



REPORT TO: Policy and Corporate OSC

REPORT FROM: Executive Member Finance and Governance
Director of Finance

DATE: 21st December 2020

REPORT: Effects on the Council Budgets of Covid-19

1.0 INTRODUCTION

The P&CR OSC has requested an update from the Executive Member for Finance and Governance and the Director of Finance on the impact of Covid-19 on the Council's budget in 2020/21, with specific reference to the following questions;

- How has the council's expenditure on COVID affected the council budget?
- How has the council's income been effected?
- What funding has the council received from central government to meet the needs of the pandemic?
- Has the funding received met the anticipated expenditure on the virus?
- How has the council used its resources to meet the challenges faced?
- How will the council balance its budget in this year and coming years given the un-certainty caused by the virus now and in the future?
- How have the challenges the council has had to face affected corporate priorities such as the accommodation strategy?
- What support has been made available and how have staff coped with the demands placed on them by meeting the realignment of services?

The information provided below outlines the scope of the financial response to Covid-19 within the Council, focussing on the additional funding received, the areas where additional expenditure has been incurred and the extent of the losses of income.

2.0 KEY ISSUES

Members will be aware of the grave concerns expressed earlier in the year with regard to the significant increase in costs and losses of income that the Council was incurring in responding to the pandemic, i.e. through the first national lockdown, then coming out of the restrictions in June only to have further restrictions imposed in July.

Given the lack of government funding at the time, it was very apparent that unless further resources were forthcoming, the Council would not be able to contain these costs and losses within the existing budget for 2020/21, and due to the low level of reserves held, it was becoming more and more likely

that the Director of Finance, as the Section 151 Officer, would need to issue a Section 114 notice, which would effectively declare that the Council would not be able to balance its budget for the year, and in essence would be insolvent.

Fortunately, and in no small part due to the continuous lobbying by the Leader, Members, Officers, both of our MPs, together with other local authorities and their representative bodies across the country, further funding was provided and the risk of issuing a Section 114 notice has subsided; as you will no doubt have seen in the national press, this is not the case for several local authorities at this time.

In order to respond to the questions posed by the P&CR OSC, the information has been provided below;

1. first to look at the funding received (the various streams, the amounts and the purposes for which it must or can be utilised), and then
2. to review the additional costs incurred and income losses,

before summarising the impact of Covid-19 on the Budget for 2020/21.

2.1 FUNDING RECEIVED

The tables below outline the funding received at 11th December.

- for some funding streams such as the Business Rate schemes, the Council acts as a conduit, administering the payments on behalf of government,
- some that are listed are the maximum amount of funding earmarked for BwD, which can only be accessed retrospectively on submission of a claim detailing the costs incurred
- some are paid in advance but are subject to a reconciliation and evidence of payments made with recovery by government for unspent funds
- some relate to general funding provided to address additional costs incurred and income lost as a result of the pandemic

SUPPORT FOR BUSINESSES - RINGFENCED		
£'Mill	Funding	Details
16.325	Business Rate Relief	Additional relief for businesses in Retail, Leisure and Hospitality sector – 0% business rates payable in 2020/21 – April 2020
46.448	Business Rate Grants	Support for small businesses (<£51k Rateable value) and those in the Leisure and hospitality sector – April 2020
2.250	Discretionary Business Support Grants	Support to those businesses with ongoing premises costs but who are not business rate payers – April 2020
2.994	Additional Restrictions Grant (ARG)	Discretionary fund to be distributed by LAs to support businesses that have their trade affected by restrictions – received November 2020 for use by 31 st March 2022.

2.812	Local Restrictions Support Grant (LRSB) – Closed (Addendum)	Businesses with a rateable value in the non-essential retail, leisure, personal care, sports sectors who were closed for the period of the 2 nd national lockdown 5 th Nov – 2 nd Dec
TBC	Local Restrictions Support Grant (LRSB) – Closed	Businesses with a rateable value in the non-essential retail, leisure, personal care, sports sectors who were closed during the period of Tier 3 local restrictions – 17 th October to 4 th Nov
1.353	Local Restrictions Support Grant (LRSB) – Open	Businesses severely impacted by local restrictions but who remained open during the period the area was in Tier 2 or Tier 3 – applicable from 1 st August to 2 nd Nov
TBC	Local Restrictions Support Grant (LRSB) – Sector	Businesses with a rateable value who operate in the nightclubs, dancehalls, sexual entertainment venues and hostess bars sectors who have remained closed since 24 th March – scheme covers payment for the period 1 st Nov to 4 th Nov and is not retrospective, - superseded by LRSB (Closed) Addendum for period of national lockdown
72.182	TOTAL SUPPORT FOR BUSINESSES	

Note: the LRSB schemes will run until April 2021, with a review point in 2021.

