

<b>LONDON BOROUGH OF CAMDEN</b>	<b>WARDS:</b> All
<b>REPORT TITLE</b>  Financial Impact of Covid-19 on the Council and Confirmation of Significant Urgent Decisions to Date (CS/2020/14)	
<b>REPORT OF</b>  Cabinet Member for Finance and Transformation	
<b>FOR SUBMISSION TO</b> Covid-19 Oversight Cross Party Panel Cabinet	<b>DATE:</b> 11 May 2020 13 May 2020
<b>SUMMARY OF REPORT</b>  This report presents an early overview of the Council’s financial position as it seeks to support our citizens, communities and businesses through the Covid-19 crisis. The Council has moved quickly and mobilised our staff, our partners and our communities to provide a vital safety net, ensuring that people are able to safely remain at home and reduce the spread of Covid-19. During the crisis, we have tried to ensure that the most vulnerable have homes, food, social contact and the financial support they need. At the same time, we have continued those critical services that we know our communities rely on. In the spirit of Camden 2025, we have developed an approach that continues to have social justice and tackling inequality at the heart of what we do.  The purpose of this report is to provide an early assessment of the financial impact of the current crisis, noting and confirming the significant decisions taken to date under emergency arrangements and to outline future steps to ensure that the Council continues to operate in a financially sustainable and resilient way.  <b>Local Government Act 1972 – Access to Information</b>  No documents that require listing were used in the preparation of this report  <b>Contact Officer:</b> Jon Rowney Executive Director – Corporate Services 5 Pancras Square N1C 4AG <b>Telephone:</b> 020 7974 1453 <b>Email:</b> <a href="mailto:jon.rowney@camden.gov.uk">jon.rowney@camden.gov.uk</a>	
<b>RECOMMENDATIONS</b>  <b>THE COVID-19 OVERSIGHT CROSS PARTY PANEL is recommended to</b> consider the report and make any recommendations to Cabinet.	

**THE CABINET is recommended to;**

1. Note the contents of this report as a whole and the financial impact on the Council
2. Note and confirm, subject to review in due course, the decisions listed in Appendix B made pursuant to emergency arrangements.
3. Note the intention to report further on the equality impacts of both the decisions made to date, the financial position and of the impact of Covid -19 upon the Borough.
4. Delegate authority to the Executive Director Corporate Services to take the actions detailed in paragraph 4.2 with a view to a further report being brought to Cabinet.

**Agreed by: Jon Rowney, Executive Director Corporate Services**

**Date: 4<sup>th</sup> May 2020**

## **1.0 CONTEXT AND BACKGROUND**

- 1.1 This report sets out how the Council is responding to COVID-19 crisis and the financial impact of the measures taken by the Council to support our citizens, our communities and our businesses.
- 1.2 During what is a difficult time for our borough and our country, we have mobilised our staff and partners to continue to provide critical services for our community. Our approach has been strongly rooted in the ambitions and themes of Camden 2025 and social justice. We have stepped in during this crisis to ensure that the most vulnerable have homes, food, and social contact. We are providing over 1000 food parcels a week, feeding children and families in poverty, housing over 100 people who do not have a home, providing much needed financial assistance to those in financial hardship and protecting people fleeing domestic violence.
- 1.3 We have done this in partnership with our voluntary and community sector colleagues and with our communities. We have worked as quickly as possible to provide an essential safety net – ensuring that people are able to safely remain at home and reduce the spread of Covid-19.
- 1.4 Nationally, there have been approximately 153,000 confirmed cases of coronavirus and tragically, more than 20,000 patients have died. We also know that the tragic impact of this virus is greater than the statistics suggest, as testing and recorded deaths have largely been limited to hospital settings to date.
- 1.5 At the same time, the global pandemic is having a fundamental and negative impact on the economy and presents a series of significant challenges for the economic health of the country and its public finances in both the short and medium term.
- 1.6 The pandemic and subsequent lockdown has impacted on the nature of the services we deliver and how we deliver them. As would be expected in an emergency, we have responded at pace to protect those who have needed it. Such a response has required, in some cases, a fundamental reimagining of how we deliver services and has, inevitably, created a series of financial pressures and funding challenges.
- 1.7 The purpose of this report is to provide an update on the financial implications of our response and urgent decisions taken to date in relation to the Covid-19 crisis and to outline some early thinking on what this could potentially mean for our longer term financial position. In doing so, it must be recognised that the situation remains ongoing and it is extremely difficult to make a full, definitive and comprehensive assessment of the financial impact. As such, the figures in this report are based upon our best estimates and forecasts and will be subject to change. However, the significance of the financial challenge cannot be underestimated and over time, we will need to develop a response that continues to maintain our

