Hackney

2020/21 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS AND ACQUISITIONS REPORT THAT TAKES ACCOUNT OF THE ESTIMATED FINANCIAL IMPACT OF COVID 19 AND THE ON-GOING EMERGENCY
KEY DECISION NO. FCR Q87

CABINET MEETING DATE 2020/21	CLASSIFICATION:
20TH JULY 2020	OPEN
AUDIT COMMITTEE DATE	
27 JULY	

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. CABINET MEMBER'S INTRODUCTION

1.1 This is the first provisional outturn Overall Financial Position (OFP) report for 2020/21 which is based on detailed May monitoring data from directorates.

1.2 We are forecasting an overspend on the General Fund (i.e. excluding Housing costs) of £61m before the application of the Government's Emergency Funding (£21.4m). Of this, £59m relates to additional expenditure and reduced income incurred on the General Fund that is owed to COVID-19. The non-COVID-19 related overspend is £2m.

1.3 Subsequent to previous reports brought to Cabinet, this sets out the significant impact of COVID-19 across Council services.

1.4 While recent Government announcements offer some potential opportunities, particularly around jobs for young people under 25 at risk of long-term unemployment (although we note our concern this only references ensuring payment of the minimum wage, rather than the London Living Wage), these can only partially mitigate against the devastating impact we are seeing of COVID-19 across our communities, our businesses and Council services.

1.5 This report demonstrates both the additional costs and the loss of income faced by the Council. Costs have included everything, from additional staff to patrol our parks to food parcels for residents who need them. At the same time, Council income, more important than ever after a decade of austerity and £140m of central government cuts, has been decimated.

1.6 Further funding commitments from central Government will help us reduce the budget shortfall, and we are exploring those financial tools at our disposal to try and mitigate the remaining budget gap, but they do not place local government finance on a secure footing, and in some cases, like Council Tax, simply push difficult decisions further down the road.

1.7 In both this report, and in the Medium Term Financial Plan coming to Cabinet and Council as an appendix to the Corporate Plan update, we have set out as fully as possible the financial impact of COVID-19 on the Council's finances. We will continue to do all we can to ensure Hackney residents get the support they need and the high standard of service they deserve at this time. At the same time, work will continue to more fully understand the impact of COVID-19 on both this and future years' budgets.

2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 The OFP shows that the Council is forecast to have a £60.6m funding shortfall before the application of the Government's Emergency Funding. This is equivalent to 5.8% of the total gross budget and 18.6% of the net budget

2.2 As Cabinet is aware, we were awarded £17.835m of grant in the first two tranches of the Government's Emergency Funding. Earlier in the month the Government announced a further £500m but didn’t publish the individual authority allocations until 16th July. Our allocation is £3.516m. In addition, the Government also announced a scheme that would partially compensate Councils for losses in some sales, fees and charges income streams arising from COVID-19. The definition obviously excludes council tax and business rates but also commercial income such as property rents and leisure centres run by third parties on behalf of the Council (thereby excluding the contributions we will be making to GLL). Under this scheme, councils bear the first 5% of losses compared to their budgeted income but the Government will then cover 75p in every pound of losses beyond this. We estimate that we will get a maximum of £9.5m from this. And so, even after the various funding streams we will still have a significant funding shortfall. It is hoped therefore that we will receive significant additional cash funding from Government to set against this requirement. It is also worth noting that we have received other much smaller grants for specific services such as safe opening of high streets fund (£252k) and a share of the £63m Local Authority Emergency Assistance Grant for Food and Essential Supplies which we can use to support people who are struggling to afford food and other essentials due to COVID-19. The allocations have yet to be announced.

2.3 The estimates contained within this report are very indicative and will be revised as more information becomes available. It must also be noted that the Government funding listed in this report is intended to cover the pandemic only and funding is of a one-off nature. It follows that, while speed has necessitated some decisions to be taken through delegated authority over recent months, to protect the Council’s financial position going forward, any further expenditure commitments that are of an ongoing nature must have full political oversight and be agreed through the Cabinet process.

Those decisions made through delegated powers in response to COVID-19 have been recorded by decision makers using the delegated powers report framework. A record of the decisions are outlined in **Appendix 1.**

2.4 The position of the General Fund is shown below. The first table shows the funding shortfall of £60.6m of which £58.7m is owing to COVID-19 while the second table analyses the impact of applying Government funding.

TABLE 1: OVERALL ESTIMATED BUDGET SHORTFALL 2020/21

Revised Budgets	Service Unit	Forecast: Change from Revised Budget	Amount of Variance owed to Covid-19	Variance excluding Covid-19
		£k	£k	£k
87,515	Children's Services	5,854	5,378	476
93,921	ASC & Commissioning	6,441	4,911	1530

33,684	Community Health	740	1,170	-430
215,120	**Total CACH**	**13,035**	**11,459**	**1576**
34,414	**Neighbourhood & Housing**	**14,535**	**14,567**	**-32**
17,028	**Finance & Corporate Resources**	**11,364**	**11,011**	**353**
0	**Reduced Council Tax & Business Rates Income**	**20,500**	**20,500**	**0**
8,657	**Chief Executive**	**1,211**	**1,123**	**88**
37,659	**General Finance Account**	**0**	**0**	**0**
312,878	**GENERAL FUND TOTAL**	**60,645**	**58,660**	**1,985**

2.5 In order to look at the budgetary implications of this shortfall in 2020/21 we must first make adjustments in respect of council tax and business rates. The governing regulations require that any difference between the budgeted income and outturn income for these two income streams is not charged to the General Fund in 2020/21 but instead is charged in the following year. And so without changes to the regulations if we do make a shortfall of £20.5m on Council Tax and Business Rates income in 2020/21, it would all be charged to the General Fund in 2021/22 thereby increasing the budget gap by an equivalent amount in this year.

