

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 02/11/2020

Subject: Financial Impact of Covid-19 on the Council

Report of: Councillor Max Schmid, Cabinet Member for Finance and Commercial Services

Responsible Director: Emily Hill, Director of Finance

Summary

This report updates Cabinet on the major strain placed on the council's finances by the Covid-19 pandemic. The council's response has necessitated significant costs to be incurred whilst important council revenues have been severely reduced. Actual government funding to date falls significantly short of previous undertakings from government that costs and lost income would be fully funded, resulting in an estimated net impact on the council of £13.7m.

A second wave, newly announced coronavirus measures and the threat of a second lockdown without any commitment to funding the full costs and losses by the government increases the uncertainty of the financial impact on the council. The Council is expected to incur additional costs, due to rapidly rising Covid-19 cases across Hammersmith & Fulham and London resulting in London being placed in Tier 2 (high alert level). These additional costs are difficult to forecast, particularly in light of government guidance and changes to roles and responsibilities and will be monitored carefully to continually update the forecast. This is in the context of an already extremely challenging financial context which means that the council should avoid entering into any new significant unfunded financial commitments.

Recommendations

1. To note the contents of the report which detail the financial impact of Covid-19 on the council and the actions being taken to mitigate pressures.
 2. Agree that, as a result of these financial pressures, that the council should not enter into any significant new unfunded financial commitments.
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Wards Affected: All

H&F Priorities	Summary of how this report aligns to the H&F Priorities
Building shared prosperity	Some of the government grant funding includes reliefs and grants to local businesses which have been administered by the Council.
Creating a compassionate council	The Covid-19 pandemic hits our most vulnerable resident's the hardest. The Council's response and the costs incurred in responding to the pandemic has been incurred in ensuring that our residents, especially our most vulnerable residents are safe and have access to essential food and services during the pandemic.
Doing things with local residents, not to them	The Covid-19 response has harnessed the power, skills and generosity of our residents in establishing and supporting our volunteer Community Action Network which also helps to reduce council costs.
Being ruthlessly financially efficient	The Covid-19 pandemic has had a significant financial impact on the council has incurred additional costs as a result and has sought to manage these and ensure value for money wherever possible. These costs and lost revenues will be funded by government grant as far as possible.
Taking pride in H&F	The Covid-19 response has included expenditure on social distancing measures in important public spaces.
Rising to the challenge of the climate and ecological emergency	The council has undertaken work on highways to aid social distancing and encourage active travel which have positive impact on emissions. The council plans to ensure a green recovery from Covid-19.

Financial Impact

Confirmed government funding measures fall significantly short of funding the costs and lost revenues experienced by the council as a result of the pandemic. A net adverse impact of £13.7m is currently estimated after allowance for government funding. £2.5m affects the current year (2020/21) general fund budget with the balance a charge against future years (in respect of collection fund losses) and the Housing Revenue Account.

	£m
Net general fund impact (2020/21)	2.5
Net housing revenue account impact (2020/21)	3.3
Collection fund impact (impact from 2021/22-2023/24)	7.9
Total impact	13.7

The council is undertaking actions to mitigate the financial impact on services as far as possible. Given fast moving changes in the pandemic and the country's and council's response, the forecast continues to be reviewed and updated but currently poses a significant financial risk to the council and its financial resilience.

Further detail on the expected costs, income losses and government funding is set out in the detailed report.

The financial impact of the Covid-19 pandemic follows significant financial challenges arising from year-on-year reductions in local government funding which has resulted in significant savings. The local government settlement for 2021/22 is not expected to be issued until November/ December 2020 and therefore the council is undertaking its financial planning for the next financial year in an extremely uncertain environment in relation to government funding of the pandemic, government funding more generally and the ongoing impact of the pandemic on the economy and the subsequent effect on the demand for council services. There is also continued uncertainty about the future funding arrangements for social care, that largest element of the council's budget, due to repeated delays in a promised national review.

The council expects to need to address a funding gap of £18.9m in 2021/22, before the identification of savings, to balance the budget. This will be extremely challenging in light of previous reductions in government funding and whilst the council is still playing a key role in the management of the pandemic and recovery of the local economy. The council should therefore avoid entering new unfunded financial commitments.

Legal Implications

There are no legal implications with this proposal.