commitment to strong financial resilience and sustainability, medium term financial planning and an outcomes-focused approach.

## **2.0 PROPOSALS AND REASONS**

### **The financial position pre-Covid-19**

- 2.1 In December 2018, Cabinet agreed a Medium Term Financial Strategy (MTFS) that sought to provide the financial framework for the three years from 2019/20 to 2021/22. The programme, developed through an outcomes based budgeted approach, was developed to address a projected deficit of between £35-£40m over the three year period and included approximately 100 projects saving over £30m by 2021/22. This followed a period of 8 years where the Council had been obliged to make an unprecedented £169m of savings and to reduce its workforce by 23% (1,140 full time equivalents).
- 2.2 At the time that the current medium term financial strategy was approved in 2018, it was recognised that the Council was some way from balancing the overall forecast £35-£40m deficit position over the three year period. This demonstrated our difficult position following the eight years of reductions to our budget. As anticipated at the time of Cabinet approval for the MTFS, further funding strategies were developed that balanced the budget for both 2019/20 and 2020/21. In both years, the respective funding strategies included the use of further external grant income, a stress testing of our balance sheet and further scrutiny of our spending and budget allocation decisions, including inflation and other technical adjustments.
- 2.3 In March 2020, Council considered the budget for 2020/21 and in doing so, recognised that while the Council remained in a strong position financially for 2020/21 and 2021/22, there were significant medium term financial risks that we needed to take account of and manage to ensure that we remained financially resilient. Most notably, these were around the uncertain funding outlook for local government and risks in adult social care and health integration, children's' services and special educational needs (SEN) and wider school funding pressures.
- 2.4 Therefore, it should be noted that the council was already operating in a significantly challenging financial environment prior to the outbreak of Covid-19.
- 2.5 Linked to point in 2.3 about the uncertain funding outlook, the Government announced on 24<sup>th</sup> March that the Comprehensive Spending Review (CSR) would be delayed from July 2020 to enable the government to remain focused on responding to the public health and economic emergency. The intention was that the CSR would have set future public spending plans for the next 3-5 years and with it, an outline for total local government funding.
- 2.6 At the same time, there had been an intention to introduce local government funding reforms from 2021/22, including the outcome of the 'Fair Funding

Review'. On 28<sup>th</sup> April, the Government confirmed that the review of relative needs and resources 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.

2.7 At the time of writing, it remains unclear when the CSR 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. This means that we will need to continue to plan with little or no funding certainty over the medium term.

### Government Support to Date

2.8 Since the crisis began, the government has provided some grant funding to help support the Council in both administering government designed schemes and to help fund our local response. The table below shows, where known, Camden's allocation of the grants announced to date;

**Table One: Government Grants Announced**

<b>GRANT</b>	<b>Confirmed Camden Allocation £000</b>	<b>Notes</b>
COVID-19 Fund for care workers & Homelessness (£1.6bn nationally)	9,058	£1.6 billion will go to local authorities to help them respond to other coronavirus (COVID-19) pressures across all the services they deliver. This includes increasing support for the adult social care workforce and for services helping the most vulnerable, including homeless people.
Second tranche of £1.6b funding for COVID-19	7,366	Second tranche of £1.6b for local governments announced 18 April.
Hardship Fund (£500m nationally)	3,120	The government expects most of this funding to be used to provide more council tax relief, either through existing Local Council Tax Support schemes, or through complementary reliefs.
Homelessness Self Isolation Support (£3.2m nationally)	49	£3.2m of initial emergency funding will be available to all local authorities in England to reimburse them for the cost of providing accommodation and services to those sleeping on the streets to help them successfully self-isolate.

