

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	15 May 2020
<b>Title:</b>	Covid-19 Financial Impact
<b>Report From:</b>	Director of Corporate Resources

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#### **Purpose of this Report**

1. The purpose of this report is to present an up to date summary estimate of the financial impact of Covid-19 on the County Council, together with estimated spend that has been incurred as part of the response including costs that have effectively been incurred on behalf of all partners within the LRF and SCG.
2. This report seeks to capture costs that are in addition to budgeted spend and also provide an update on those areas where payments have been made to providers despite reduced or no services being provided.
3. What is clear is that the situation is very fast moving and there has been a significant amount of activity in a short space of time to put arrangements in place and set policy positions across a wide range of issues that have been flagged by Departments.
4. Given this complex operating environment, this paper seeks to capture the known position as at the **close of play on Monday 4 May**, but a verbal update will be provided at the meeting on any significant variations or new items.

#### **Recommendations**

##### **It is recommended that Cabinet:**

5. Note the current position in respect of the financial impact of Covid-19 as set out in detail in Appendix 2.
6. Note the current level of unfunded spend and losses as detailed in paragraph 32.
7. Note the current impacts and issues for Schools as set out in Appendix 3.
8. Delegates authority to the Deputy Chief Executive and Director of Corporate Resources to allocate the additional £24.3m of grant funding as required in consultation with the Chief Executive and Leader of the Council.
9. Note the impact on the medium term financial position as set out in the final section of the report.

## **Executive Summary**

10. The County Council's response to the Covid-19 crisis has been wide ranging both in terms of its own service provision and in supporting a wide of partners both directly and through the Local Resilience Forum (LRF).
11. Response costs and consequential losses arising from reduced income, trading losses and lost investment income are significant and continue to grow as more issues are uncovered and require actions. In line with Government guidance we have also been providing support to various providers to ensure sufficiency of provision now and into the future.
12. A separate exercise has been undertaken to assess the impact of the crisis on the Tt2019 and Tt2021 Savings Programmes assuming there is a delay in implementation.
13. In summary terms, the current snapshot of the estimated total cost of the response for the 3 month period to the end of June, together with the impact on savings programmes is £96.2m of which we predict £74.6m will be met from existing budgets, government grant and savings in some services.
14. The unfunded cost of £21.6m will in the short term need to be met from reserves, but will have a significant impact on our financial sustainability going forward and we will therefore continue to lobby the Government to underwrite all of the financial consequences of the crisis.
15. It is important to highlight that the estimates above assume a response period of 3 months and that the estimated cost of each extra month is nearly £18.5m. It is also anticipated that once we move out of response and into recovery we will face further financial challenges arising not least from increased demand for services across Adults' and Children's social care, which will not be fully quantified for some time to come.

## **Contextual information**

16. The background to the current Covid-19 crisis needs no detailed explanation within this report. The County Council continues to implement its response to the crisis and policy positions on a wide variety of issues are being put in place in response to the new and unique circumstances that are being raised on a daily basis.
17. Initial Government support to local authorities to assist with the response has mainly centred around the announcement on 19 March of £1.6bn grant funding, which for Hampshire equates to an allocation of £29.6m.
18. On 18 April, a second announcement was made allocating a further £1.6bn to local government. The final allocations to individual authorities were not released until 28 April due to changes to the distribution methodology used, which saw a move away from a relative needs basis (linked partially to Adults Social Care) to one based more on population and in two tier areas this was split 35% to Districts and 65% to County Councils.
19. The County Council's share of the second tranche of funding is £24.3m which can be utilised to meet response costs and help fund the other financial

consequences of Covid-19 such as lost income and trading losses. Given the need to respond quickly to issues as they arise, this report seeks delegated authority for the Deputy Chief Executive and Director of Corporate Resources to allocate this additional funding where required in consultation with the Chief Executive and the Leader of the Council.