2.6 However, the Government is intending to partially alleviate the burden in 2021/22. It is proposing to fund part of the shortfall on Council Tax and Business Rates(but we will not know how much until it produces the next Spending Review in the Autumn which will probably be a one year only review) and it will then direct that the remaining losses after the funding will be a charge against the General Fund in 2021/22 and in the following 2 years in equal amounts. So if the Government funds 33% for example (this is just a number for illustrative purposes) and we have a shortfall of £20.5m then we will have to charge £13.7m to the General Fund over the next 3 years, at a rate of £4.6m per annum beginning in 2021/22. Obviously, we will be able to offset against this any payments we receive in respect of 2020/21 debts in 2021-22 and beyond from local taxpayers and businesses.

2.7 The application of the grant and compensatory funding is shown in table 2 below

TABLE 2: SHORTFALL AFTER THE APPLICATION OF GRANT

Revised Budgets	Service Unit	Forecast: Change from	Amount of Variance	Variance excluding

		Revised Budget	owed to COVID-19	COVID-19
		£k	£k	£k
87,515	Children's Services	5,854	5,378	476
93,921	ASC & Commissioning	6,441	4,911	1530
33,684	Community Health	740	1,170	-430
215,120	**Total CACH**	**13,035**	**11,459**	**1576**
34,414	**Neighbourhood & Housing**	**14,535**	**14,567**	**-32**
17,028	**Finance & Corporate Resources**	**11,364**	**11,011**	**353**
8,657	**Chief Executive**	**1,211**	**1,123**	**88**
37,659	**General Finance Account**	**0**	**0**	**0**
312,878	**GENERAL FUND TOTAL**	**40,145**	**38,160**	**1,985**
	Estimated Emergency Fund (3rd Tranche Assumed to be £2.8m)	**-21,351**	**-21,351**	**0**
	Funding to Partially Compensate loss of Sales, Fees & Charges income	**-9,575**	**-9,575**	**0**
	SHORTFALL AFTER APPLICATION OF COVID 19 GRANTS	**9,219**	**7,234**	**1,985**

2.8 The Group Director Finance is meeting this financial challenge by :-

- Reviewing the Council's reserves to develop options for re-appropriating reserve funds to help support the Council's response to COVID-19. This may mean delaying some projects or activities initially expected to be funded from reserves.

- 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.

2.9 We will also be continuing to review and refine our work on the robustness of the calculation processes and data used to calculate the COVID-19 estimates over the summer.

2.10 Alongside this report, we are reporting to Cabinet with a very indicative 2021/22 budget forecast and outline three year forecast and will then produce a further iteration of this in September / October when we will have had more experience with underlying spending and income pressures and a better idea of future funding levels. We will also see the impact of removing the furlough on unemployment levels and in turn housing benefits and council tax benefit levels.

2.11 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. 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-19.

2.12 As reported in previous reports to Cabinet, It is by no means clear what the longer term financial impact on local government will be as a result of COVID-19 but it looks likely that the UK faces a significant recession, possibly its sharpest recession on record. It is also worth noting that the UK's debt is now worth more than its economy after the government borrowed a record amount in May. The £55.2bn figure was nine times higher than in May last year and the highest since records began in 1993 and it sent total government debt surging to £1.95trn. Income from tax, National Insurance and VAT all dived in May amid the coronavirus lockdown as spending on support measures soared.

2.13 Clearly this will have an impact on future public sector and local authority budgets. It seems that at this time there is much less of an appetite for austerity than that following the financial crisis in 2008 but it seems very unlikely that sufficient resources will be available to put local government on a sound and sustainable financial footing going forward.

2.14 On 8th July, the Chancellor announced the Summer Economic Update. This was not a Budget but instead, the Government setting out its plans to try and kickstart the economy. Amongst the various provisions, some may impact on the local economy and the Council . These are:

(a) A new £2 billion Kickstart Scheme will be launched which aims to create hundreds new, fully subsidised jobs for young people across the country. Those aged 16-24, claiming Universal Credit and at risk of long-term unemployment, will be eligible. Funding available for each six-month job placement will cover 100% of the National Minimum Wage for 25 hours a week – and employers will be able to top this wage up.

(b) Businesses will be given £2,000 for each new apprentice they hire under the age of 25. This is in addition to the existing £1,000 payment the Government already provides for new 16-18-year-old apprentices and those aged under 25 with an Education, Health and Care Plan.

(c) Bringing forward work on £8.8 billion of new infrastructure, decarbonisation and maintenance projects, including a £3 billion green investment package. As part of this package homeowners and landlords in England will be able to apply for vouchers from a £2 billion Green Homes Grant scheme this year to pay for green improvements such as loft, wall and floor insulation; and a £1 billion programme aims to make public buildings, including schools and hospitals, greener

(d) £5.8 billion will be spent on 'shovel-ready' construction projects to stimulate the construction industry. This includes:

- £1.5 billion for hospital maintenance and upgrades
- £100 million for the local roads network
- over £1 billion to start to rebuild schools in the worst condition in England, plus £760 million this year for key maintenance work on schools and FE colleges
- £1 billion for local projects to boost local economic recovery in the places that need it most
- £142 million for court maintenance to repair around 100 courts across England.