Free School Meals	tbc	Schools to reclaim for additional costs, including supermarket vouchers bought and issued to free school meals families.
New Burdens funding for enforcing closure of businesses?	tbc	Government guidance states that; <i>The government will ensure that local authorities are funded for the new requirements as quickly as possible, in line with the New Burdens doctrine.</i>
New Burdens funding for administering changes to Business Rates and CTRS	tbc	Government guidance states that; <i>The government will ensure that local authorities are funded for the new requirements as quickly as possible, in line with the New Burdens doctrine.</i>
<b>Total Grants to Camden Confirmed</b>	<b>19,593</b>	

- 2.9 The government have indicated what they expect local authorities to spend the grants on. This includes getting rough sleepers off the street, supporting new shielding programmes for vulnerable people and assistance for the public health workforce and fire and rescue services and other essential workers. The funding has also been provided to support our wider service provision including adult social care and children's services.
- 2.10 The Government has provided £1.3bn for England to support the NHS and social care with the additional cost of COVID-19. This includes meeting the cost of discharges from hospital that would otherwise have fallen to local government to fund, such as home care and care home costs. North Central London CCG has introduced a system by which Council officers submit weekly claims for the reimbursement of expenditure which meets the criteria. The NHS subsequently published guidance on the management of the funding, including arrangements for the new resources to be pooled alongside social care funding for discharges. Further work is needed to understand the implications of this and discussions within local government and with CCG colleagues are continuing.
- 2.11 In further sections of this report, there is an assessment of the financial pressure caused by the current situation. At this stage, the level of government funding currently agreed is considerably lower than the expected financial pressures over the coming year. The council, alongside others such as both the Local Government Association (LGA) and London Councils, will continue to engage with government to press for further funding support. In the absence of such funding, the Council will need to consider how it meets the increasing demand on its services within its limited resources.

## Business rates

- 2.12 The Council remains committed to supporting businesses through this crisis. Funded by government, we have processed a range of business rates reliefs for various businesses across the retail, hospitality and other sectors. This has significantly reduced the amount of rates paid to the Council with the estimated reduction estimated to be c£195m.
- 2.13 In addition, the Council is administering direct grant payments to local businesses totalling £73m. These are in the form of individual grants worth £10,000 - £25,000 depending on the size of the business. As at 1 May, the Council has made grant payments of £52.59m to 2,457 separate businesses. We continue to engage with the business community to ensure that those eligible businesses have access to this support. The funding received from government to administer the business grant payments is ring-fenced with any unspent money being returned to the government. Funding is only available for government mandated grants and business rates reliefs to local businesses, any additional support via reductions in business rates and/or additional grants would need to be funded directly by the Council. Given the scale of business rates across Camden (the Council is usually responsible for collecting c£670m per year and there are some 36,000 business in operating in Camden) any additional council funded support would be unaffordable or have to be made in an uneven way across local businesses.
- 2.14 Despite the range of support, it is inevitable that some businesses will be unable to pay their business rates during the Covid-19 crisis leading to an increase in bad debt for business rates and a loss of income collected. Initial estimates are that bad debt levels could be as much as 10% or £51m over the course of the year. Under the government's business rates retention scheme, local authorities are able to retain a proportion of their locally retained business rates income. In doing so, we are able to benefit and retain more should we see an increase in local income. Likewise, our income will reduce should there be a fall in local business rates income. The current situation suggests that we will see a reduction in local business rates income and as such, it may well be that we see a reduction in our funding levels. In the scenario where income falls by £51m, we would enter the government's 'safety net' scheme, which limits our maximum loss in funding. For Camden this safety net means that the maximum loss against budget for the Council is £9.3m (7.5%). This would create a further financial pressure for the Council.
- 2.15 The Council collects significantly more business rates than it retains through the business rates retention system, with payments made to the government and to the Greater London Authority, but bears some of the risk of non-payment. In order to ease Council's cash-flow issues, the government have deferred payments to the central business rates pool for the first three months of the financial year. For Camden, this equates to a reduction in cash payments of £58.4m between April and June. These payments are now expected to be due across the final six months of the financial year

meaning an additional payment of £9.73m per month from October 2020 – March 2021. Officers monitor our cash flow on a daily basis to ensure that we have sufficient cash to meet our financial commitments.