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Background Papers Used in Preparing This Report

None.

Context and background

1. An update is provided on the financial impact of the Covid-19 pandemic on the council. The latest estimate is an adverse impact of £13.7m of which £3.3m relates to the Housing Revenue Account and £7.9m will be a charge against future years leaving a £2.5m general fund impact to be resolved in 2020/21. This is ahead of significant further costs and losses expected from the second wave of the pandemic.
2. The report summarises the actions being taken by the council to mitigate as far as possible the financial pressures arising from the pandemic. The expected budget gap, before savings, for 2021/22 is also set out. This significant future financial challenge will need to be addressed as part of the 2021/22 budget proposals.

Government support to date

3. The grant funding provided by the government to support the council's local response to the Covid-19 pandemic, and to administer government designed schemes, is summarised in Table 1. The detailed grant allocations are set out in Appendix 1.

Table 1 – Government grant funding

	£m
General – un-ringfenced grants	18.1
Income compensation scheme for lost sales, fees and charges (estimated)	6.0
Service and specific grants/ funding (excluding grants for transfer payments to individuals and businesses)	5.7

4. Government grant allocations are split between:
 - General grant allocations to help deal with the immediate impacts of Covid-19. The funding is un-ringfenced and can help meet any financial pressures experienced by the council. The government expect that most of the grant will be used to support adult social care and vulnerable residents. The council has received confirmed allocations for four tranches of this funding (emergency Covid-19 grant) that total **£18.1 million**.
 - A lost income scheme which compensates local authorities for a proportion of lost fees and charges income.
 - Grants that are ringfenced or intended for specific purposes such as test and trace grant.

- Funding that is shared with other partners, for example £1.5 billion nationally has been allocated to the NHS for additional spending on enhanced hospital discharge arrangements which the council will claim from the local CCG on a monthly basis.
5. The grant forecast includes £6.0m regarding compensation for lost sales, fees and charges income. Under this scheme, announced on 2 July, the council has to fund the first 5% of lost income whilst the government will fund 75% of any further loss for 2020/21 only. The scheme does not include commercial or residential rental income and only covers the net budgeted loss (if costs are saved these have to be deducted from the grant claimed). The final amount of grant receivable will not be confirmed until the financial year-end. The first claim was submitted at the end of September and an estimate for the year is included in the forecast. Once the initial claim has been assessed and paid, the council will update its estimate.
 6. The government has made other funding streams available to individuals and businesses. These schemes are administered by the council. In relation to individuals, these relate to hardship fund payments designed to support economically vulnerable residents with council tax costs, and test and trace payments for residents with low incomes who are required to self-isolate and cannot work from home. In addition, there was also a grant support scheme relating to local business, broadly split between:
 - Rate relief schemes that reduce the business rates income receivable by the council. The council is compensated for this loss. The current allocation is **£116.9m** albeit the latest estimate is that the final grant will exceed £130m. More than 2,700 businesses have been granted 100% relief for the full year.
 - Reimbursement to the council for extra payments made to small businesses and retail, leisure and hospitality businesses. The current grant allocation is £51.7m and this has to be claimed by businesses by the end of September. As at 23 September payments of £49.1m have been made under the national scheme and £2.4m under the discretionary scheme.
 7. There are several grants, set out in Appendix 1, for which the allocation has yet to be confirmed. Account will be taken of all funding as, and when, the allocations are announced and when details of what can be claimed are available.

Covid-19 spending pressures and income loss

8. Precise forecasting regarding the financial impact of Covid-19 is not possible. New issues and challenges continue to arise at pace with several key risks. The second wave, newly announced coronavirus measures, additional roles and responsibilities for local authorities, and the threat of a second lockdown without any promise of additional funding from the government, increases the uncertainty of the financial impact on the council and this is under continuous review. We do not know:

- the likely depth and duration of the current economic downturn
 - the potential for a local lockdown, and what the new 'normal' will look like
 - the extent of pent-up demand for services
 - changes to future work, leisure and travel patterns.
9. The latest high-level modelling by the council is summarised in Table 2. It is based on the monthly Covid-19 data return submitted to the Ministry of Housing, Communities and Local Government (MCHLG) for August.