20. The reduction in our allocation is £5.3m or just under 18%, but District Councils and Fire Authority's gained significantly, with Districts in Hampshire receiving between £885,000 and £1.9m each, when the first tranche gave the highest allocation of only £70,000 to New Forest District Council. The table in Appendix 1 shows both sets of allocations to all authorities in Hampshire and the Isle of Wight and the change between the two.
21. What the table also shows is that the total funding across Hampshire and the Isle of Wight has gone up by £7.5m, which is badly needed across the region as all authorities try hard to mitigate the costs and losses they are experiencing.
22. However, whilst the support to Districts to offset their substantial income losses is welcome, it is unfortunate that this has been at the expense of mostly County and Metropolitan Councils, whose needs most certainly have not reduced at this time. A better alternative would have been to provide an additional and separate funding stream to address the income losses across the sector that could have been allocated on a more appropriate basis. The current methodology of moving money away from social care providers when this is highlighted as one of the biggest areas of need, seems non-sensical at this stage. These points have been fed back to the Government via the County Council's Network.
23. Other announcements have also been made, for example £1.3bn to CCG's to fund hospital dis-charges among other costs (some of which is helping to meet County Council costs) and the extra support to bus operators but this will be passported through to operators in its entirety.

### **Financial Impact**

24. Following guidance issued by the Society of County Treasurers, we are attempting to collect information across 5 financial categories:
  - Direct response costs
  - Market underwriting
  - Increased demand directly from Covid-19
  - Losses of funding sources or income
  - Other issues including impact on savings programmes
25. Market underwriting in the main represents spend from existing budgetary provision and it is probably too early to fully assess increased demand from Covid-19 at this stage, so most of the analysis in this paper relates to response costs and predicted losses of income or trading losses in areas such as HC3S.
26. The financial impact for the first four items is also heavily influenced by the potential length of the lockdown and response period and at this stage therefore the financial analysis in this report is based on a 3 month period to the end of

June. Further information is then provided on the estimated monthly cost of each item should the response period extend beyond this.

27. As mentioned above, the financial analysis in this report **does not** take into account the potential future costs of recovery and increased demand, which are expected to be substantial particularly within Adults' social care (reflecting the additional care packages in the system currently being funded by CCG's from Government funding) and Children's social care as a consequence of the prolonged lock down period and the impact on family settings.
28. For the final category, following a request from Gold Command an exercise to assess the impact of Covid-19 on the Tt2019 and Tt2021 programmes was also put in place and the summary results are included in this paper and have now been signed off by individual Departments. The majority of the impact assessments assume a 4 month delay in implementation but this is extended to 6 months for those more complex programmes that will take time to stand back up and regain momentum.
29. A summary by Department and financial year is provided in the table below :

**Cash Flow Impact**

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adults' Health and Care	5,829	4,951		10,780
Children's Services	2,697	5,466	2,855	11,018
ETE	1,222	5,714		6,936
CCBS	143	1,630		1,773
Corporate Services	105	215		320
	<b>9,996</b>	<b>17,976</b>	<b>2,855</b>	<b>30,827</b>

30. These figures represent a further 'shift to the right' of the Tt2019 and Tt2021 Programmes and the total of £30.827m is currently unfunded and would be on top of any cash flow support already included within the MTFS.

**Financial Summary**

31. As mentioned above, a large proportion of work to date has been around identifying additional response costs and activity to support the market in critical service areas. In addition, further work has been undertaken recently to look at what funding might be available to offset some costs and where there could be savings in the cost of service provision as a result of the current lockdown.
32. The table below provides a snapshot summary estimate of the overall financial picture as at 4 May, which includes estimates for all known items for a 3 month period (and associated savings and funding), together with the overall impact of the delay in implementing savings over the life of the Tt2019 and Tt2021 Programmes :

Category	£'000
Response Costs	24,739
Market Underwriting	13,806
Increased Demand	1,300
Funding and Income	23,540
Other Issues	2,023
Impact on T19 and T21	30,827
<b>Total Costs</b>	<b>96,235</b>
Specific Funding (CCG's and Government)	3,709
Covid-19 Grant Allocations	53,968
Forecast Savings (3 months)	3,087
Market Underwriting (budgeted)	13,806
<b>Total Savings and Funding</b>	<b>74,570</b>
<b>Net Unfunded Cost</b>	<b>21,665</b>