## **Council Tax**

- 2.16 The Council has received £3.1m from the government hardship fund to help support Camden residents during the Covid-19 crisis. Due to the Council's ongoing commitment to continue to invest £27m in its Council Tax Support Scheme and provide 100% council tax support for those residents most in need, we have been able to use the funding to go further than the Government's commitment to support hardship. The Council has invested £1.3m of the funding to increase support, giving everyone on the scheme with something left to pay a three month holiday from council tax. In addition, anyone with less than £150 to pay will not have to pay anything at all this year. The Council Tax Support Scheme already provides over 15,000 households with council tax exemption. Under these new arrangements, over 6,600 households on the scheme will receive an additional discount, averaging £183.28.
- 2.17 Despite the extended help offered to council tax payers to reduce bills, the number of council tax claimants is expected to rise as residents face new financial challenges. Between March and April, the number of council tax support claimants increased by over 200 households – with all new claimants being working age households.
- 2.18 In addition, the council has invested £1.8m in its local welfare assistance fund to give residents in an immediate financial crisis access to a one-off payment to help pay their bills or buy shopping.
- 2.19 In recognising the financial hardship faced by our residents, this will impact on the council's ability to collect the council tax upon which the budget has been developed. We anticipate that there is a significant risk that people will be unable to pay their council tax or will delay making payment. It is difficult to predict the full extent of the loss of income as the medium term economic consequences of the Covid-19 crisis are not yet known. By way of illustration, should we see none payment of around 10% of Council Tax, this would equate to a financial loss of £15m. We will continue to closely monitor the payment of Council Tax.

## **Potential Financial Impact and Early Assessment**

- 2.20 As stated earlier, the current situation is a fast moving and one in which the council is having to take a number of urgent decisions pursuant to the Council's Gold Emergency arrangements. In the interests of transparency and good governance, the urgent decisions have been published and the significant ones are also attached at Appendix B. Cabinet will note that while these decisions were inevitable, and mostly as a direct result of government advice and legislation, together they have had a significant financial impact. Cabinet is therefore asked to note and confirm these decisions. Officers



remain alert to the changing advice and impacts of the virus and will keep these operational steps under review reporting further to Cabinet should they conclude that any changes can or should be made.

- 2.21 Officers are assessing the financial impact of the Covid-19 crisis as decisions are made to stop or to delay certain work and to incur or increase expenditure in other areas to support our communities and our businesses. Considerable uncertainty surrounds the length and depth of the crisis and as such, it remains very difficult to predict with accuracy the likely financial impact. As such, it should be stressed that the figures below are very early estimates based on our best assumptions and forecasts. We will continue to review these as new information becomes available and new policy and operational decisions are taken. The full financial implications are being closely monitored and will be reported to Cabinet at appropriate points throughout the year.

### **Loss of Income**

- 2.22 Officers have identified c£29.3m of General Fund income that is at risk over the first three months of the Covid-19 crisis, including estimates for unpaid Council Tax and Business Rates due (see paras 2.12-2.19). The actual level of income loss will depend greatly on the length of time emergency Covid-19 measures remain in place and the extent to which the pre-Covid-19 environment returns in the coming months and the economy recovers. Financial pressure from the loss of income falls into four broad categories;

- **Decisions to stop charging for certain activity.** For example, as part of the Council's emergency arrangements urgent decisions were taken to stop paid for parking in order to provide free parking in the borough to key workers. Combined with a fall in the number of Penalty Charge Notices, we can expect to see a reduction of £2.5m per month in parking income alone.
- **Payment 'holidays'.** The Council have offered rent 'holidays' to some organisations during the crisis on its commercial property portfolio. In these cases, the Council has not forgone the rent just delayed the date that it is due, however this does mean that the Council will be carrying a higher level of debt with all the associated risks of non-payment in the future.
- **Reduction in Economic activity.** Some activities that the Council charges for such as commercial waste collection and licensing of events have ceased due to the lockdown resulting in reduced income to the Council.
- **Bad Debt.** Despite the range of support put in place for residents and businesses, it is inevitable that some people will face financial hardship and be unable to pay taxes, rents, fees and charges that are due. The Council is likely to see an increase in non-payment of Council Tax, Business rates and rents amongst other things.