2.15 The reason for the lateness of the report is because in order to give the most accurate assessment of the council's 2020/21 financial position, we wanted to include our grant allocation from the third Emergency Fund tranche of funding from the Ministry of Housing, Communities and Local Government (MHCLG). This was not published until 16th July.

3.0 RECOMMENDATIONS

3.1 To update the overall financial position for May, covering the General Fund and HRA.

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances

4.2 CHILDREN, ADULT SOCIAL CARE AND COMMUNITY HEALTH (CACH)

The CACH directorate is forecasting an overspend of £13.0m after the application of reserves and drawdown of non-COVID-19 grants. COVID-19 related expenditure accounts for £11.5m of the reported overspend. A detailed explanation of the additional COVID-19 costs follows this narrative.

Children and Families Service (CFS)

The service is forecasting a £2.208m overspend against budget after the application of reserves. This includes a £1.735m forecast in respect of COVID-19 related spend. The draw down from reserves includes:

- £3.869m from the Commissioning Reserve, set up to meet the cost of placements where these exceed the current budget.
- £1.6m for additional staffing required to address a combination of increased demand across the service and management response to the Ofsted inspection.

The forecast also incorporates £4.650m of Social Care Grant funding (that is an additional £3.450m in 2020/21). Set against this, there is a significant increase in spend driven by looked-after children (LAC) and leaving care (LC) placements costs within Corporate Parenting where spend is forecast to increase by £3.7m (£0.9m relates to COVID-19) and an increase in forecast spend on staffing across Children and Families Services of £2.3m (£0.6m relates to COVID-19) compared to last year. Of the latter, £1.6m is linked to increased staffing levels agreed in response to increased demand and additional posts agreed to assist in responding to the Ofsted recommendations arising from the inspection in November 2019 in which the Council received a '*requires improvement'* judgement. The paragraphs below explain in more detail areas where a significant variance is forecast.

Corporate Parenting is forecast to overspend by £1.66m after the use of £3.9m of commissioning reserves (this includes £0.943m of COVID-19 expenditure). This position also includes the use of £2.5m of Social Care funding mentioned above. Gross expenditure on LAC and LC placements (as illustrated in the table below) is forecast at £26.4m compared to last year's outturn of £22.7m – an increase of £3.7m (this includes £0.943m of COVID-19 expenditure).

Placements Summary for LAC and Leaving Care - gross costs

Service Type	Budget	Forecast	Forecast Variance	Funded Placements*	Current Placements
Residential	3,131	6,730	3,599	17	36
Secure Accommodation (Welfare)	-	96	96	-	-
Semi-Independent (Under 18)	1,570	3,053	1,483	24	47
Other Local Authorities	-	83	83	-	2
In-House Fostering	2,400	2,226	(174)	99	92
Independent Foster Agency Carers	6,488	7,509	1,021	132	149
Residential Family Centre (P&Child)	-	241	241	-	2
Family & Friends	569	1,059	490	26	49
Extended Fostering	-	118	118	-	4

Staying Put	200	665	465	10	35
Overstayers	290	856	566	11	34
UASC	700	1,083	383	16	26
Semi-independent (18+)	1,370	2,720	1,350	72	112
Total	16,718	26,439	9,721	408	588

**based on the average cost of placements.*

The gross position of £9.7m for placements excluding any income is then mitigated by reserves of £3.9m; £2.2m Social Care Grant; UASC Income of £1.7m; and other income of £0.2m to get to the net reported position of a £1.66m overspend.

One of the main drivers for the cost pressure in Corporate Parenting continues to be the rise in the number of children in costly residential placements which has continued to grow year-on-year and the number of under 18s in high-cost semi-independent placements. Where children in their late teens are deemed to be vulnerable, and in many cases are transitioning from residential to semi-independent placements, they may still require a high-level of support and in extreme circumstances bespoke crisis packages.

The forecast for Looked After Children (LAC) and Leaving Care Placements is an increase of £3.7m compared to last year, including approximately £0.9m in relation to COVID-19 additional expenditure. If we exclude the COVID-19 expenditure, the increase compared to the 2019/20 outturn is £2.8m, and this is largely attributed to increases in semi-independent placements (both under and over 18s) of £2m; and residential care £1.2m; and IFAs £0.5m. Management actions are being developed by the service to reduce the number and unit cost of residential placements. Given that the average annual cost of a residential placement is approximately £200k, a net reduction in placements would have a significant impact on the forecast.

This year we continue to see significant pressures on staffing, however this has been offset by the social care grant funding which has been allocated to the service. This is mainly due to a number of posts over and above those in the establishment recruited to meet an increase in demand (rise in caseloads), additional capacity to support the response to the Ofsted focused visit at the end of last year and cover for maternity/paternity/sick leave and agency premiums. Given the outcome of the recent inspection referred to above, alongside further increased demand in the system, as well as the ongoing impact of COVID-19, it is likely that staffing costs will continue to be above establishment and this is being built into future financial plans.