Table 2 – Financial impact of Covid-19 on Hammersmith and Fulham (August MCHLG Return)

	£m
Expenditure	17.5
Income loss (fees and charges and commercial)	17.1
Income loss (council tax and business rates)	7.9
Total expenditure and income loss	42.5
Un-ringfenced emergency Covid-19 grant	(18.1)
Compensation for sales, fees and charges income loss (estimate)	(6.0)
Use of specific grants and offsetting expenditure reductions	(4.7)
General grant shortfall	13.7
Impact on the council budgets	
Housing Revenue Account	(3.3)
Collection fund (council tax and business rates) - charge to future years 2021/22-2023/24	(7.9)
General Fund impact on current year 2020/21	(2.5)
Total Covid-19 net impact	13.7

10. The forecast additional expenditure and income loss is detailed in Appendix 2. Some key areas of additional Covid-19 related expenditure include:
- £3m on personal protective equipment (PPE)
 - £2m of additional expenditure to support adult social care market/providers
 - £1.6m additional expenditure on adult social care demand
 - £1.6m on supporting rough sleepers and homelessness
 - £0.9m on cycle lanes/ social distancing
 - £0.7m on increasing mortuary capacity
 - £0.6m to support hospital discharge
 - £0.6m on supporting social distancing in parks and open spaces.
11. Principle areas where Covid-19 has affected council revenues include:
- £11.9m parking and traffic management income loss
 - £3.1m reduction in other fees and charges income
 - £1.5m Housing Revenue Account rental/ income loss.
12. **A net shortfall in grant of £13.7m is currently forecast.** The forecast assumes cross subsidy from specific grants and offsetting expenditure reductions of £4.7m. This includes use of test and trace grant, contributions

from health and lower costs in some service areas, such as client transport, during the lockdown period.

13. In relation to future PPE costs, the Department of Health and Social Care winter plan confirmed that the Department will provide free PPE for Covid-19 to care homes and domiciliary care providers, and other social care providers, via the local authority, until the end of March 2021, which should limit future costs to the council.
14. Whilst the government has announced additional expectations of local authorities such as enforcement of coronavirus measures and administration of self-isolation payments to those on low incomes, which may incur additional costs, no details of funding, if any, of these additional responsibilities have been provided to date.
15. The estimated £7.9m loss regarding council tax and business rates shows the potential net impact on the council. The actual cash loss will be significantly higher but part of this will fall to be met by the Greater London Authority and government (particularly in providing a safety net that caps the business rates loss to the council). The council tax collection rate is currently 4.8% lower than last year. There has also been a 650 (7.5%) increase, compared to budget, of working-age residents receiving discounts through the local council tax support scheme, which reduces expected council tax revenues.
16. The government have announced that the business rates and council tax loss can be spread over 3 years from 2021/22 onwards and account (not necessarily funding) will be considered within future local government finance settlements. Unless extra funding is forthcoming this loss will need to be allowed for within the council's future budget setting process.

In-year recovery actions

17. To manage the in-year impact of the projected Covid-19 overspend and other in-year non-Covid-19 pressures, officers have developed departmental in-year mitigating action plans of £4.7m to reduce expenditure and maximise income. Further work is continuing to identify further actions to balance the in-year budget and consider whether any 2021/2022 savings opportunities can be accelerated for a part year benefit in 2020/21. In addition to this, the council has implemented additional corporate governance and review procedures to ensure that the council controls two key areas of expenditure of staffing costs and contracts.
18. In order to manage staff costs, the council has progressed only essential recruitment during the Covid-19 response. The council aims to reduce agency costs by 50% by the end of the financial year. A Resource Management Board is in place which has reviewed, in detail, agency costs and ensured each department has detailed agency reduction plans in place and monitoring delivery. The Resource Management Board, comprising the

Chief Executive, Director of Finance and Assistant Director of People and Talent approves all agency and fixed term contract extensions and scrutinises all recruitment to all posts. In doing so vacancies are being held to help manage the in-year position.

19. In addition, a Contracts Assurance Board has been established, chaired by the Director of Resources and attended by the Director of Finance and senior representatives from all departments. The Contracts Assurance Board reviews all procurement strategies, contract awards and any waivers with a view to ensuring that the council is achieving value for money and being ruthlessly financially efficient. As a corporate board it will also look to identify additional opportunities to reduce in-year spend on contracts, join up procurements across the council, removing duplication and achieving economics of scale through review of departmental forward plans. In addition, as part of the 2021/22 budget process the Board will review all requests for inflationary increases in contract budgets to ensure that these increases have been challenged and fully justified.
20. In relation to placements, placement expenditure is being reviewed to identify potential savings led by the relevant department.