## **Additional Expenditure**

- 2.23 The Council initiated a number of projects to support local residents and businesses during the Covid-19 crisis. In many cases the Council has co-opted existing budgets to support projects with officers and contractors redeployed to deliver Covid-19 related support. While the Council has refocused many of its budgeted resources, there has been a need to agree additional expenditure above that budgeted for in order to properly support businesses and residents.
- 2.24 In summary, we have:
- Provided much needed financial support to Camden Giving, our voluntary and community sector via a series of grants to support our vulnerable families and individuals, including increasing our support for tackling domestic violence.
  - Extended our current Advice Contract to support those in need,
  - Invested in additional capacity in both our care home and homecare markets,
  - Provided additional resources for our Learning Disabilities supported living approach,
  - Invested in our mental health providers, in order to ensure market stability and sufficient staffing levels.
  - Created additional capacity in temporary accommodation to increase our provision for single adults and families,
  - Secured a number of hotel rooms for our street homeless population,
  - Designed and introduced a food delivery programme for those in food poverty – including over 6,800 food parcels in the first three weeks in April.
  - Implemented our emergency management arrangements, including ensuring we have sufficient capacity to respond to the emerging public health crisis.
- 2.25 The above is not a comprehensive list of all our activity and will undoubtedly evolve over time. That said, it is provided to give a flavour of those activities which have, to date, had a financial implication.

## **Delay to Medium Term Finance Strategy (MTFS) Savings**

- 2.26 As stated earlier, 2020/21 represents year 2 of our 3 year strategy. One of the significant financial pressures facing the Council as a result of the Covid-19 crisis is the delay to the delivery of budget savings previously agreed. The Council's budget in 2020/21 included the assumption that savings of £9.7m would be achieved this year.
- 2.27 The Covid-19 crisis has required a fundamental realignment of our workforce and resources towards supporting the organisation's response. This has inevitably meant that resources have been taken away from

delivering some of those projects. Officers are working through the detail of each project, but there is a risk that the delivery of these projects may be delayed, putting further pressure on the Council's budgets in 2020/21. Initial work has identified £6.8m of projects that are at risk of not being delivered in 2020/21. Clearly any impact on 2020/21 may well have a further impact on the delivery of savings in 2021/22.

- 2.28 Appendix A summarises the additional financial pressures facing the General Fund from lost income, additional expenditure and MTFS savings at risk that have been incurred or expected to be incurred above those budgeted for as a result of the Covid-19 crisis **for the first three months of the financial year.**

### Overall Financial Position

- 2.29 Through the combination of reduced income, increased spend and 'at risk' savings, there is a potential financial pressure of £44m if the situation extends for 3 months. The table below shows the estimated financial impact of the Covid-19 crisis over three, six and nine months. The figures should be treated as early estimates of the expected financial impact of the Covid-19 crisis. It should also be noted that, as the Covid-19 emergency measures such as social distancing and the closing of businesses are lifted, some of the financial pressures identified will remain as people and the economy recover. The impact of these financial pressures on the Council will be that the Council will overspend against the budget agreed by Council in March 2020. The exact level of overspend will depend on both the length of the Covid-19 crisis, its impact on the economy and the decisions the Council takes to provide vital support to residents and businesses.