The Disabled Children's Service is forecast to overspend by £40k. Staffing is projecting an overspend of £146k due to additional staff brought in to address increased demand in the service. This is offset by £135k of additional social care grant. Commissioning is projecting a £596k overspend attributed to care packages (£391k Home Care, £255k Direct Payments, £50k Short Breaks) and (£80k) on other expenditure. This is offset by a £476k reserve drawdown.

The Safeguarding and Learning Service is forecast to overspend by £29k after the use of £62k of additional social care grant. The overspend relates to The overspend relates to the risk around an income target for which the service has yet to develop clear plans.

The Directorate Management Team is forecast to overspend by £358k after a drawdown of £635k reserves for post Ofsted staffing pressures and £166k Social Care Grant for the creation of 2 Service Manager posts. £469k of staffing pressure in relation to COVID-19 is forecast in this area, this includes an estimate of additional staffing relating to delays in closing cases.

Clinical Services is forecast to overspend by £74k as the income generated from the specialist clinicians is not confirmed for the year and there is an expectation that the Adoption Support Fund will be lower than previous years as this will be managed via the London Regional Adoption Agency.

Children's Health, Commissioning and Reporting is forecasted to overspend by £55k mainly due to the agency premium on the Service Commissioning Manager post.

Overspends across the service are partly offset by small underspends in Children in Need, Access and Assessment, NRPF, Youth Justice and Young Hackney.

Hackney Learning Trust (HLT)

HLT has a budget of £27.3m net of income of £240m. This income is primarily Dedicated Schools Grant of which the majority is passported to schools and early years settings or spent on high needs placements.

As at the end of May 2020, HLT is forecasting to overspend by around £8.7m. Approximately £3.6m of this is the forecast financial impact of the COVID-19 outbreak. The balance of the overspend (£5m) is mainly as a result of a £7m forecast overspend in SEND (Special Education Needs), offset by forecast £2m of savings in other areas of HLT. The £7m overspend in SEND is a result of previously reported factors, mainly a significant increase in recent years of children and young people with Education Health and Care Plans (EHCP's).

The Government has formally confirmed its intention to ensure that local authorities are not left with the burden of SEND cost pressures and have issued new funding regulations which state that deficits arising from Dedicated Schools Grant (DSG) shortfalls will not be met from local authorities' general funds unless Secretary of State approval is gained. The finance team are working on what exactly this will mean for the Council's finances and are also consulting with the auditors and other Councils. At this time, it is thought that it is unlikely these changes to funding regulations will have a material impact on the forecast. The Government's expectation is that the DSG overspend will remain in the Council's accounts as a deficit which will then reduce in future years as additional funding is received. However, the Government's commitment to this additional funding and the level this will be at is not clear. There is therefore a financial risk to the Council of carrying this deficit forward and we will need to consider options for mitigating this risk which might include setting aside a reserve equivalent to the deficit at year end.

A summary of the HLT variance from budget is as follows

	Variance £'000	**Variance due to COVID £'000**	**Forecast variance excluding C19 £'000**
SEND Forecast (excluding transport)	**5,544**	**311**	**5,233**
SEND Transport	**1,723**	**63**	**1,660**
HLT forecast other	**1,437**	**3,270**	**-1,833**
Net variance	**8,704**	**3,644**	**5,060**

The detailed impact of COVID-19 on Children's Services (including HLT) and costs is detailed below

Impact of COVID-19 on Children's Services (including HLT) Costs and Income

Additional Spend	Reduced Income	Net Effect	Sub-Service	Variance Narrative
640	-	640	Family Learning Intervention Project Young Hackney and Domestic Abuse Intervention Service Children in Need, Access & Assessment and Disabled Children's Services Directorate Management Team	Workforce Pressure: Termination dates for some FLIP staff have been extended and support is being provided to other service areas (including EDT) via Rapid Support. This is for an additional YH business support officer and DAIS intervention officer due to a peak in workload created by COVID-19 Delays in CIN agency staff leaving due to COVID-19 lockdown; A&A staff unable to obtain work permit due to COVID-19; additional DCS staff due to increase in workload. Increase staffing pressure due to workload cases that are not closed as a result of COVID-19.
690	-	690	Corporate Parenting (LAC)	This relates to CP placements costs, and is due to delays in step-downs, placements being extended (i.e. beyond their 21st birthday) as well as additional support hours. Also increased residential placements due to unavailability of foster carers during this period.
315	-	315	Corporate Parenting no Recourse to Public Funds(NRPF)	Care Leavers: April/May actual = £18k plus June £18k plus July £27k, then £27k a month for 8 months =£279k. Close to £315k so not changed. NRPF: This is for increasing the subsistence payment by 25%, £25 internet allowance for each family and Free School Meal allowance for childrens who are not receiving school meal allowance from their school from COVID-19 lockdown.
90	-	90	DCS / Short Breaks	This assumes pressure to apply a 10% increase to DCS home care packages in line with home care for adults providers.
2,400		2,400	ASC - Care Support Commissioning	Additional funds provided to care providers - estimated across 12 month.s
648		648	ASC - Provided Services & ASC Commissioning	ASC - Workforce Pressures: Cost of engaging additional care staff to cover permanent officers shielding or self-isolating. Estimated cost of support workers for COVID-19 Urgent Housing Pathway (£54k).
1,413		1,413	ASC - Care Support Commissioning	A number of care packages across ASC are now being funded by NHS discharge funds. This is the