Wider financial context

21. The financial impact of Covid-19 will continue beyond 2020/21. A major economic recession is likely to increase demand for needs-based services and dampen down income streams. A potential loss in council tax and business rates income will also need to be allowed for.
22. This shortfall in Covid-19 funding follows a decade of austerity in which year-on-year reductions in local government funding have led to significant savings and cuts. Since 2010 Hammersmith and Fulham has faced a grant cut of £68m. A real terms decrease of 54%. In addition to this, there is significant uncertainty over future government funding for councils and the impact of a recession on our funding and demand for services.
23. At the same time, the government have abandoned plans to undertake a comprehensive spending review and a so-called 'fair funding' review in 2020/21. A one-year local government finance settlement will be issued for 2021/22 with, as yet, no commitment by government as to what funding will be made available and no clarity over timescales. There is ambiguity over the government's funding plans in both the short and long-term as other expected local government funding reforms have also been delayed, including business rates reform and social care funding.
24. This uncertainty is compounded by concern that Covid-19 will potentially result in a deep, and prolonged, recession. UK gross domestic product (GDP) is estimated to have fallen by a record 20.4% in Quarter 2 (Apr to June) 2020, marking the second consecutive quarterly decline after it fell by 2.2% in Quarter 1 (Jan to Mar) 2020. A prolonged recession will affect a

range of council budgets such as, fees/charges and rental budgets, a need to support key suppliers and an increased demand for services to vulnerable adults and children.

25. Taken together, budget planning for 2021/22 is taking place against an extremely uncertain national economic and policy background. However, the best estimate of the council's main financial forecast, incorporating the impact of Covid-19, currently predicts a potential budget gap of £18.9m in 2021/22, increasing to £58.4m by 2024/25. As well as in-year actions to mitigate the impact of the Covid-19 pandemic in 2020/21, officers are currently considering budget measures to balance the 2021/22 and future years' budgets.
26. Uncertainty over government funding plans for social care is a particular further concern. Demand and demographic pressures are increasing whilst the pandemic has placed a significant financial strain on many providers. Unless extra government, or health, funding is made available a substantial extra burden will fall on the council in 2021/22. The government have repeatedly announced their intention over the last decade to reform the social care finance system but no proposals have been brought forward, nor has there been an indication that extra grant funding will be provided in 2021/22.
27. The potential impact of Covid-19 has been modelled within the council's medium-term financial forecast. This includes a number of assumptions in a period of significant uncertainty and therefore potential scenarios result in a very wide range of outcomes. The council's main financial forecast for future years is set out in Table 3 with the current budget assumptions summarised in Appendix 3. Allowance is made for the on-going impact of Covid-19 and the risk that potential government grant reforms will adversely impact on authorities (like Hammersmith and Fulham) that have high levels of deprivation. All budget assumptions continue to be reviewed and updated. They are subject to significant potential change given the uncertain economic and fiscal background. Action now will help address this future budget challenge and potential further calls on reserves and enable the council to continue to play a lead role in the continued Covid-19 response and economic recovery of our borough.

Table 3 – Main financial forecast

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Base budget	156.9	156.9	156.9	156.9
Pay & contract inflation (cumulative)	6.0	12.0	18.0	24.0
Headroom (cumulative)	6.0	12.0	18.0	24.0
Net cost of borrowing	0.8	1.6	2.0	2.0
Covid-19 impact provision	5.0	2.5	0	0

Gross budget requirement	174.7	185.0	194.9	206.9
Developer contributions	(1.7)	(1.7)	(1.7)	(1.7)
Government grant	(34.2)	(34.2)	(34.2)	(34.2)
Fair funding / Grant reform	0	4.8	9.5	14.2
Business rates (net of tariff)	(58.4)	(59.5)	(60.7)	(61.9)
Council tax	(63.0)	(63.7)	(64.3)	(64.9)
Council Tax – prior year collection fund deficit	1.5	1.5	1.5	0
Gross budget gap before savings – cumulative	18.9	32.1	45.0	58.4