**Table Two: Estimated Financial Pressure on the Council**

	<b>3 months £000</b>	<b>6 months £000</b>	<b>9 Months £000</b>
Loss of Income	29,323	44,624	59,656
Expenditure	7,303	11,784	16,484
'At risk' MTFS savings	6,279	6,279	6,279
<b>Total</b>	<b>42,905</b>	<b>62,687</b>	<b>82,419</b>

- 2.30 Given the level of uncertainty regarding both the length of time the current 'lockdown' measures will be in place and the nature of any easing of those measures, it is extremely difficult to accurately estimate the level of financial stress that the Council will be under. In most cases when looking at the impact of additional expenditure and lost income, officers have taken the prudent assumption that the impact will continue at the same rate for three, six and nine month 'lockdown' periods. In practise, the financial impact of

the crisis may be subject to a level of tapering off as government measures to tackle the Covid-19 crisis are eased or altered, but the effects of this are very difficult to predict at this stage of the crisis.

- 2.31 It should be noted that the estimated financial pressure facing the council is significantly higher than the funding currently announced by the government to support the Council.

### **Housing Revenue Account**

- 2.32 The government has not announced any specific financial support directly for Housing Revenue Accounts (HRA). However the HRA will come under financial pressure as a result of reductions in income from rents, service charges and commercial income. The financial impact of Covid-19 will primarily depend on future rental income from our tenants and leaseholders. At present, our offer to our social tenants, leaseholders and commercial tenants has been that rent is still due but tenants should get in touch with the authority if they feel they are unable to pay, to allow us to review their financial situation and agree a personalised repayment plan. The only exception is our Voluntary and Community Sector commercial tenants, for whom we waived rent in quarter one, resulting in reduced income of £400,000. We are monitoring the HRA income streams on a weekly basis.
- 2.33 HRA reserve balances have reduced over the previous four years mainly as a result of the costs associated with the evacuation of the Chalcots estate in 2017 and ongoing fire safety costs. In addition the 1% social rent reduction in each of the four previous financial years, in which rent reduced and inflation continued to increase cost pressures reduced the money available to invest, both in front-line services and development of new homes. These pressures are compounded by the need to fund the replaced of cladding at the Chalcot estate and enhanced resident safety measures across the Council's social housing stock.

### **Capital Programme**

- 2.34 The Covid-19 crisis will have a significant financial impact on the Council's capital programme. At this stage, it is too early to say what this impact is and officers are currently working through revised project and costing plans for the current suite of capital projects.
- 2.35 A number of capital build projects have been put on hold due to social distancing restrictions meaning new project timelines will need to be developed and costs reassessed in light of the need to provide site security and the potential for cost inflation when the current 'lockdown' begins to lift.
- 2.36 The Council's capital programme also uses contributions from developers via section 106 and Community Investment Levy payments, agreed as part of planning permissions granted, to fund some of the Council's vital capital

work. As the economy takes time to grow after the Covid-19 crisis, it is very likely that the level of development will take time to get back to the levels prior to the crisis resulting in reduced levels of funding for the capital programme. In addition, parts of the Council's capital programme are part funded from the sale of assets. There remains a question about how the property market will react and then recover from the Covid-19 crisis and what this will mean for raising capital resources from the sale of assets.

- 2.37 In addition to the existing capital programme, the Council was in the process of developing a new General Fund capital strategy to allocate expected capital resources to support the Council's key objectives and Camden 2025. As the Covid-19 crisis has significantly altered the economic circumstances, officers will need to reassess the level of capital resources expected to be available for the new capital strategy and to take time to consider the right use of our capital resources to support the Council plans for the economic renewal of the borough.

### **3.0 OPTIONS**

#### **Long-term Effects of the Covid-19 Crisis**

- 3.1 It should be noted that the Covid-19 crisis will almost certainly have a long term impact on the Council's financial position and require the Council to review its medium term financial strategy to ensure that the Council is still able to deliver the outcomes of Camden 2025, support the renewal of the borough, and maintain the financial resilience of the Council. Though, the precise impact remains difficult to predict at this early stage. Officers will continue to report the Council's financial position to Cabinet at regular intervals in line with the existing governance arrangements.
- 3.2 The latest updates from the Office of Budgetary Responsibility (OBR) confirm that the current situation is too uncertain to make forecasts about the economy at present. However, they have summarised a scenario based on the current 'lockdown' of the country lasting three months, with the Covid-19 measures lifting gradually after that. In this scenario, they expect that the main economic indicators such as employment, average earning, inflation and Gross Domestic Product (GDP) will take until 2023/24 to return the levels previously forecast. In this scenario, the OBR doesn't not expect inflation to move much from the previous estimates, but highlight that there will be several conflicting forces on both supply and demand meaning that there may be significant inflation in individual sectors of the economy in the short term.
- 3.3 At this stage, there are no decisions required and further work is required to assess the financial impact.