33. The biggest element of the savings relate to savings in home to school transport as a result of the reduced services operating during this period. Other savings relate to savings in staff travel costs and general running costs from the reduced number of sites that are open to staff and the public.
34. The total gross impact excluding Tt2019 and Tt2021 is £65.408m and whilst every effort has been made to reflect as accurate a picture as possible, it must still be borne in mind that many of these areas are in early stages of development and new information and issues are coming out all of the time.
35. A more detailed analysis of the £65.408m across the different categories is provided in Appendix 2. We will be looking to the Government to meet any unfunded costs and losses that have been incurred and we are working through Treasurers' Societies to keep MHCLG regularly updated on the financial impact with a view to seeking increased Government support over and above that already announced.
36. PPE spend on behalf of the LRF is difficult to predict due to uncertainties around the distribution of Government funded PPE, although recent activity in this space has reduced due to normal supply chains starting to cope better with demand. The £4.8m is therefore a rough estimate of the gross cost at this stage, subject to further clarification of the Government's scheme and does not take into account charges that will be levied on partners and care providers for the HCC funded PPE that they draw down. Given the potential financial exposure for the County Council, the principle of all partners financially underwriting any unfunded PPE costs at the end of the response period has been agreed by the Strategic Co-ordinating Group. The share will be based on the final quantities of PPE issued to each sector.
37. Losses identified in trading services will be impacted by work currently being undertaken on furloughing staff in these areas and will be heavily influenced by the extent to which pupils are able (or not) to return to schools in the coming

weeks. Further work is also being undertaken to assess any other areas across Departments where it makes sense to Furlough staff in line with the Governments latest clarification for local authorities.

38. In the absence of further Government funding, the net unfunded cost of £21.6m will initially need to be cash flow funded through the use of reserves and whilst the County Council is fortunate enough to be able to cover these costs in the short term, the potential impact will be significant if this funding is not provided by Government as outlined in the later section. The position will also be influenced by the length of the crisis with an estimated extra monthly cost of nearly £18.5m predicted based on current figures.
39. There are other costs that will begin to emerge as the crisis progresses and policy changes in areas such as agency staff and overtime start to have an impact and where actual losses of income can start to be identified, but these can realistically only be measured on an ongoing basis and in comparison to spend and income levels normally prevalent over the same period.
40. Furthermore, there is the potential for compensation claims to be made but this is more likely to come out as part of the recovery phase, which will also include many other different issues and costs.
41. What is clear is that the financial pressure is only going to get worse from the position presented in this report and the Corporate Management Team have therefore already agreed that wherever possible, all non-essential expenditure across Departments is halted.

### **Impact on Schools**

42. There are a range of issues arising from Covid-19 that are also having a significant impact on school's finances in the short term as well as their longer term financial sustainability.
43. The financial impacts are being treated entirely separate to those highlighted in this report but clearly the position and impact across schools is a priority consideration for the County Council.
44. In terms of immediate actions, steps have been taken to continue to make payments to Early Years providers for the first three months of the year at a cost of around £19.4m, which is within the existing budgetary provision. In addition, the opportunity for providers to claim for additional key worker children and holiday costs has been put in place together with an exceptional payment process for providers that are having financial difficulties. It is difficult to predict what costs might be associated with these items, but an initial estimate of £200,000 has been produced and whilst not budgeted will have to be funded from the Early Years block and will potentially add to the DSG deficit.
45. Appendix 3 provides a summary of the key impacts and issues relating to schools, albeit that this too is a fast moving picture as new guidance and policies emerge.
46. The Appendix highlights that income from activities such as nursery provision and lettings represents a significant source of funding for schools, however, the extent to which this funding underpins core education provision will vary from school to

school as will the level of reserves available to deal with the losses and costs resulting from the crisis. Children's Services and other support functions across Finance and HR will continue to work with individual schools to assess and address the impact of Covid-19 in both the short and longer term.

### **Medium Term Position**

47. Early on in the crisis, Government Ministers made various commitments to local government:
 

*"We will do whatever it takes" – Rishi Sunak, Chancellor of the Exchequer*

*"Spend what you need to spend and we will reimburse you" – Robert Jenrick, Secretary of State for Housing, Communities and Local Government*
48. More recently there have been statements around local government 'sharing the burden' with Government, which are in stark contrast to what had gone before. This thinking is also flawed as local government has no local tax raising powers beyond council tax, which is restricted by the Government and is likely to reduce as a result of the crisis and the reduced earning capacity of residents. Government on the other hand can borrow to support revenue spend and can increase taxes to raise revenue across a number of different areas.
49. The County Council will therefore continue to lobby strongly through existing channels such as the County Council Network and the Society of County Treasurers, to ensure that the full range of extra costs and lost income are reimbursed by the Government as initially promised. This tactic has already proved effective with the further announcement of £1.6bn made last weekend, which at one point was expected to be only £1bn, but this was offset by the fact that the distribution methodology was changed to the detriment of County Councils.
50. However, in the short term, in the absence of any further commitments from the Government, the County Council will need to look towards existing reserves and in particular, the £45m that was put aside from the pension contribution savings to meet the minimum of £21.6m unfunded costs (although in reality, this will require the use of other reserves in the short term due to timing issues). Following the crash in the stock market and the impact of Covid-19 on other Pension Fund investment areas, it is highly likely that the Pension Fund will be in deficit again by the next triennial valuation requiring an increase in deficit contributions at least back to previous levels. The County Council's strategy of not banking this saving on a recurring basis was therefore clearly well founded.
51. The Budget Setting report presented to County Council in February outlined the medium term position for the Budget Bridging Reserve as shown in the following table :