Financial resilience and recovery

28. Covid-19 is having a significant effect on the council's finances. The modelling set out in this report forecasts an adverse impact of £13.7m of which £2.5m will be a potential charge against current year general fund reserves. The future years' collection fund loss of £7.9m will require additional budget savings to be made over the medium term.
29. Whilst this forecast is subject to change, it presents a clear risk to the council's future financial resilience. Unless significant additional government grant is made available, the funding shortfall will either need to be met through reductions in existing, and future, budgets and/or the use of one-off reserves.
30. After a decade of grant cuts, with overall grant funding reducing by £68m from 2010/11 to 2020/21 the council's reserves are already under pressure. There is limited scope to fund the shortfall in Covid-19 funding whilst meeting current commitments, ensuring that the council maintains an adequate future working balance and providing sufficient funding for future transformation programmes.
31. Budget Council agreed a reserves strategy and action plan that forecast that the council would have uncommitted reserves and balances of £41.4m by the close of 2023/24. This includes a general balance of £19m. The reserves strategy and action plan has been refreshed following the closure of the 2019/20 statement of accounts and will need to account for the final net impact of the Covid-19 pandemic in 2020/21. In-year mitigating actions have been identified and are being implemented to reduce the expected overspend however any balance which needs to be funded from reserves in the short term will require future plans to replenish those to an adequate level that is in line with recommendations from the council's auditors.
32. The cumulative financial pressures on the council mean that, in order to ensure financial resilience, the council should avoid entering significant new unfunded financial commitments.

List of Appendices:

Appendix 1 – Covid-19 grant funding

Appendix 2 – Forecast expenditure and income loss from Covid-19

Appendix 3 – Budget assumptions for future years

Appendix 1: Covid-19 grant funding

Grant	H&F allocation £000s	Notes
Government grant allocations:		
Emergency Covid-19 grant	18,153	Un-ringfenced funding to support local authorities, 4 tranches
Funding support for income loss from fees and charges	6,000 (estimate)	2 July announcement. Local authorities to fund 5% of income loss. 75% of the balance to be met from grant
Test and trace	2,020	Ringfenced funding to support test and trace to mitigate and manage local outbreaks
Adult social care NHS discharge funding	833 (estimate)	£1.5bn NHS funding for enhanced discharge arrangements – actuals to be claimed from the CCG
Infection control	688	75% ringfenced for care homes with 25% at local authority discretion
Next steps accommodation/ rough sleepers short-term funding	473	£105m for interim support for vulnerable people accommodated during the pandemic
Local welfare assistance	217	£63m to support those affording food and other essentials
New burdens funding: business rates/ grants	170	Funding for costs of administering business rate reliefs and grants and the hardship fund.
Reopening high streets safely fund	167	Subject to submission of a grant claim
Active travel fund	100	To support walking and cycling return to work. £92,000 is for capital spend.
Wellbeing for education return	26	To better equip education settings to support pupils and students' wellbeing and psychosocial recovery as they return to full-time education
Rough sleepers	2	£1,650 to provide accommodation and support to rough sleepers
Infection control – winter plan	970	£546 million for care provider infection control throughout winter
Test and Trace Support Payments administration costs	35	Administration costs for the test and trace support payments scheme
Social distancing enforcement	120	£60m for social distancing enforcement to police and local authorities
Next steps accommodation/ rough sleepers long-term funding	TBC	Awaiting outcome of bid process
New burdens funding: hardship fund	TBC	

Appendix 1: Covid-19 grant funding

Grant	H&F allocation £000s	Notes
New burdens funding: discretionary grants	TBC	
Contain Outbreak Management Fund	TBC	
Individuals		
Hardship fund	1,947	To provide council tax relief, either through existing Local Council Tax Support schemes, or complementary reliefs
Test and trace payments (programme costs)	100	National test and trace payments to eligible applicants (non-discretionary element). To be funded for actual levels of payments made under the national scheme.
Test and Trace Support Payments (discretionary)	60	Discretionary payments allocation for 4 months.
Business		
Retail and nursery business rates relief	116,967	Grant paid to H&F to fund business rates relief (i.e. compensate for loss of business rates income). Final amount likely to exceed £130m.
Business grants	49,208	Small business grants and retail, leisure and hospitality business grants – eligibility based on business rate status.
Discretionary business grants	2,404	Additional fund for small/ micro businesses not eligible for the above and at the discretion of the local authority.
BID funding	65	To be passed directly to BIDs.