#### **4.0 WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?**

- 4.1 The Covid-19 crisis has had a significant financial impact and will have a long term effect on the level of resources available to the Council. The figures cited in this report are early indications based on the best available data. They will undoubtedly change over time as more information becomes available. As set out above, we face a financial pressure of close to £44m should the crisis last for 3 months. The council has received £19m to date to offset against these estimated costs. While there may be further government support, this has not been confirmed and it would be prudent to assume that not all our costs will be compensated. This means that while not fully quantified, the Councils faces a significant financial challenge.
- 4.2 It is proposed that the Executive Director Corporate Services undertakes the following work to support the council's ongoing financial sustainability and resilience;:
- Review 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. It should be noted that reserves are critical to supporting our financial resilience and provide much needed capacity to respond to exceptional events. At this stage, it remains unlikely that reserves will form a central and significant part of our mitigation approach.
  - Monitor closely the council's income streams and debt levels to see what impact the COVID-19 crisis is having.
  - 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 response to the Covid-19 crisis.
  - 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'.
  - Consider what aspects of the Council's response to the current situation might provide a platform for further service innovation and creativity as a way to both mitigate the financial pressure and to consolidate the creativity and ambition shown to date through our response.
  - Continue to engage with MHCLG and HM Treasury on the financial pressures caused by the Covid-19 crisis in support of requests for further government support.

The Executive Director is seeking authority to take the above steps and thereafter report back to Cabinet for any decisions which he recommends are taken as a result.

- 4.3 Officers remain alert to the Council's obligations pursuant to s148 Equality Act. As Cabinet know in summary, we must have due regard to the need to
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
  - Advance equality of opportunity between people who share a protected characteristic and those who do not
  - Foster good relations between people who share a protected characteristic and those who do not.
- 4.4 In making urgent decisions in Gold it was not always possible to fully consider impacts such as the need to for urgent and possibly life-saving steps – such as the closure of public facilities. Mindful of this officers are looking to now assess overall impact of the decisions to date with a view to bringing forward further mitigating measures. Such consideration will also fully inform any review of the current steps and decisions taken.
- 4.5 In addition and with the focus on one group in particular, the lived experience of the current crisis has brought to light early statistical evidence that BAME individuals have been disproportionately affected by COVID-19, with a higher level of admissions to ICU and deaths amongst healthcare workers. Whilst data is being validated for the wider population, these early statistics have shone a light on potential existing structural inequalities. Long-standing (and already statistically proven) health and socio-economic inequalities between ethnic groups were entrenched in the UK, and Camden, prior to the COVID-19 pandemic, and are now being exacerbated.
- 4.6 Officers have set up a working group made up of leading elected members and senior officers to review Camden's response to the disproportional effects of COVID-19, focusing on residents and our workforce. The discussions will be data led with a combination of quantitative and qualitative information and capturing lived experience. The working group discussions will feed into the Council's cohesion and equalities group and the Government inquiry, announced on 16th April to be led by National Health Service England and Public Health England. We will submit an initial response to the inquiries call for evidence by 30 April, and we will continue to provide our insights. The working group will be used as an information and best practice sharing forum that will inform the Council's response to the Covid-19 crisis and the government inquiry for up to 3 months.
- 4.7 In addition this focussed work will also feed into the Councils wider assessment of the impact of the virus and its decisions necessitated by the outbreak on equalities in the borough and its responsibilities to tackle these.

## **5.0 LINKS TO OUR CAMDEN PLAN**

- 5.1 The vision and ambition set out in Camden 2025 sit at the heart of our medium term financial strategy. Through our outcomes-based budgeting

approach, we have aligned our financial resources in support of the outcomes detailed in Our Camden Plan. We will maintain this approach and commitment as we develop our response to the COVID-19 crisis.