				full year estimate of the additional demand cost of care packages not being supported by NHS discharge funding.
	300	300	ASC - Care Support Commissioning	ASC - Loss of care charges income
150			ASC Commissioning	Delay in delivery of Housing Related Support savings
55		55	Public Health (PH)	PH - COVID 19 Triage Service: Contracted cost for the year
740		740	PH	PH - Additional Mortuary costs
375			PH	Delay in delivery of PH savings in Substance Misuse and the Healthier City and Hackney Fund
30	344	374	HLT	High Needs and School Places: Kench Hill Charity grant and loss of SEND traded income.
50	1,125	1175	HLT	Education operations: Loss of traded income and additional ICT costs
	826	826	HLT	Early Years, Early Help and Wellbeing: Loss of child care income in children's centres.
	362	362	HLT	Schools Standards and Performance: Loss of traded income.
906	-	906	HLT	Contingencies and Recharges: Mainly potential payments to schools to compensate for loss of children's centre income and potentially supporting schools with additional costs through COVID-19 in areas not covered by Government schemes.
8,502	**2,957**	**11,459**	**Total**	

Adult Social Care & Community Health

The May 2020 revenue forecast for Adult Social Care is an overspend of £6.4m. COVID-19 related expenditure accounts for £4.9m of the reported budget overspend. This does not include COVID-19 NHS discharge related spend of £0.56m where there is an agreement to fully recharge the cost to City and Hackney CCG.

The overall position for Adult Social Care last year was an overspend of £4.027m. The revenue forecast includes significant levels of non-recurrent funding including iBCF (£1.989m), Social Care Support Grant (£4.644m), and Winter Pressures Grant (£1.405m).

The non-recurrent funding we have received was only intended to be a 'stop-gap' pending a sustainable settlement for social care through the planned Green Paper, however this is subject to ongoing delay. The implications of any loss of funding will continue to be highlighted in order that these can be factored into the Council's financial plans. This will include ensuring that it is clear what funding is required to run safe services for adults. Alongside this the service continues to take forward actions to contain cost pressures.

Care Support Commissioning (externally commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £4.99m pressure. COVID-19 related expenditure accounts for £4.2m of the total budget pressure. The forecast also includes £1.4m of the Winter Pressures grant to fund the ongoing additional care package cost as a result of hospital discharges. The full £1.4m was committed at the beginning of the financial year.

Care Support Commissioning (£k)

Service type	2020/21 Budget	May 2020 Forecast	Full Year Variance to budget	Variance from Apr 2020	Management Actions
Learning Disabilities	**16,735**	**17,541**	**806**	**-**	**- ILDS transitions/demand management and move on strategy - Three conversations - Review of homecare processes - Review of Section 117 arrangements - Personalisation and direct payments - increasing uptake**
Physical and Sensory	**13,748**	**17,353**	**3,606**	**-**	
Memory, Cognition and Mental Health ASC (OP)	**8,297**	**8,747**	**450**	**-**	
Occupational Therapy Equipment	**740**	**718**	**(21)**	**-**	
Asylum Seekers Support	**170**	**325**	**155**	**-**	
Total	**39,689**	**44,684**	**4,994**	**-**	

Physical & Sensory Support is forecasting an overspend of £3.6m. This includes a forecast of £2.4m of additional funding support for care providers in response to the COVID-19 pandemic. The remaining pressure of £1.2m relates directly to the number and complexity of care support packages in Physical and Sensory Support. The gross forecast spend on care packages in Physical Support is £17.8m (£17.3m in 19/20) and in Sensory Support is £1.18m (£1.04m in 19/20). The forecast includes £350k of iBCF and £755k of Winter Pressure funding towards care packages in 2020/21.

Memory, Cognition and Mental Health ASC (OP) is forecasting an overspend of £450k. The gross forecast spend on care packages for 20/21 is £8.9m (£9.7m in 19/20). £500k of Winter Pressure funding and £350k of iBCF have been applied to these care packages in 20/21.

The Learning Disabilities service is forecasting an overspend of £0.8m. There continues to be increased pressures related to new clients and the cost of the increasing complexity of care needs for Learning Disability clients. The gross forecast spend on care packages in Learning Disabilities is £31.9m (£30.9m in 19/20). The forecast also includes significant non-recurrent funding from the iBCF (£1m) and Social care (£4.6m) grants. In addition, a contribution from the NHS of

£2.7m (£2.1m in 2019/20) for jointly funded care packages for service users has been factored into the forecast. This is building on the work completed in 2019/20 to agree the share of funding for complex care packages.

The Mental Health service is provided in partnership with the East London Foundation Trust (ELFT) and is forecast to overspend by £1.185m. The overall position is made up of two main elements - a £1.35m overspend on externally commissioned care services and £167k underspend across staffing-related expenditure. The gross spend on care packages in Mental Health (ELFT) is £4.95m (£4.9m in 19/20).

Provided Services is forecasting a £267k overspend which is largely attributed to:

- Housing with Care overspend of £642k, of which £595k is in relation to the significant cost of additional agency staff cover employed for staff absences due to shielding or self-isolating due to COVID-19.
- Day Care Services are projected to underspend by £328k, primarily due to the current staff vacancies across the service and that the Oswald Street day centre is currently closed.

Preventative services are forecasting an overspend of £7k. Forecast underspends on Concessionary Fares (£57k) and the Median Road Resource Centre (£198k) are offset by pressures of staff costs within the Hospital Social Work team and the Information and Assessment team.