Appendix 2: Forecast expenditure and income loss from Covid-19

Additional expenditure - Covid-19

Services	Details	£m
Adult social care - extra demand	Supporting Covid-19 positive residents in their own homes, shielding and self-isolating	1.577
	Sheltered schemes deep cleans	0.022
Adult social care - supporting the market	Additional funding to support the financial resilience and costs being faced by providers	1.962
Workforce pressures	Reablement cost of staff deployed to hospital discharge	0.599
Personal Protective Equipment (PPE)	PPE equipment for use by care providers and key workers	2.250
Adult Social Care Total		6.410
Children's social care - residential care	Hold on placement moves	0.226
Children's social care - foster care	Increased costs to support foster placements	0.011
Children's Social Care - care leavers	Additional cost for six young people in supported independent living	0.029
Children's Services - other	Virtual school laptop purchase	0.017
	Subsistence payments for looked after children & leaving care clients	0.010
Children's Social Care Total		0.293
	Disabled Children's Team (DCT) placements	0.080
	DCT delayed placement move to the Haven	0.018
	Conversion costs for the Haven	0.006
	Other operational costs at the Haven	0.082
	Additional transport; minibus, activities and equipment	0.033
	Additional Stephen Wiltshire services in lieu of school opening	0.033
	Stephen Wiltshire additional costs to support PPE distribution	0.025
	Extra costs - gloves, Medicare etc	0.004
	Play association scheme in lieu of education	0.042
	Petty cash/expenses claims	0.001
	Additional costs that may occur due to a potential surge in EHCP assessments	0.026
	Transport arrangement for students attending summer provision at Woodlane	0.001
	Direct payment officer post	0.012
	Project management of integrated education response and recovery plan	0.050
	Marketing and communication support for schools and parents	0.009
Working with the third sector to offer Easter, May half term and summer clubs for key worker and vulnerable children	0.074	
Education Total		0.496
Highways and Transport	Cycle lane works to aid social distancing - TfL funding request submitted but not confirmed	0.939

Appendix 2: Forecast expenditure and income loss from Covid-19

Highways and Transport Total		0.939
Public Health	Test and tracing and outbreak planning	0.950
Public Health Total		0.950
Housing homelessness services	Additional costs	0.215
Housing - rough sleeping	Additional costs to house rough sleepers	1.343
Housing Total excluding HRA		1.558
Culture & Related - sports, leisure & community	Enforcing social distancing in parks and open spaces	0.634
Culture & Related Total		0.634
Environment & Regulatory - cremation, cemetery & mortuary services	Shared pan-London Resilience mortuary and coronial arrangement costs	0.706
Waste services	Waste management	0.215
Other	Food safety, trading standards, noise and nuisance - agency costs for enforcement of social distancing, shops closure and noise reduction.	0.037
Environment & Regulatory Total		0.958
Planning & Development	Support to the Community Aid Network (CAN) programme and North End Road market security costs	0.193
Finance & Corporate - ICT & remote working	Remote working requirements and other developments	0.170
Revenues and Benefits expansion	Overtime and agency costs to deal with increased claims and contacts	0.238
Finance & Corporate - other	Communications, Covid-19 director and Community Aid Network staff costs	0.337
Finance and Corporate Total		0.938
Other PPE (non-social care and HRA)	Non-social care / HRA use of PPE	0.750
	Support to foodbanks and purchase of food parcels and vouchers	0.150
Unachieved savings	Children's Services - staff restructure efficiencies	0.145
	Social care efficiency savings	1.200
	Supported independent living moves delayed	0.080
	Revenues, benefits and customer contact savings reorganisation	0.066
	Waste contract savings due to service impact of Covid-19	0.243
Other Total		2.634
Total General Fund		15.810
HRA workforce	Delay to development / capital works of 3 months	0.811
HRA other		0.710
HRA supplies and materials (incl PPE)	Cleaning, PPE and other costs	0.200
Total HRA		1.721