## **6.0 CONSULTATION/ENGAGEMENT**

6.1 There is no requirement to consult at this stage.

## **7.0 LEGAL IMPLICATIONS (comments of the Borough Solicitor)**

7.1 There are no legal comments.

## **8.0 RESOURCE IMPLICATIONS (finance comments of the Executive Director Corporate Services)**

8.1 The comments of the Executive Director Corporate Services are contained within this report.

## **9.0 TIMETABLE FOR IMPLEMENTATION**

9.1 The Council operates a robust financial governance and monitoring process. Chief Officers receive regular reports on the financial position and regularly review the capital programme and the medium term assumptions that underpin the Council's modelling.

## **10.0 APPENDICES AND RESOURCES USED IN THE PREPARATION OF THIS REPORT**

**REPORT ENDS**



## Appendix A – Early Estimates of Financial Pressures as a result of the Covid-19 Crisis

Pressure - Loss of Income	Quarter One 2020/21 £000	Notes
Business rates	9,100	Working assumption of 20% of potential business rates bad debt. £9.1m is the full potential loss against the budget based on the Government Safety Net being in place for loss of rates income.
Council Tax	6,000	Working assumption of c. 10% Council Tax Bad debt, which is around £2m per month. The loss is expected to be higher in first 3 to 6 months due to payment patterns.
Reduced PCNs and on street Parking	7,500	Loss of income from Parking Fees as a result of offering free parking to key workers and the significant reduction in vehicle use.
Commercial Income	4,134	Loss of income from commercial activities such as the leasing of shop premises, commercial waste collection and advertising income.
Events Income	1,032	Loss of income as a result of a reduction in events such as ceremonies and events in parks and open spaces.
Fees and Charges	932	Loss of income from fees and charges such as self-funded care packages, library fees and other smaller miscellaneous income.
Regulatory Services Income	625	Loss of income from activities such as licensing and building control.
	<b>29,323</b>	

## Appendix A – Early Estimates of Financial Pressures as a result of the Covid-19 Crisis

Pressure - Additional Expenditure	Quarter One 2020/21 £000	Notes
Additional Adult Social Care Costs	3,224	Including the cost of supporting people leaving hospital and additional investment in care and mental health and learning disability providers to ensure market stability and capacity.
Welfare and Support	1,914	Including the cost of the enhanced Council Tax Support Scheme and the cost of food packages along with additional support to the voluntary sector.
Homelessness	799	Costs associated with supporting the homeless people and households in temporary accommodation through the Covid-19 crisis.
Support for Families and Children including Special Educational Needs support	682	Additional support for family services and support for children with special educational needs who are not able to attend full time school.
Public Protection Coroners/mortuary	400	Expected cost of additional mortuary and coroner costs as part of the London wide response to the Covid-19 crisis.
Public Health Expenditure	284	Additional expenditure to deliver more public health services digitally along with additional investment in therapy and public health support services.
	7,303	

## Appendix A – Early Estimates of Financial Pressures as a result of the Covid-19 Crisis

Pressure - MTFs Projects potentially at risk	Directorate	Financial Impact 2020/21 £000
Review of the Council Tax Support Scheme Administration	Corporate	500
Next steps in strength-based support: Adult Social Care purchasing	People	2,228
Supporting independent travel arrangements for children and adults	People	200
Review of Early Years Nursery Provision	People	600
Review of supporting people services focused on redesign and commissioning efficiencies.	People	473
Removal of scratch-card-style visitor parking permits	Corporate	30
Transforming the Customer Experience	Corporate	445
Review of the Council's approach to learning and development	Corporate	15
Review of Legal Services Offer	Corporate	160
Business Support Service Review	Corporate	434
Re-imagining Post and Print efficiencies	Corporate	57
Review of Strategy and Change service	Corporate	137
Additional income through Neighbourhoods & Commercial Property	Communities	500
Prevention and Intervention – Complex Needs Review	Public Health	500
		6,279

**It should be noted that a full review is being undertaken of these savings projects and the working assumption is that savings are expected to be delayed until 2021/22.**