SUPPORT FOR RESIDENTS		
£'Mill	Funding	Details
2.194	Hardship Grant Funding	To provide further Council Tax relief – each working age LCTS recipient to receive a further discount of up to £150
0.239	Emergency Food and Essential Supplies	To help those struggling to afford food and other essentials due to Covid-19
0.082	Funding to support Clinically Vulnerable residents	Support over the 2 nd national lockdown period to cover setting up and managing the support system, contacting CEV individuals and assessing the food and basic support needs and facilitating delivery of support where necessary.
0.646	Winter Grant Scheme	To support those in most need with the cost of food energy and water bills and other associated costs over the winter period
0.138*	Test and Trace Isolation Support payment	£500 payment to those residents on low income/benefits who are directed to self-isolate by NHS Test and Trace due to having had a positive Covid test result or who have been in close contact with a positive Covid case
3.299	TOTAL SUPPORT FOR RESIDENTS	

*administration funding also provided below

SPECIFIC SUPPORT FOR SPECIFIC AREAS		
£'Mill	Funding	Details
2.795	Infection Control Funding	To tackle the spread of Covid-19 in care homes
0.414	Support for Housing Rough Sleepers and Rough Sleepers Initiative	To assist in providing accommodation and support to people who are at high risk of, or who have been diagnosed with Covid-19. Targeted at those who are rough sleeping or where bedrooms are in dormitory style provision
0.200	School fund payment	
0.131	Reopening the High Street safely	Support to reopen town centres after the first national lockdown
0.024	Support for Business Improvement Districts (BIDS)	To support town centre reopening and BID activities
0.103	Compliance and Enforcement Grant	Available to LAs and the police to support additional enforcement activities
0.385	Emergency Active Travel Fund	Revenue and capital funding
0.267	School and college transport	Funding to support additional measures for Covid-19 compliant transport
0.364	Culture Recovery Fund	Funding to support KGH and Darwen Library Theatre to assist in trying to ensure their sustainable future
0.026	Dept for Transport – bus operators support	To help maintain bus services
4.709	TOTAL SPECIFIC SUPPORT PROVIDED	

FUNDING TO SUPPORT CONTAINMENT OF THE VIRUS		
£'Mill	Funding	Details
0.540	BwD specific funding to address rising rates in July/August	Specific support given to the borough to support deployment of our containment strategies
0.406	Contain Outbreak Management Funding	For the period when BwD was in Tier 3 - 17 th October to 5 th November – based on £4 per head of population
1.197	Contain Outbreak Management funding	General payment to Tier 3 areas based on £8 per head of population
1.367	Test and Trace Service (1 st tranche)	Funding to help authorities to develop and implement action plans to reduce the spread of Covid in their areas
3.510	TOTAL SUPPORT FOR CONTAINMENT AND OUTBREAK MANAGEMENT	

NON-RINGFENCED FUNDING TO SUPPORT INCREASED COSTS AND LOSSES OF INCOME DUE TO COVID-19		
£'Mill	Funding	Details
5.212	1st Tranche	Received
4.085	2nd Tranche	Received
1.633	3rd Tranche	Received
4.102	4th Tranche	Received
TBC	5 th Tranche	
1.762	Sales, Fees and Charges compensation – to 30 th September	75% of losses on certain SF&Cs covered by govt, over and above the first 5% loss made against budgeted income
TBC	Sales, Fees and Charges compensation – to 30 th Nov	
TBC	Sales, Fees and Charges compensation – to 31 st Mar	
16.794	TOTAL SUPPORT FOR GENERAL COSTS AND LOSS OF INCOME	

FUNDING TO SUPPORT NEW BURDENS ADMIN OF COVID-19		
£'Mill	Funding	Details
0.170	Administration of support to businesses	
0.038*	Administration of support for self-isolation payments	
0.208	TOTAL SUPPORT FOR ADMINISTRATION	