ASC Commissioning is forecasting a £48k underspend which masks significant one-off reserve funding of £1.579m in 2020/21 supporting activity within commissioning - across teams and projects including the project management office, the commissioning team, the direct payments team and supporting the Lime Tree and St Peters' care scheme prior to recommissioning. Dedicated Facilities Grant has been applied in 2020/21 to the Telecare contract. Additional grant funding has been received for domestic violence services resulting in a favourable £70k variance to budget.

Care Management and Adult Divisional Support is forecasting a £35k overspend.

Public Health

Public Health is forecasting a breakeven position, and this includes £55k for the COVID-19 triage service and delays in the delivery of planned savings (£375k).

The Public Health grant increased in 2020/21 by £1.569m. This increase included £955k for the Agenda for Change costs for eligible staff working in organisations such as the NHS that have been commissioned by the local authority. The remaining grant increase has been distributed to Local Authorities on a flat basis, with each given the same percentage growth in allocations from 2019/20. There will be a separate grant allocation for PrEP related activity for which we will receive £344k.

The service has pressures in demand led services including sexual health and is working closely with commissioners to ensure future provision remains within the allocated sexual health budget in future financial years. In this year this is being offset by underspends in other areas of the service and from the increased grant allocation.

Hackney has been allocated £3.1 of the total £300m announced by Government to support Local Authorities to develop and action their plans to reduce the spread of COVID-19 in their local area as part of the launch of the wider NHS Test and Trace Service. This funding will enable the local authority to develop and implement a tailored local COVID-19 outbreak plan. A working group has been established and plans are being developed to allocate these funds accordingly.

Mortuary costs have substantially increased as one tragic consequence COVID-19, and the response to the pandemic plan required the Mortality Management Group to activate the Dedicated Disaster Mortuary (DDM) plans for London. Additional capacity was required rapidly to ensure that there was enough capacity to meet predictions in the initial wave. This has come at an increased cost of approximately £23m to date across London, and based on ONS figures, Hackney's estimated additional cost is likely to be £740k. This has been factored into the reporting position this month.

4.3 NEIGHBOURHOODS AND HOUSING

The forecast position for Neighbourhoods and Housing Directorate as at May 2020 is a £14.6m overspend, all of which is a direct result of COVID-19. The forecast includes the use of £1.2m of reserves, the majority of which are for one off expenditure/projects. Of the £14.6m, £10.9m is an income shortfall and £3.7m is additional expenditure.

Environmental Operations is showing an overspend of £3.4m which is made up of £2.4m related to a shortfall in income mainly from commercial waste and hygiene services due to the lockdown as businesses have closed and all services which require going to residents' homes have been paused in line with Government guidelines. A further £625K expenditure relates to additional supplies and services such as PPE, and hand sanitisers for all staff.

The Parking service is showing a net overspend of £6.3m of which £6.5m is an income shortfall (so an underspend of £0.2m before COVID-19). The current lockdown has meant a reduced amount of income in all income streams within Parking. In the first two months of the lockdown, parking income has dropped by 44% from last year. If this pattern is maintained for the full year then income is likely to be in the region of £14.6m against a budget of £25.8m, which would be a shortfall in income of £11.2m in the parking account. The current forecast in parking income is £19.3m, which is still a shortfall in income of £6.5m (25%) from budget. This forecast assumes easing of the lockdown and people's behaviour going back to some sort of normality in the coming months. The Parking income model is being updated on a weekly basis, taking into account actuals being received and activity volumes which will inform the forecast accordingly in the coming months.

Market and Shop Front Trading is overspent by £806k of which £795k is income shortfall and £5k additional expenditure which is a direct result of the lockdown. Combined Markets and Shop Trading income budget is £1.6m and it is expected that half of this will be achieved as the lockdown is lifted.

Even though the lockdown is beginning to be lifted on markets' activities it is difficult to make the markets safe for social distancing and therefore, take-up of market stalls is limited because the footfall into markets is restricted due to the need to maintain social distancing. This will continue to be the case for the foreseeable future and will be reflected in the reduced income forecast in the markets' budget over the coming months.

Streetscene is showing a net overspend of £476k which is due to the lockdown. The current forecast is showing a shortfall in income of £504k against a budget of £2.4m. The service is expecting things to improve in the coming months as the lockdown eases in the construction industry.

Other than the impact of COVID-19, Libraries & Heritage and Leisure and Green Spaces are forecasting a break-even position and the impact of COVID-19 on these services is listed in the table below.

Planning is forecasting an overspend of £813k which is due to a shortfall in planning application fee income. The shortfall in planning application fee income is linked to a decline in the number of very large major applications being received rather than a significant fall in overall planning application numbers. There are a number of large schemes at the pre-application stage which are due to be submitted in early 2020/21. The development industry is also putting on hold the submission of major planning applications until there is more clarity on the impact of COVID-19, Brexit and the Hackitt review on build cost and sales value as this impacts the viability and deliverability of their schemes.

Despite a 20% uplift in planning fees 2 years ago, the income has consistently fluctuated between £1.5-1.7m over the past 3 years. With a budget of £2.2m and a plateau in the housing market, this budgeted level of income is unachievable this year. The income target for minor applications of £1.2m is forecast to be achieved, however the cost of determination of minor applications is more than the fee received as Local Authorities have not yet been afforded the option by the Government of setting their own fees. In practice, major applications help subsidise minor applications therefore the shortfall in new major applications will also detrimentally affect this cross subsidy.