	<b>£'000</b>
<b>Balance 31 March 2019</b>	<b>65,001</b>
Additions approved February 2019	14,811
MRP Holiday	21,000
Cash Flow for Tt2019	(40,000)
Cash Flow for Tt2021	(32,000)
Interim Year 2020/21	<u>(28,400)</u>
<b>Forecast Balance 31 March 2022</b>	<b>412</b>
Additions from valuation saving (3 Years)	45,000
Additions from pension pre-payment (3 Years)	9,000
Additions from 2020/21 Budget Setting	7,265
Interim Year 2022/23	<u>(40,200)</u>
<b>Forecast Balance 31 March 2023</b>	<b>21,477</b>
IT Investment for a Successor Programme	(10,000)
Cash Flow for Successor Programme	<u>(32,000)</u>
<b>Forecast Deficit 31 March 2024</b>	<b><u>(20,523)</u></b>

52. This shows that even before the crisis, the County Council was facing a deficit of nearly £21m in order to be able support a further programme of savings delivery beyond Tt2021. Meeting the current unfunded pressures from Covid-19 from this source would create a deficit in the order of £42m in our medium term financial planning.
53. With a further delay in the spending round, the costs of recovery, future reduced income from council tax and retained business rates and higher expected demand costs across both Adults' and Children's social care, it is almost certain that the cash flow requirements and future savings programmes will be greater than previously predicted.
54. The Chief Finance Officer has already reported that the County Council is not financially viable in the medium term without significant additional Government funding and the current crisis accelerates this position, unless some form of Government underwriting is confirmed.
55. There has been recent discussions with Government across the sector around the potential for suspending the requirement of issuing Section 114 notices in the event that the Chief Financial Officer predicts that their authority is not financially viable as a result of increased costs and reduced income, which would require emergency measures to be put in place to limit expenditure wherever possible.
56. Whilst Chief Financial Officers agree that it makes little sense trying to limit expenditure at the same time as authorities are playing a lead role in responding to the crisis, it is also critical to ensure that the financial difficulties being experienced by the sector are not ignored.



57. For Hampshire, whilst at this stage it is too early to be considering a Section 114 notice, the County Council continues to work with MHCLG through the Society of County Treasurers and CIPFA in considering the financial impact on the sector and what that might mean for financial sustainability going forward, if additional Government funding cannot be secured.

**REQUIRED CORPORATE AND LEGAL INFORMATION:****Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	<b>Yes / No</b>
<b>People in Hampshire live safe, healthy and independent lives:</b>	<b>Yes / No</b>
<b>People in Hampshire enjoy a rich and diverse environment:</b>	<b>Yes / No</b>
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	<b>Yes / No</b>

**Other Significant Links**

<b>Links to previous Member decisions:</b>	
<u>Title</u>	<u>Date</u>
<b>Direct links to specific legislation or Government Directives</b>	
<u>Title</u>	<u>Date</u>
<b>Section 100 D - Local Government Act 1972 - background documents</b>	
<p>The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)</p>	
<u>Document</u>	<u>Location</u>
None	

## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

### **2. Equalities Impact Assessment:**

Equality objectives are not considered to be adversely impacted by the proposals in this report but the response to Covid-19 may affect certain people with protected characteristics more than others, in particular older people with health and other vulnerabilities.

