



**REPORT TO:** Policy and Corporate OSC

**REPORT FROM:** Executive Member Finance and Governance  
Director of Finance

**DATE:** 11th October 2021

**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 2021/22, 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?

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 pandemic 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 subsided as we closed the 2020/21 financial year.

Following the final stage of easing COVID restrictions on 19th July 2021, we are now moving into the recovery stage of our pandemic work but there are still significant financial uncertainties that the Council faces as we look forward.

As reported to Finance Council our Medium Term Financial Strategy would normally extend for a period of 3 years beyond the end of the budget year, however given that the Government only provided a 1 year settlement, and has still not shared proposals for their intended approach for calculating any future local government finance settlements, the future funding arrangements beyond 2021/22 are impossible to plan for with any certainty. Therefore, in preparing the MTFS, we focused on the financial year 2021/22 and this will be revisited and updated as more clarity on our future funding is provided by Government over the coming months.

A commitment to implement a new Business Rates Retention model has been given for several years; at the Spending Review in September 2019 the Government confirmed that it would aim to implement a 75% BRR model in 2021/22 to provide further time to work with the sector on options for delivering the review of relative needs and resources, and in reforming and improving the business rates retention system, including addressing such issues as backdated appeals on local authority income. Due to the impact of Covid-19, this target date has slipped again and we are still unsure as to what the model will look like, how it will operate and from what date it will be effective.

Articles in the press have indicated that the government may indeed rethink the use of Business Rates as a funding model for local government, with suggestions that alternative property related taxes, the introduction of an online sales tax and an 'excess profit' tax could be considered as potential options. Although uncertain, we expect further information to be provided on the future direction of travel in this area as the financial year progresses.

With regard to economic activity and the potential ongoing impact on our sales, fees and charges the government's own data indicates activity will not return to pre-Covid-19 levels until 2023. The impact of the pandemic led to a 10% fall in economic output over 2020 which is only expected to recover by 4% this year and 7% in 2022/23. The government has extended their Sales, Fees and Charges compensation scheme but only until the end of June 2021.

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

## 2.1 FUNDING RECEIVED

The tables below outline the funding received at 30<sup>TH</sup> September 2021.

- 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

<b>SUPPORT FOR BUSINESSES - RINGFENCED</b>		
<b>£'Mill</b>	<b>Funding</b>	<b>Details</b>
8.022	BEIS restart grant	Grants to non-essential retail business premises, to help them reopen safely and to hospitality, accommodation, leisure, personal care and gym business premises.
0.891	Additional Restrictions Grant (ARG)	Discretionary fund to be distributed by LAs to support businesses that have their trade affected by restrictions
<b>8.913</b>	<b>TOTAL SUPPORT FOR BUSINESSES</b>	

<b>SUPPORT FOR RESIDENTS</b>		
<b>£'Mill</b>	<b>Funding</b>	<b>Details</b>
0.541	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
0.326	Self-Isolation Practical Support Scheme	For use by councils to provide support to people who have been told to self-isolate to carry out essential tasks or for offering social or emotional support
0.957	Test and Trace Isolation Support payment (Scheme now extended to end of March 22)	£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
tbc	Household Support Fund	Support to help vulnerable households and individuals with essentials over the coming months as  Just announced by Government – details to be confirmed
<b>1.824</b>	<b>TOTAL SUPPORT FOR RESIDENTS</b>	

<b>SPECIFIC SUPPORT FOR SPECIFIC AREAS</b>		
<b>£'Mill</b>	<b>Funding</b>	<b>Details</b>
0.853	Infection Control Funding	To tackle the spread of Covid-19 in care homes – extended to end of March 22, awaiting further funding announcements for BwD
0.131	Welcome back fund	To allow local authorities to put in place additional measures to create and promote a safe environment for local trade and tourism, as their economies reopen.
<b>1.592</b>	<b>TOTAL SPECIFIC SUPPORT PROVIDED</b>	

<b>FUNDING TO SUPPORT CONTAINMENT OF THE VIRUS</b>		
<b>£'Mill</b>	<b>Funding</b>	<b>Details</b>
1.323	Contain Outbreak Management Funding	21/22 Allocation This funding is available to support public health activities directly related to the COVID-19 response such as: <ul style="list-style-type: none"> <li>• testing</li> <li>• non-financial support for self-isolation</li> <li>• support to particular groups (clinically extremely vulnerable (CEV) individuals, rough sleepers)</li> <li>• communications and engagement</li> <li>• compliance and enforcement</li> </ul>
<b>1.323</b>	<b>TOTAL SUPPORT FOR CONTAINMENT AND OUTBREAK MANAGEMENT</b>	

<b>NON-RINGFENCED FUNDING TO SUPPORT INCREASED COSTS AND LOSSES OF INCOME DUE TO COVID-19</b>		
<b>£'Mill</b>	<b>Funding</b>	<b>Details</b>
5.125	5 <sup>th</sup> Tranche	Received
0.052	Sales, Fees and Charges compensation	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 <sup>th</sup> June	Claim to be sent to Government by 22 <sup>nd</sup> October.
<b>5.177</b>	<b>TOTAL SUPPORT FOR GENERAL COSTS AND LOSS OF INCOME</b>	

<b>£18.829million</b>	<b>TOTAL AT 30<sup>th</sup> SEPTEMBER 2020</b>
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### **3.0 CHALLENGES**

Looking ahead, given the continuing prevalence of Covid-19, there remain significant challenges for businesses, residents and the Council. Despite that, the funding and other support that has been made available to deal with the impact of the Pandemic is gradually being withdrawn and on the basis of current plans, there is unlikely to be any funding support available from April 2023.