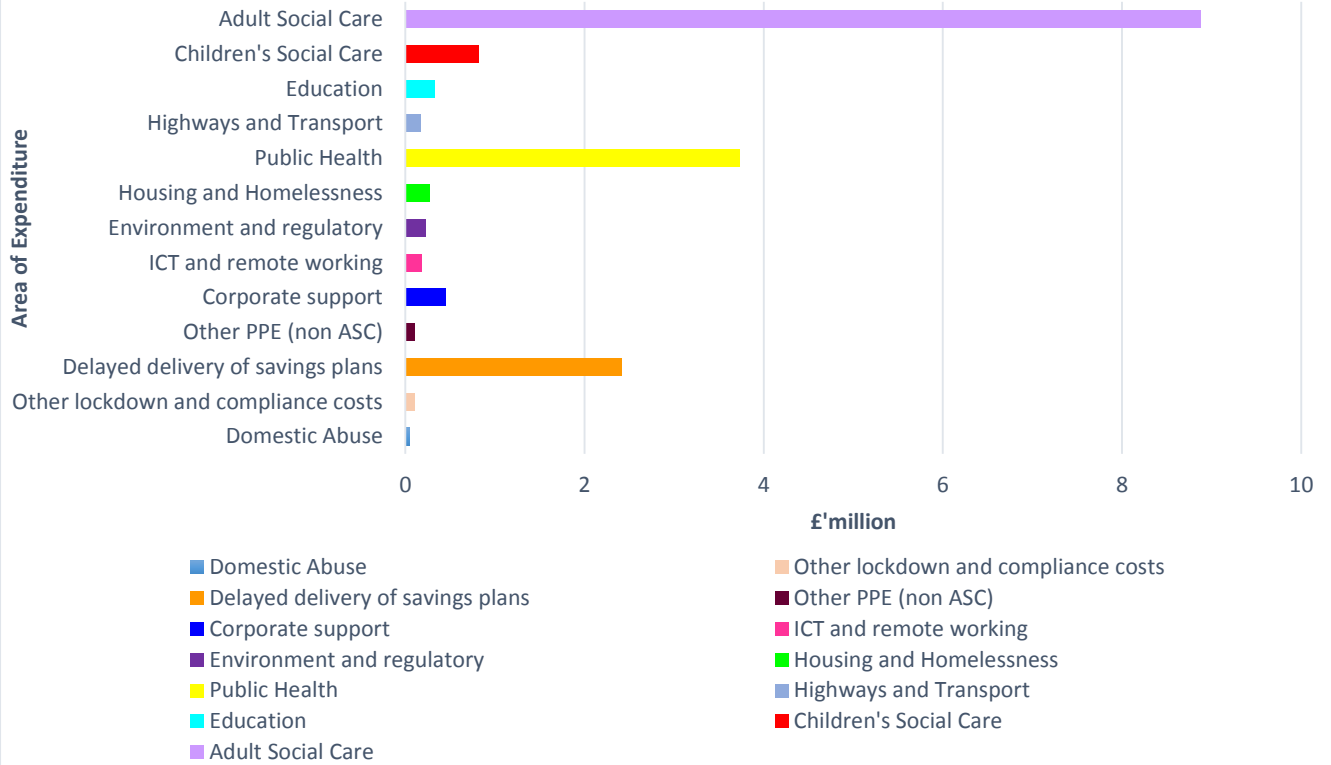
£100.677 million	TOTAL AT 11th DECEMBER 2020
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2.2 EXPENDITURE