Appendix 1

Local Authority	First Tranche	Second Tranche	Total Funding	Difference between first and second tranche
Basingstoke And Deane	£53,754	£1,744,410	£1,798,164	£1,690,656
East Hampshire	£33,387	£1,210,873	£1,244,260	£1,177,486
Eastleigh	£45,502	£1,326,468	£1,371,970	£1,280,966
Fareham	£33,966	£1,156,628	£1,190,594	£1,122,662
Gosport	£44,116	£841,471	£885,587	£797,355
Hart	£24,340	£963,234	£987,574	£938,894
Havant	£58,961	£1,262,535	£1,321,496	£1,203,574
New Forest	£70,401	£1,783,127	£1,853,528	£1,712,726
Rushmoor	£41,933	£934,902	£976,835	£892,969
Test Valley	£41,939	£1,258,912	£1,300,851	£1,216,973
Winchester	£39,275	£1,242,881	£1,282,156	£1,203,606
Hampshire County Council	£29,654,341	£24,313,635	£53,967,976	(£5,340,706)
Hampshire Fire & Rescue Authority	£256,552	£1,379,361	£1,635,913	£1,122,809
Portsmouth	£6,011,540	£5,939,203	£11,950,743	(£72,337)
Southampton	£7,400,086	£6,992,403	£14,392,489	(£407,683)
Isle of Wight	£5,015,960	£4,025,468	£9,041,428	(£990,492)
<b>Total</b>	<b>£48,826,053</b>	<b>£56,375,511</b>	<b>£105,201,564</b>	<b>£7,549,458</b>

Department / Service Activity	Description of Item	Funding and Income	Increased Demand	Market Underwriting	Response Costs	Other Issues	Grand Total	Monthly
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adults' Health and Care</b>								
AH&C General	Social Worker additional overtime to cover demand and sickness				300		300	100
AH&C General	Various minor costs e.g. training, additional IT, additional Carers Support, basic medicinal equipment for Residential Homes				400		400	133
AH&C General	Commissioned services to provide increased temporary capacity to support NHS discharge from Hospitals, (One off and recurring)		1,000				1,000	100
HCC In House Care	HCC Care - cover for additional sickness				900		900	300
HCC In House Care	Personal Protective Equipment - HCC In House Care				3,600		3,600	1,200
HCC In House Care	Hampshire Equipment Store / Technology Enabled Care - increased activity (one off and CCG funded)				400		400	-
HCC In House Care	Hampshire Equipment Store - Additional staff costs to meet increased need and to provider 7 day cover		100				100	33
Older Adults	Additional Rapid Response Contract		200				200	67
Older Adults	Continuation of Winter Pressure schemes (CCG Funded)				1,500		1,500	500
Older Adults / Younger Adults	Additional Payments to providers to enhance resilience				8,200		8,200	2,733
Older Adults / Younger Adults	Continuation of provider payments for reduced or limited service - Day Care and Direct Payments			500			500	167
Public Health	Maintaining contracted payments to Health providers for reduced service			3,000			3,000	1,000
Strategic Commissioning	Welfare Workstream - Homelessness Grant to Districts / Providers (one off)			55			55	-
Strategic Commissioning	Contribution to HIOW Community Foundation (one off)				250		250	-
Strategic Commissioning	Welfare Workstream - Direct grants to Districts & HIOW grant programme (one off)				100		100	-
Strategic Commissioning	Welfare Workstream - Call Centre provision				500		500	167
<b>Adults' Health &amp; Care Total</b>		<b>-</b>	<b>1,300</b>	<b>3,555</b>	<b>16,150</b>	<b>-</b>	<b>21,005</b>	<b>6,500</b>

