 m	May 2020 £ 3.400 m	Full year 2020-21 £ 13.800 m

Confidence in accuracy of business rate loss estimates (RAG rating)

AMBER

The government recognises that there might be a limited number of cases in which it is appropriate for local authorities to furlough workers and claim funding through the Coronavirus Job Retention Scheme (CJRS). This would be in exceptional cases: where staff salaries are largely funded by sales, fees and charges, where there is a significant reduction in these revenue streams which are not already offset by additional grant funding from central government, where these staff cannot be redeployed, and where the alternative would be redundancy.

Question C6: If you are considering, or have already furloughed staff and made a claim through the CJRS, please include an estimate of the extent to which a reduction in sales, fees and charges are expected to be offset by the CJRS funding you will receive.

You should report your figure in millions, though you can provide figures to the nearest thousand pounds (up to 3 decimal places)

£ 0.000 m

Question C7: We are interested in understanding income losses which are irrecoverable and you know will impact on your financial position.

Of your non-collection fund income losses (that is, excluding losses from Business Rates and Council Tax), what proportion is already deemed to be irrecoverable in that it will permanently impact on your financial position?

Please express your estimate as a percentage of your total non-collection fund losses.

April 2020 (% of non collection fund loss)	May 2020 (% of non collection fund loss)	Full year 2020-21 (% of non collection fund loss)
39 %	39 %	14 %

Confidence in accuracy of irrecoverable loss estimates (RAG rating)

AMBER

Section D: Council Tax payment plans and Local Council Tax Support (LCTS)

Please estimate your responses in this section as best you can. However, if for any question in the section you are unable to provide a rough working estimate then leave the box blank and continue to the next question.

Question D1: How many households – if any – has your authority agreed alternative council tax payment plans with in 2020-21? Please estimate your responses in this section as best you can. However, if for any question in the section you are unable to provide a rough working estimate then leave the box blank and continue to the next question.

2,086

Question D2: If you have agreed alternative arrangements, please also provide further detail on what the alternative payments plans look like. This could include, for example, arrangements to defer payments or to vary the amounts of payments to be taken over different months.

Primarily a result of re-profiling instalments to allow payments over the full year to March

The following questions relate to your Local Council Tax Support (LCTS).

Question D3: Please estimate the total number of working age LCTS caseload and compare this against the authority's expectations for 2020-21, as set out in pre-COVID -19 budget calculations.

	April 2020	May 2020	Full financial year 2020-21
Total number of working age LCTS caseload	April 2020 21,211	May 2020 21,336	Full year 2020-21 21,161
Total <i>expectation</i> of working age LCTS caseload	April 2020 21,000	May 2020 20,948	Full year 2020-21 20,430

Confidence in accuracy of LCTS caseload estimates (RAG rating)

AMBER

Question D4: How many of your current caseload qualifies for 100% council tax support?

0

Section E: Allocation of £500m Covid-19 Council Tax hardship fund

The Government has made Covid-19 Hardship Fund payments totalling £500m to local authorities.

As stated in the hardship fund guidance, published on 24 March 2020, it is expected that billing authorities will use the fund to provide all recipients of working age local council tax support ('LCTS') during the financial year 2020-21 with a further reduction of £50 in their annual council tax bill.

Where a taxpayer's liability for 2020-21 is, following the application of council tax support, less than £150, then their liability would be reduced to nil. Where a taxpayer's liability for 2020-21 is nil, no reduction to the council tax bill will be available.

Having allocated grant to reduce the council tax bill of working age LCTS recipients by a further £150, billing authorities should establish their own local approach to using any remaining grant to assist those in need.

As before, please estimate your responses as best you can. However, if for any question in this section you are unable to provide a rough working estimate then leave the box blank and continue to the next question.

Question E1: To date, how many hardship discounts have been applied to council tax liabilities of Working Age LCTS claimants?

Question E2: What proportion of your working age Local Council Tax Support caseload does your answer to E1 represent?

Please express as a percentage.

Question E3: To date, how much of your council's allocated hardship fund has been earmarked to current recipients of LCTS?

Please express in £m, up to 3 decimal places.

Question E4: What proportion of your allocated hardship fund grant funding does your answer to E3 represent?

Please express as a percentage.

Question E5: What proportion of your grant funding have you allocated towards other council tax reductions or support outside of the council tax system?

Please express as percentage.

Question E6: How many households have received support as set out in E5 in this way to date?

Question E7: If you would like to provide some additional commentary on your authority's use of the Hardship Fund, please do so here.

Section F: Availability of reserves and cashflow difficulties due to Covid-19

Reserves

In order to help us understand the impact of Covid-19 on financial sustainability, and on the basis of the funding provided to date, we would like you to provide us with some information on how you anticipate the shock will affect your authority's reserve levels and wider financial strategy.

Please provide information that is consistent with your input on income and expenditure

Question F1: How much of your current 'other earmarked reserves' and 'unallocated financial reserves' balances could you deploy to meet COVID-19 pressures throughout 2020-21?

You should report your estimates in millions, though you can provide figures to the nearest thousand pounds (up to 3 decimal places) if you are able to do so, with a RAG rating for confidence in estimates.

Deployable reserves to meet COVID-19 pressures in 2020-21 (£m)

Unallocated financial reserves

£ 0.000 m

Other earmarked reserves

£ 0.000 m

Confidence in accuracy of deployable reserves estimates (RAG rating)

AMBER

Question F2: If, in the event, you are required to deploy reserves to meet Covid-19 pressures in 2020-21, what impact would using *unallocated reserves* have on your wider financial strategy?

Please select all that apply

- It would require you to add to reserves in 2021-22
- It would delay planned savings/improvement plans
- Other

Question F3: If you have selected Other, please specify.

Question F4: If, in the event, you are required deploy reserves to meet Covid-19 pressures in 2020-21, what impact would using *other earmarked reserves* have on your wider financial strategy?

Please select all that apply

- It would require you to add to reserves in 2021-22
- It would delay planned savings/improvement plans
- Other

Question F5: If you have selected Other, please specify.

Cashflow

Question F6. Do you anticipate any difficulties in meeting cash flow requirements over the next three months as a result of pressures caused by Covid-19?

We are interested in any difficulties in meeting ongoing costs from your existing resources or through normal treasury management activity such as short-term borrowing. Please use the drop-down list provided.

No

Section G: Additional commentary

Question G1. If you would like to provide some additional commentary on how the COVID-19 pandemic is impacting your authority's finances and how you are responding, please do so here.

With regards to the reserves question, our reserves have been generated over a period of time to manage local (rather than national) risks, provide capital investment, transitional funding for key service changes, fund local priorities/initiatives, address upfront investment to deal uncertainty of future government financial settlements, investment in housing, address local service pressures, invest to save and generating investment income to protect key services. The Council would not wish to be penalised

by receiving less funding than authorities with lower balances who, unlike Hackney, may have a record of poor financial management and delaying key financial decisions. Hackney complies with CIPFA guidance and the reserves are simply adequate in the current local government landscape and in accordance with CIPFA guidance

Many thanks for completing this form, please remember to click submit when you have finished each section and have S151 officer agreement.

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