The Head of Planning is taking the following actions to address this budget pressure for 2020/21:

- The implementation of a new planning back office system will deliver process and cost efficiencies especially within the planning application registration and validation process, these efficiencies will help offset any underachievement of income.
- Review of the Planning Service cost base including non-staff costs.

- Benchmarking with other planning authorities with a focus on sustainable caseloads.
- Review of the Growth Team activity and Planning Performance Agreements

Impact of COVID-19 on N&H

Additional Spend	Reduced Income	Net Effect	Sub-Service	Variance Narrative
61	101	162	Libraries & Heritage	The service is not expecting any income during 20/21 for library fines, room bookings, sales etc due to the current closure and future uncertainty of when and how the service will reopen. The additional expenditure is based on a prudent approach to security where the contract has not changed despite the closures. Also additional deep cleaning will be required before the service can reopen in whatever form and some allowance has been made for this.
2,700		2,700	Leisure Services	This is the estimate of additional costs required to support GLL who manage the Leisure centres within Hackney. £700k has already been utilised for Qtr 1 being taken from the contract surplus share which GLL holds on Hackney's behalf.
145	379	524	Events & Green Spaces	Parks & Green Spaces have two main areas of expenditure relating to COVID-19, which are additional emptying and cleaning of the bins (£74k) across parks and green spaces and cleaning of the toilets (£71k) (which had to be re-opened due to increased usage of the parks since lockdown). The loss of income is primarily down to the Events Team - as no bookings are expected this year and Parks in general where all income including from internal sources is on a much reduced expectancy or none at all (corporate volunteering and General parks Events).
625	2,569	3,194	Environment Ops	Environment Ops has three main areas of expenditure that have been impacted heavily by COVID-19. The use of agency staff to cover both sickness and staff absences, use of agency staff to cover food deliveries for the council, internal vehicle cleaning every day and where required to help the service or Council (£357k). The ongoing purchase of PPE and other equipment to aid daily operational works, such as masks, gloves and sanitisers (£268k). The virus has also had a large impact on income especially Commercial Waste due to so many businesses closing during the ongoing lock down (£2,361k). Hygiene Services - the inability to go into people's homes

				and buildings (£117k) and (£50k) on Bulky waste collections which had a significant drop off in requests in Apr and May 20. Whilst the lockdown has started to ease and businesses slowly start to reopen there is still much uncertainty surrounding how many clients will reopen or struggle to continue in business or pay existing charges.
	6,500	6,500	Parking	There has been a significant impact on Parking services due to COVID-19 in all income areas from PCNs, Pay and Display, Suspension and Permits. Current full year income forecast is £19.3m against a budget of £25.8m which is a shortfall in income of £6.5m. There are various minor underspend variances in other areas of the service of (£233k) giving a net overspend position of £6.3m.
5	795	800	Markets and Shop Front Trading	Market stalls and Shop Front Trading have been heavily impacted by COVID-19 as shops and markets have been closed since the lockdown. There has been no income in April or May 2020. As the lockdown continues with the Government advice on markets being able to open the take up has been very little and it's difficult to make the areas safe for social distancing.
	504	504	Streetscene	All the variance relates to income shortfall. Whilst the current circumstances have decimated some areas, in particular around NRSWA (s74), there are some signs of recovery. The service anticipates that utilities and developers will start to use their services as lockdown eases and "normal" circumstances resume. The forecast figures are a current cautious projection for this year.
159	24	183	Community Safety, Enforcement & Business Regulation	Civil Protection - £159k overspend consists of expenditure for: 1) PPE 2) Overtime, extra staff costs and other expenses for staff recruited for COVID-19, after authorisation by Gold. 3)Training provided to other teams such as Gold Loggists. 4)Extra infrastructure and equipment costs for needs such as temporary mortuaries, the Mobile Testing Unit site, the PPE Sub regional Hub, Food Hub etc. Enforcement - reduced income £24k due to fewer Fixed Penalty Notices.

3,695	10,872	14,567		

4.4 FINANCE & CORPORATE RESOURCES

Finance and Resources is forecasting an overspend of £11.364m (before the inclusion of reduced council tax and business rates income of £20.500m, primarily reflecting lower forecast collection rates). Of this £11.011m is owed to COVID-19, which leaves a non-COVID overspend of £353k which is spread across various services.

The impact of COVID-19 on the directorate is as follows: -

Commercial Property is forecasting a £2.5m rental loss relating to COVID-19. £1.5m is expected to be written off and currently we have a 'deferred' amount of £0.94m. Of this 50% is assumed to be paid by year end. There is also increased expenditure on security and patrols of retail properties during lockdown.

Additional cost pressures in Revenues and Benefits sum to £2.5m. The collection of benefits overpayments has reduced by £1m because of COVID-19. The remaining £1.5m is primarily owed to additional staffing requirements across the service to deal with increased workload resulting from COVID-19 (particularly claims management), and there are also increased administrative costs associated with re-billing (print costs and postage costs), reduced court cost income and anticipated additional expenditure on the Discretionary Crisis Support Scheme.

Customer Services is reporting a COVID-19 related cost of £282k relating to additional staff and software needed to add capacity to handle the support for vulnerable residents.