Department / Service Activity	Description of Item	Funding and Income	Increased Demand	Market Underwriting	Response Costs	Other Issues	Grand Total	Monthly
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Children's Services</b>								
Children Looked After (CLA)	Closure of 2 HCC residential homes resulting in increased use of Non-County placements plus other CLA costs			50	350		400	127
Children Looked After (CLA)	Extended placements for Children Looked After turning 18				330		330	110
Education and Inclusion	School Improvement & Music Services trading losses	1,050					1,050	350
Education and Inclusion	Hampshire and Isle of Wight Educational Psychology (HIEP) trading losses	200					200	67
Education and Inclusion	Skills and Participation Service - trading losses	638					638	213
Home to School Transport	Home to School Transport - income losses	45					45	15
Home to School Transport	Home to School Transport payments to cover additional easter routes and additional parental mileage				100		100	33
Home to School Transport	Home to School Transport payments to transport operators			5,625			5,625	1,875
SEN	Delay to restructuring of SEN service and completion of backlog EHCPs					60	60	38
Swift replacement	Additional contract and implementation team costs in relation to Swift System replacement					150	150	50
CS Transformation Team	Extension of support required for Children Services Transformation programmes					113	113	38
Early Years Education & Childcare	Providing financial support to early years providers to meet our statutory duty of providing sufficiency in the market			100			100	33
<b>Children's Services Total</b>		<b>1,933</b>	<b>-</b>	<b>5,775</b>	<b>780</b>	<b>323</b>	<b>8,811</b>	<b>2,949</b>
<b>Economy, Transport and Environment</b>								
Highways	Loss of income from licences and street works permits	630					630	210
Transport	Bus Operator payments (reduced usage on subsidised routes)				509		509	170
Transport	Bus Operator provider payments			4,476			4,476	1,492
Transport	Capital schemes on site put on hold - potential contractual claims					1,700	1,700	-
<b>Economy, Transport and Environment Total</b>		<b>630</b>	<b>-</b>	<b>4,476</b>	<b>509</b>	<b>1,700</b>	<b>7,315</b>	<b>1,872</b>

Service Activity	Description of Item	Funding and Income	Increased Demand	Market Underwriting	Response Costs	Other Issues	Grand Total	Monthly
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>CCBS</b>								
Countryside	Countryside Service - Estimated loss of income	1,770					1,770	539
County Supplies	County Supplies - Trading Losses (net)	2,175					2,175	725
Great Hall	Estimated loss of income (events, admissions, sales etc.)	156					156	38
Hampshire Printing Service	Hampshire Printing Services - Estimated loss of income	165					165	55
HC3S	HC3S Catering Service - Trading Losses (net)	6,945					6,945	2,000
HTM	Hampshire Transport Management - Trading Losses (net)	350					350	117
Libraries	Loss of income from venue & room hire	300					300	100
Libraries	Purchase of E-books (one off)				150		150	-
Office Accommodation & FM	Potential loss of rental & events income	100					100	33
Outdoor Centres	Loss of income from cancelled bookings following closure of all sites	1,033					1,033	344
Property Direct Services	Potential loss of income - County Farms, Sites for Gypsies & Travellers	150					150	50
Property Services	Property Services - loss of income and recharges	2,400					2,400	800
Registration Service	Registration Service - Estimated loss of income	507					507	169
Scientific Service	Scientific Service - Estimated loss of income	301					301	100
Asbestos Service	Asbestos Service - Estimated loss of income and recharges	316					316	105
Trading Standards	Trading Standards - Estimated loss of income	124					124	41
Archives and Records	Archives and Records - Estimated loss of income	55					55	18
Sir Harold Hillier Gardens	Hilliers Charitable Trust - loss of income during closure of the Gardens	288					288	96
<b>CCBS Total</b>		<b>17,135</b>	<b>-</b>	<b>-</b>	<b>150</b>	<b>-</b>	<b>17,285</b>	<b>5,330</b>
<b>Corporate Services</b>								
Cash Investments	Reduced return on investment income (annual sum)	3,500					3,500	-
Communications	Communications / Web Team resources and out of hours service				93		93	31
Emergency Planning	Temporary Mortuary facilities (HCC Share)				1,950		1,950	100
Emergency Planning	LRF Personal Protective Equipment (PPE) Purchase (Gross)				4,800		4,800	1,600
IT	Legacy Hantsnet - Licensing for 2,000 users (one off)				307		307	-
Legal Services	Estimated loss of income	300					300	100
Marketing Council services	Marketing - Estimated Loss of Income	42					42	14
<b>Corporate Services Total</b>		<b>3,842</b>	<b>-</b>	<b>-</b>	<b>7,150</b>	<b>-</b>	<b>10,992</b>	<b>1,845</b>
<b>Grand Total</b>		<b>23,540</b>	<b>1,300</b>	<b>13,806</b>	<b>24,739</b>	<b>2,023</b>	<b>65,408</b>	<b>18,496</b>

## Schools – Impact of Covid-19

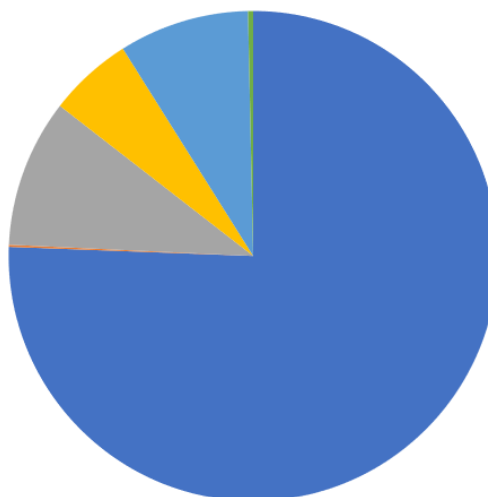
### Background

1. There are 526 schools within Hampshire, approximately 90% are maintained by the local authority with the remainder opting for academy status.