Total All

17.531

Appendix 2: Forecast expenditure and income loss from Covid-19

Income loss - Covid-19

Services	Details	£m
Highways and Transport Sales Fees & Charges Parking (SFC) losses	Modelled parking and traffic management income loss compared to budget - sensitive to lockdown and recovery assumptions	11.900
Highways and Transport SFC losses Total		11.900
Cultural & Related (SFC) - Recreation and sport losses	Deferment of sports booking contractual income	0.200
	Deferment of Leisure Centre contractual income during period of leisure centre closure relating to lockdown	0.099
Cultural & related SFC other	Loss of income due to lockdown closures - libraries	0.158
	Loss of income due to lockdown closures - registrars	0.195
	Loss of income due to lockdown closures - events	0.244
	Loss of income due to lockdown closures - filming	0.037
Cultural & Related (SFC) losses Total		0.933
	Building control charges	0.122
	Planning fees	0.350
Building Control & Planning SFC losses Total		0.472
Other SFC loss	Regulatory Services - pest control, gas safety checks, private sector housing licencing, other licencing	0.133
	Commercial Waste - net income loss (lost income net of costs avoided)	0.228
	Temporary traffic orders	0.018
	Care Act easement	0.341
	Adult Education fees	0.603
	Ed psychology / Inspire Summer term deferred income	0.130
	Lilla Husset professional development centre	0.100
	Land charges	0.190
Other SFC losses Total		1.743
Total Sales, Fees and Charges losses		15.048
Commercial Income loss	Digital advertising, property rentals and markets (net of assumed future income recovery from deferred payments)	0.607
Other Income losses		0.607
General Fund income loss (SFC) Total		15.655

HRA – residential	Residential rent arrears	0.800
HRA – commercial	Commercial rent arrears	0.083
HRA – losses from voids	Irrecoverable income loss from voids	0.563
HRA income losses Total		1.446

Total Income Loss	17.101
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Appendix 2: Forecast expenditure and income loss from Covid-19

Collection fund loss - Covid-19

Net impact on Council Tax	Allowance for lower collection rate and higher cost of the local council tax support scheme (includes GLA precept)	6.000
Net impact on business rates	Net Impact after allowance for the business rates safety net. No gain assumed from the London Business Rates pool.	1.900
Collection Fund Loss - impacts on 2021/22		7.900

Collection fund losses can now be spread over three years from 2021/22 to 2023/24

Appendix 3: Budget assumptions for future years

The budget assumptions that underpin the main budget forecast for 2021/22 onwards are:

- Full delivery of 2020/21 savings by 2021/22.
- £6m for contract and employee inflation. A 2% pay award would cost £1.7m and contract inflation requests of £5m were received for 2020/21.
- £6m for headroom and growth. There has been average growth of £8m over the past 5 years. The month 2 Corporate Revenue Monitor for 2020/21 suggests an underlying pre-Covid-19 overspend pressures of £3.2m which will need to be managed in year.
- Allowance for an increase in the net cost of borrowing in line with the current capital programme commitments.
- A provision of £5m (halving to £2.5m in 2022/23 and then nil) for the on-going impact of Covid-19 and a potential economic downturn. Potential impacts are on fees/charges and rental budgets, a need to support key suppliers and an increased demand for services to vulnerable adults and children.
- Developer contributions continuing at £1.7m per annum to support enhanced community safety arrangements. The availability of these funds might be at risk in an economic downturn.
- A reduction in 2020/21 council tax receipts due to the impact of Covid-19. This will be charged evenly against the revenue budget from 2021/22 onwards. Due to the prospect of a recession a 25% increase is also assumed in the number of local council tax support discounts whilst the number of dwellings is modelled to increase by 800 per annum.
- A freeze is assumed in the council tax charge.
- A freeze in the adult social care precept. A 2% increase, if allowed by government, would raise £1.2m in 2021/22 and £5.0m over the 4 years.
- Business rates income increasing, at the minimum safety-net level, in line with inflation at 2% per annum. Due to the level of appeals the council models at the minimum safety net floor. No benefit is modelled from the new London rates retention pool given the risk of a recession.
- Government grant unchanged between 2020/21 and 2021/22. Future reductions are modelled regarding concern over the impact of 'fair funding' and changes to the new homes bonus grant system. Authorities that receive above average grant and have a low council tax charge are expected to fare worse under fair funding.