There is an estimated £1.8m of Housing Needs costs arising from COVID-19 which result from two main sources. Firstly, the service has incurred additional staff costs to carry out the rough sleeping initiative and to move people into emergency accommodation and latterly into more settled accommodation; and has incurred additional direct costs of emergency accommodation. The service has also incurred costs with landlord incentives, required to secure accommodation and is forecasting having to make provision for those residents in Temporary Accommodation unable to pay their rents due to COVID-19.

Registration Services have been severely affected by COVID-19 which has created a forecast £700k shortfall resulting from a significant reduction in Ceremony Services (75%) and Citizenship Awards (50%). The impact of COVID-19 has led to a decrease of approximately 61% of income compared to last year whilst expenditure on staffing has also increased as there has been a requirement for sessional staff to cover front line services whilst some vulnerable staff work from home.

The Central Procurement and the Energy Team is forecasting COVID-19 related costs of £2.7m. The COVID expenditure relates to PPE which is being managed as a coordinated effort across the council with the ordering being led by Procurement. The spend on PPE to date is approximately £1.7m. It is difficult to try to estimate the usage going forward, and a number of items of equipment are still held in stock such that in some instances the stock levels will be sufficient for several months. However, the use of PPE will probably be required over a longer period of time than may have been anticipated at the start of lockdown, so a forecast of £1m further expenditure has been added to the spend to date to try to account for this.

There is a £242k COVID-19 cost in ICT resulting from the requirement for additional agency staff and equipment to ensure staff are able to work from home; and there are additional operational costs in Facilities Management (Cleaning) arising from COVID-19.

4.5 CHIEF EXECUTIVE

Overall, the Directorate is forecasting to overspend by £1.211m of which £1.123m is owed to COVID-19.

Policy, Strategy & Economic Development are reporting an overspend of £612k all of which is due to COVID-19, arising from food parcels for residents who cannot access or afford food during COVID-19 (£500k) and Emergency Grants to 4 organisations in the Voluntary Sector to provide COVID-19 related services (£121k)

Communications is forecasting an overspend of £590k, most of which is due to the impact of COVID-19, which has reduced film income by £100k; venues income by £350k (refunds and lost bookings) and advertising income by £52k

4.6 Housing Revenue Account (HRA)

The impact of COVID-19 on the HRA is to increase expenditure and reduce income by £7.4m.

It is estimated that there will be increased arrears of £5.9m in respect of dwelling rents, tenant charges and commercial income arising from COVID-19. It is assumed there will be an increase in irrecoverable debts and therefore an increase in the bad debt provision. Income, especially rent collection, is being monitored on a weekly basis and improvements in the rent collection rate will inform the level of provision for bad debts as the year progresses.

There is also likely to be a further reduction in rent income and tenant charges during the year arising from voids, increased expenditure on Housing Repairs and reduced Commercial properties income - Q1 rental charges have been deferred and Property Services are currently reviewing deferral of Q2 rents. It is estimated that income collection will reduce by £100k as some properties will require rent reductions / rent free periods. Any non-payment of rents will be accounted for within the bad debt provision. In addition, Community halls income is forecast to reduce by £150k due to a lack of bookings.

There are also variations from budget which are not related to COVID-19 but the only significant variation is within Special Services. The Special Services variance is due to increased costs of the integration of the Estate Cleaning service which is being reduced over 3 years. The overspend here is offset by variations to budget within other services.

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5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

This report is primarily an update on the Council's financial position and there are no alternative options here.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of May 2020. Full Council agreed the 2020/21 budget on 26th February 2020.

6.2 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.

6.3 Sustainability

As above

6.4 Consultations

Relevant consultations have been carried out in respect of the forecasts contained within this report involving the Mayor, the Deputy Mayor and Member for Finance, Housing Needs and Supply, HMT, Heads of Finance and Directors of Finance.

6.5 Risk Assessment

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

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

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

8. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

8.1 The Group Director, Finance and Corporate Resources is the officer designated by the Council as having the statutory responsibility set out in section 151 of the

Local Government Act 1972. The section 151 officer is responsible for the proper administration of the Council's financial affairs.

8.2 In order to fulfil these statutory duties and legislative requirements the Section 151 Officer will:

(i) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices and monitor compliance with them.

(ii) Determine the accounting records to be kept by the Council.

(iii) Ensure there is an appropriate framework of budgetary management and control.

(iv) Monitor performance against the Council's budget and advise upon the corporate financial position.

8.3 Under the Council's constitution although full Council set the overall budget it is the Cabinet that is responsible for putting the Council's policies into effect and responsible for most of the Council's decisions. The Cabinet must take decisions in line with the Council's overall policies and budget.

8.4 Paragraph 2.6.3 of FPR2 Financial Planning and Annual Estimates states that each Group Director in charge of a revenue budget shall monitor and control Directorate expenditure within their approved budget report progress against their budget through the Overall Financial Position (OFP) Report to Cabinet. This Report is submitted to Cabinet under such provision.

8.5 Article 13.6 of the Constitution states that Key decisions can be taken by the Elected Mayor alone, the Executive collectively, individual Cabinet Members and officers. Therefore, this Report is being submitted to Cabinet for approval.

8.6 All other legal implications have been incorporated within the body of this report.

Appendices

1. Appendix 1: Schedule of Delegated Decisions

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