School Type	Number of Schools (maintained)	Number of schools (academy)	Number of Pupils (Oct 18)
Nursery	3	-	275
Primary	402	20	106,095
Secondary	37	31	66,475
Special	23	3	2,811 (places)
Education centres	6	1	471 (places)
<b>Total</b>	<b>471</b>	<b>55</b>	<b>176,127</b>

2. Due to the nature of their service, the majority of costs incurred within schools are staffing related. For local authority maintained nursery, mainstream, special and education centres, this equated to £565m (75.6%) in 2018/19.

	£m	%
Employees	565.04	75.6
Third party payments	1.02	0.1
Supplies & services	72.98	9.8
Premises	41.57	5.6
Support services	64.34	8.6
Transport	2.53	0.3
<b>Total</b>	<b>747.48</b>	<b>100.0</b>



3. In addition to schools core business of delivery of quality education to Hampshire pupils, both maintained schools and academies operate with a high level of delegated authority and financial freedoms including the ability to run a range of extended school and business related community activities. This can range from a small breakfast club to a large nursery, gym or other leisure facility.
4. These business activities have historically been run to meet community need with any surplus achieved used to enhance the education offer. Due to the financial challenges faced, some schools have become more dependent on this income for more essential services.



**Current context**

5. During the current pandemic, schools remain open for vulnerable children and children of key workers. School leaders are therefore having to develop delivery models that comply with government advice and seek to deploy staff carefully but effectively.
6. In addition, there has been the requirement for the government to remain open over school holidays and bank holidays if there is demand adding further complexity in deployment but also impacting on factors such as staff terms and conditions and additional unplanned costs.
7. Both business operations and core activities are under-pinned not only by directly employed staff but by a complex supply chain. In addition to simple procurement of supplies and services, there are many instances of sub-contracting activities, letting space for business activities and of course significant spend on supply staff.
8. Business operations have also been severely impacted with ad hoc income largely ceasing. Pre and after school provision along with nursery provision has been a particular challenge due to the need to seek to continue this for certain children.
9. Non grant related income to local authority maintained schools equated to over £56m in the final year 2018/19 coming from a wide range of sources which is summarised in the table below. Some loss of income will be offset at least in part by a reduction of cost incurred. For instance, over £12m per annum is received towards trips and another £12m for school meals.
10. There are however a number of areas where income reductions cannot as easily be offset by a reduction in expenditure, primarily in areas supported by staffing. While the actual level of income is dependent on the delivery model and the costs aren't always evenly distributed over the year (e.g. holiday clubs), likely areas impacted generated income of over £16m in 2018/19. Assuming this income was accumulated evenly throughout the year, this equates to over £1.3m per month. All maintained schools received some level of income from these activity areas.

<b>Cost Description</b>	<b>Actuals 2018/19 £'000</b>
General Fees and Charges	(1,756)
General Lettings	(2,156)
Sports Lettings	(1,887)
Playgroups and Playscheme Charges	(751)
Membership Fees	(228)
Nursery Charges	(2,714)
Out of School Care	(4,834)
Courses, Classes, Workshops and Clubs	(1,962)
<b>Sub-total</b>	<b>(16,288)</b>
Meals, Refreshments and Catering	(12,322)
Day Trip Charges	(3,898)
Residential Trip Charges	(8,501)
Donations	(3,496)
Other income sources	(11,618)
<b>Total</b>	<b>(56,123)</b>

## **Funding**

11. Funding through government grants for education delivery has been confirmed as continuing which equates to over £800m per annum which provides assurance for the majority of core school activities. This ensures both staff and services supported by this area can be maintained.
12. Schools will be incurring additional costs as a result of the current pandemic. This will vary from school to school however may include additional staff and premises costs for operating over the school holiday period, additional cleaning costs etc.
13. Additional funding has recently been announced by the government to cover the period March to July which schools can access on a claims basis.