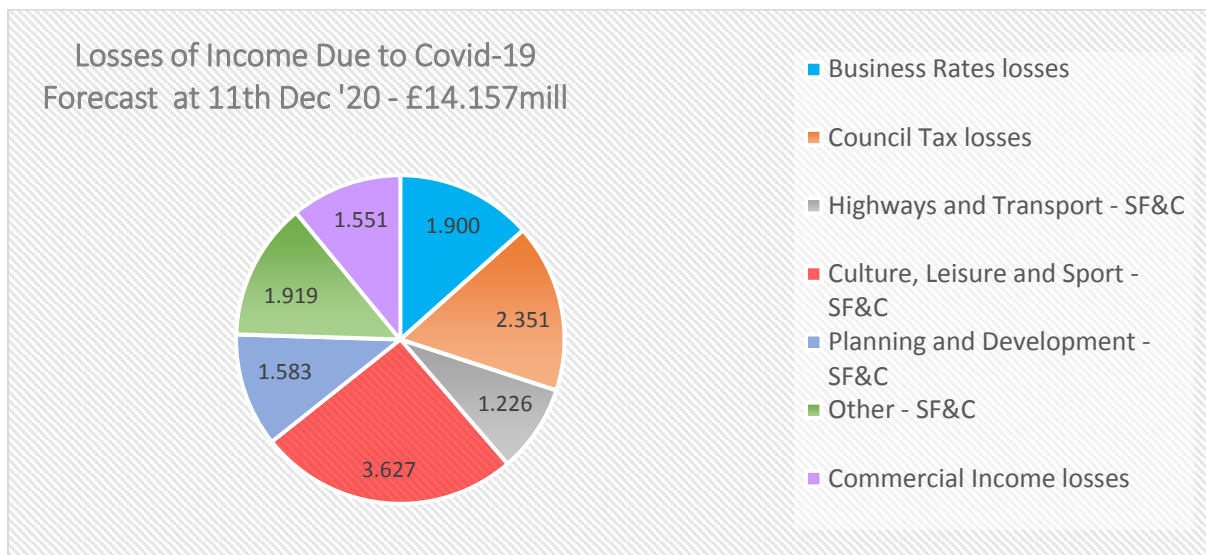
The Council must account to MHCLG for the additional expenditure and income losses incurred as a result of Covid-19 each month – to-date we have had to submit 8 returns.

The scope of the returns has been tweaked as the exercise has progressed, and the forecast for the full year impact has been revised as further information has emerged, as our response has progressed and as our assumptions have been updated for new information available on the course of the virus; for the purposes of this report, we will focus on the last return submitted on 11th December for the period to 30th November and the forecast based on the assumptions made, and information available, at that time.

Covid-19 related Expenditure - £17.752 mill



2.3 LOSSES OF INCOME



For the total forecast additional expenditure we expect to incur of £17.752 mill, and the income losses we expect to make of £9.906 mill, excluding those on business rates and council tax, i.e. total £27.712mill, we expect that the government funding at this point in time is sufficient to cover our costs. This is based on;

- £16.794mill - funding for general costs expenditure and losses of income as at 11th December
- £3.988mill – additional funding for lost sales, fees and charges income for the period 1st Oct – 31st Mar
- £3.510mill – contain outbreak Management
- Further funding to cover costs referred to by the Chancellor in the Spending Review

With regard to Business Rates and Council Tax, the government has given an undertaking to fund 75% of 'irrecoverable losses' incurred on these in 2020/21, with further information to be provided on the definition of irrecoverable loss, and for any resulting deficit on the Collection Fund in 2020/21, legislation has been amended to provide for recovery of this by the council over a 3 year period rather than the normal 1 year process.

3.0 CHALLENGES

With regard to the Committee's specific questions;

- How have the challenges the council has had to face affected corporate priorities such as the accommodation strategy?
- What support has been made available and how have staff coped with the demands placed on them by meeting the realignment of services?

As can be seen in the analysis of expenditure incurred on Covid, one of the categories that MHCLG have asked to be included is the delay in delivery of planned savings programmes – clearly although work was in train to deliver the savings programme, several areas have been deferred as the response to the pandemic has had to be prioritised. That said however, non-recurring savings have been generated as some activities/services have been curtailed as it has simply not been possible to undertake them.

Priorities such as the accommodation strategy and delivery of elements of the IT digital programme have continued and indeed have been accelerated during the pandemic;

As staff have been working from home, our Corporate Building Team have been able to successfully complete Phase 1 of the Accommodation Strategy and the 3rd and 4th floor of the Old Town Hall have been refurbished and are now in use. Work has now begun on Phase 2 which includes the 1st and 2nd floors and the Council Chamber.

The need to work from home has meant that plans to implement the technology to facilitate mobile working had to be scaled up at speed and the introduction of alternative ways of working using Microsoft Teams and Cloud technology have been implemented far more quickly than had been intended with huge benefit and success.

Staff have been flexible and have been redeployed in many instances to meet the demands arising in the pandemic; from establishing and running the Food Hub and the Help Hub, to providing a 7 day-a-week service in social care, to supporting the national Test and Trace Service. Staff have demonstrated their versatility and commitment in ensuring the needs of the residents of the borough are put first and have worked tirelessly to provide a first class service, in whatever service area they have worked. We are mindful of their efforts and of the need to ensure their own health and wellbeing and so have in place, and continue to develop, various schemes, mechanisms and ways in which we can provide support.