#### **3.1 Businesses**

In addition to the grant schemes identified in 2.1 above, retail, hospitality and leisure businesses received 100% rate relief until the end of June 2021 and are now in receipt of 66% relief. The Government has also announced a further discretionary COVID relief aimed at businesses who have not received previous reliefs. Details of the amount of funding and the guidelines are expected in November but it is anticipated that businesses will have to demonstrate in some form the ongoing negative impact of COVID on their ability to trade as normal and it is estimated that between 300-350 businesses may be impacted.

The Coronavirus Job Retention Scheme, ended on 30 September 2021. Data indicated that just over 5 million employees were on furlough leave as of January 2021, and approximately just under 2 million employees remained on furlough leave as of July 2021. The scheme was intended to save jobs and livelihoods during the pandemic and allow employers enough time to financially bounce back and bring those employees back to work and pay wages in full. The impact of the closure of the scheme on the Borough's businesses will be tracked over the coming months

### **3.2 Residents**

The Test and Trace Isolation Support Scheme which provides £500 payments 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, has now been extended until March 2022.

In addition, the Government has just announced £500m to support vulnerable households across the country with essentials over the coming months. Families will also continue to benefit from the energy price cap, recent rise in Local Housing Allowance and increases in the National Living Wage. The full details of the scheme and the allocation for Blackburn with Darwen BC are still to be announced.

In the initial response to the Covid-19 crisis in the March 2020 Budget, the Chancellor announced a temporary one-year uplift in entitlements to Universal Credit (UC) and Working Tax Credit (WTC), of £20 per week. In the following Budget – March 2021 – the UC increase was extended for another six months, and claimants of WTC were paid a one-off equivalent amount (£500). The UC expansion has expired at the end of September, alongside the Government's furlough scheme

The £20 uplift represented a significant share in entitlements for many of our residents – in particular for those who are single without children, are not liable for rent, or are not judged to have a work limiting disability. For many of these people UC is their only source of income.

### **3.3 Council**

- **Expenditure**

The Council must account to MHCLG for the additional expenditure and income losses incurred as a result of Covid-19 each month.

At this relatively early stage in the financial year i.e. budget monitoring completed until the end of August and given the fact that the final stage of easing COVID restrictions did not take place until 19<sup>th</sup> July it is difficult to predict the full year cost of pressures that will arise e.g. Adult and Children's Social Care demand pressures as we continue through the recovery stage of the pandemic.

Given the uncertainties we have seen throughout the pandemic and which still continue, the Executive Board on 10<sup>th</sup> June approved an allocation of £5.2m for the first phase of continuing response and recovery work, including the specific Covid response resources, addressing some of the capacity and

backlog resourcing challenges, and planning for supporting recovery activity for residents, communities and our wider local economy.

The first phase funding of £5.2m is to be utilised as below and is being tracked on a monthly basis:

- £2.7m continuing Covid response resourcing
  - £1m resource for supporting capacity, backlog and demand challenges across service departments
  - £1.5m discretionary funds supporting recovery
- **Losses of Income**

The Sales, Fees and Charges compensation scheme will whereby authorities absorb losses up to 5% of their planned sales, fees and charges income, with government compensating them for 75p in every pound of relevant loss thereafter, finished on 30<sup>th</sup> June. By introducing a 5% deductible government is accounting for an acceptable level of volatility, whilst shielding authorities from the worst losses. Council's are now actively levying Government to extend the scheme beyond the 30<sup>th</sup> June deadline.

As noted above the government's own data indicates activity will not return to pre-Covid-19 levels until 2023. Additionally the final stage of easing COVID restrictions was 19<sup>th</sup> July so there is only a month and a half's data to base forecasts for lost income over the remainder of this and into future financial years.

### **3.4 Dealing with the continuing pandemic**

The Borough had 239 cases per 100,000 people in the week 20-26 September (the average in England had 355), 359 cases were identified in the same week, which was an increase of 15 compared with the previous week, amounting to 28,503 cases up to 30<sup>th</sup> September.

The Borough is therefore in a relatively good position when compared with the England average as we approach the winter months and the uncertainty re the potential rise of infections and their impact on our businesses, residents and employees. We do however continue to operate in an environment of limited resources and whilst the Government has provided funding up front to support the pandemic there is considerable uncertainty of the length of the pandemic impact on the national and local economies and the Council's ability to finance the ongoing support.

Nevertheless, within the resources available, the Council continues to put significant additional resources into support and guidance for our businesses, residents and employees e.g. test and trace, vaccinations, targeted interventions for specific cohorts, support for those self-isolating, utilisation of volunteers, support for vulnerable groups including rough sleepers, guidance on compliance etc. The ability to continue doing will, though, be dependent on the availability of additional resources from Government.