### [Financial Support for Schools](#)

14. Details on eligible costs are limited at this stage with only references to premises, free school meal costs and cleaning costs. This has resulted in a significant volume of enquiries internally which have been routed back to the government query email address. It is anticipated there will be a significant volume of queries received through this route particularly on staff costs incurred over school holidays and regarding loss of income. It is also likely some schools will simply choose to claim those costs which may or may not be subject to challenge.
15. Further funding support is accessible through the free school meal national voucher scheme where schools can arrange for supermarket vouchers to be issued to the parents of eligible pupils with the cost being met by the DfE.

## **Key issues**

### Loss of income

16. Loss of income is of particular concern to schools at this time with limited clarity around funding support coupled with potentially limited scope to reduce their costs, in particular staff costs are a major issue. Key to this is the possibility of furloughing as some staff contracts are solely for the delivery of business related activities.
17. Income generated for some schools can be significant, either in monetary amount, proportion of their total budget or dependency to fulfil core functions. To illustrate, one primary school received approximately £230,000 in funding from business related activities in 2018/19 with a secondary example £840,000 (including £650,000 in nursery income).
18. Examples have been provided where monthly pay bills are in excess of £30,000 per month therefore the losses likely to be accumulated from an extended period of closure are likely to be considerable.
19. Further guidance published by the DfE on the 17<sup>th</sup> April does provide confirmation that furloughing of staff will be possible in certain circumstances:

### [Early Years and Children's Social Care](#)

20. Work is now underway internally to consider the practicalities in accessing the scheme. There are a number of issues likely to be experienced by schools in accessing a furloughing option.
21. Firstly, in identifying those staff supported by external income. In some situations this could be quite straightforward however in others, staff time spent fulfilling externally generated activity will form a portion of the total contracted time staff are employed. This is often not separately identifiable from an HR or finance perspective.
22. Secondly, schools will need to identify eligible external income. Some guidance can be provided regarding grant streams to exclude but where some income has been received e.g. reduced nursery fees this may add a level of complexity.
23. Once an income figure has been identified, the application of the DfE guidance will need to be considered, the guidance suggests schools could claim support up to the level of lost income however the furloughing scheme does not equate directly to staff costs incurred. It also suggests furloughing of staff linked to external activities but does not specify the degree of linkage.
24. Clear guidance will need to be provided to schools in interpretation, application and implementation of the scheme.

#### Financial support to suppliers and providers

25. Whilst there is a general expectation that schools provide support to “at risk” suppliers, the practicalities of assessing this in relation to the local contracts in place is resulting in significant uncertainty and a variety of approaches adopted.
26. This extends broadly across suppliers from suppliers of services, to companies paying schools to deliver activities on school sites and to staff supply agencies each requiring a different assessment to be made.

#### School Trips

27. All schools undertake a range of trips each year, whether day or residential with income received approximately £12m per annum. Due to the current situation, schools have had to cancel trips requiring them to seek ways of repaying parental contributions and trying to recover deposits paid to providers.
28. A process has been agreed with the IBC to temporarily enable bulk payments back to parents which has addressed some issues however the ability to recover deposits made is proving challenging and raising concerns regarding unrecoverable costs.

#### Increases in schools in financial difficulty

29. Delays in planned restructures and redundancies will lead to critical restructure deadlines being missed impacting on notice periods which is likely to result in the short term with more schools in financial difficulty. It is also likely that due to additional costs incurred in the short term, lost income and limited capacity to take financial management actions, this is also likely to result in an increase in the number of schools in deficit.
30. Additional work will be required with schools in the coming year to address this and work to an agreed recovery plan that ensures the schools financial sustainability.

**Summary**

31. The financial impact of COVID varies considerably from school to school and is dependent on a range of factors in part driven by decisions made by the 526 management teams.
32. Loss of income is the main concern, particularly for schools where there is significant staff capacity dedicated to generating income. Income lost per month could potentially exceed £1.3m per month for local authority maintained schools therefore the need to minimise costs incurred is an urgent priority.
33. Staff costs are a significant contributor to those costs incurred therefore a key priority remains in guiding schools how to minimise these through means such as furloughing or clarity and assurances from central government around funding.
34. Significant uncertainty remains in the sector however local authority support services continue to work with schools to support them in accessing the available support and guidance along with liaising both locally and nationally around seeking further clarity where necessary.