

Name of meeting: Cabinet

Date: 21st May 2020

Title of report: COVID-19 impact on Council finances

Purpose of report:

To update Cabinet on the impact of COVID-19 on the Council's finances, broader local government sectoral impact, national Government financial support to date, and emerging actions taken/required in light of the above.

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|---|--|
| Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards? | No. The report is for information only |
| Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u> | Key Decision – N/A Private Report/Private Appendix – No |
| The Decision - Is it eligible for call in by Scrutiny? | Yes |
| Date signed off by <u>Strategic Director</u> & name | Rachel Spencer-Henshall – 13 May 2020 |
| Is it also signed off by the Service Director for Finance? | Eamonn Croston – 12 May 2020 |
| Is it also signed off by the Service Director for Legal Governance and Commissioning? | Julie Muscroft – 13 May 2020 |
| Cabinet member portfolio | Cllr Graham Turner |

Electoral wards affected: All Ward councillors consulted: None

Public or private: Public

Has GDPR been considered? Yes

1. Summary

- 1.1 The Council has responded rapidly and effectively over the past 8 weeks to the COVID-19 crisis. It has put in place an organisational wide range of measures in collaboration with key partners, and taking on board Government direction to spend 'whatever it takes' in priority areas to support and protect the borough's most vulnerable residents, and support the national effort to protect the NHS and businesses.
- 1.2 These measures, alongside other financial impacts from Government social distancing measures, is having a significant impact on the Council's finances as illustrated at Appendix A attached; illustratively a forecast cost impact of between £34m and £65m over the short term (upto 12 months). The range of potential cost impacts reflects two illustrative scenarios. The first is an accelerated easing of current national lockdown measures (6 month scenario) versus a more extended transitional phase (12 month scenario).
- 1.3 The potential range illustrated at Appendix A is consistent with early sectoral benchmarking of the financial impact of COVID-19 across comparable Councils, informed by emerging local, regional, national and international societal and economic impacts, and emerging national Government measures in response to this. To date, Government has implemented an unparalleled level of individual and business financial support following on from the initial package of measures set out as part of the 11 March 2020 budget announcement.
- 1.4 Government has committed to compensating Councils, and has allocated some £3.2 billion COVID-19 funding to date to the local government sector nationally. The Council's share is £24.3m. All Councils are also now submitting monthly financial impact returns to help Government assess both the emerging monthly impacts, and full year forecasts.
- 1.5 The impact of the funding allocations to date would adjust the cost impact on the Council to between £9.4m and £40.4m, and emphasizes the consistent local government sectoral message back to Government that more funding to Councils will be needed in due course in 2020/21.
- 1.6 The Council is taking early measures where it can to release further revenue resources to financial resilience reserves in light of the predicted global economic recession and longer-term impact on Council Medium Term Financial Strategy, and this will be subject of a separate report to Cabinet in early June setting out in more detail, specific measures being taken as part of the closure of accounts process for 2019/20.
- 1.7 COVID-19 financial impacts will continue to be reviewed in light of further emerging local, regional and national intelligence through 2020/21, as part of overall in-year financial monitoring reported in the corporate member arena through established annual Council planning cycle and governance processes.
- 1.8 This will also include a more I review of current approved multi-year Council revenue

and budget plans, including early preparation for the forthcoming 2021/22 budget round.

2. Information required to take a decision

2.1 Council response to COVID-19

- 2.1.1 The chronology of the emerging global pandemic crisis dates back as recently as December 2019 following official reports of a COVID-19 outbreak in Wuhan, China. By January 2020, UK had reported its first two officially confirmed positive cases, originally contracted from outside the UK. The first confirmed COVID-19 transmission within the UK was early February 2020, and at this time Government introduced a range of voluntary restrictions.
- 2.1.2 The Budget announcement on 11 March included measures intended to offer an unparalleled range of financial support to individuals and businesses in light of the emerging global and UK economic impact being felt from the pandemic crisis. By 20th March, Government ordered all pubs, cafes, restaurants, bars and gyms to close and further financial support measures were announced at the same time, including the furloughing scheme to support 80% of the wages of employees temporarily sent home from firms hit by the crisis.
- 2.1.3 On 23 March, Government announced a nationwide lockdown, including the identification of about 1.5 million vulnerable people who would likely need hospital treatment, to 'shield themselves' by voluntarily staying at home for 12 weeks to avoid getting the virus.
- 2.1.4 The above measures were followed up with emergency primary legislation passed by Parliament on 25 March through the Emergency Coronavirus Act, to give UK Government unprecedented powers to in its bid to curb the coronavirus pandemic. The legislation lasts for 2 years and is subject to 6 monthly review.

A link to the detail of the Emergency Coronavirus Act can be found here :

[Coronavirus Bill: what it will do - GOV.UK](#)

- 2.1.5 The Council has responded swiftly and effectively in light of the above, and has been front and centre of the local response to the emerging pandemic crisis, ensuring the continued provision of essential services, support and protection to the borough's most vulnerable residents and households, alongside the Council's commitment to support the national effort to protect the NHS and support businesses.
- 2.1.6 The Council has taken on board early Government direction for local authorities to spend 'whatever it takes' on priority services where COVID-19 measures were impacting on the most vulnerable; including social care, housing, rough sleeping and education, and that the Council would be financially compensated in due course.
- 2.1.7 This has entailed a significant short-term re-configuration of Council service activity, and temporary revisions to corporate/member governance arrangements using executive powers to enable quick and effective decision making and timely operational implementation in response to the rapidly developing COVID-19 crisis.

2.1.8 A consolidated report was presented to Cabinet on 1 May 2020 which set out the key decisions taken through the early weeks of the emerging crisis. The relevant link to the Cabinet Agenda is shown below :

[Agenda for Cabinet on Friday 1st May 2020, 3.00 pm | Kirklees Council](#)

(Item 6 – ‘Decisions taken during the COVID-19 Pandemic to date’ report)

- 2.1.9 Council measures to date have been undertaken in collaboration with key Partners, including health, education, 3rd sector leaders, local communities, key providers and suppliers. The Council has also been supported by representative business and community organisations and more broadly by local government sectoral interest groups including Local Government Association (LGA) and the Special Interest Group of Metropolitan Authorities (SIGOMA).
- 2.1.10 There has also been ongoing collaboration at a regional level through the Leeds City Region/West Yorkshire Combined Authority, and the Local Resilience Forum which is part of the national network for ‘top down’ emergency planning from Government.
- 2.1.11 A whole system partnership approach has been paramount to the effective delivery of the local response and support to the national effort to date, and will be going forward. Equally critical has been the effective mobilisation of local community groups, networks and volunteers. This local approach also resonates strongly with the Council’s Partnership and Place agendas, and the role of Councillors as community leaders, with enhanced funding allocated to existing ward Councillor budgets from £20k to £50k per ward in 2020/21, funded from earmarked reserves.
- 2.1.12 Alongside this, Council staff have been flexibly deployed where appropriate into priority activities to support Council activity, in particular to support and protect the borough’s most vulnerable children and adults. This has included collaborative working in partnership with Kirklees Neighbourhood Housing (KNH), and Kirklees Active Leisure (KAL).
- 2.1.13 The Council is also monitoring on a weekly basis the ongoing impact of COVID-19 on overall staff capacity and this is also being factored into Council measures on current staff deployment across the organisation. To put this into context, at any one time currently, upwards of 20% of Council staff (about 1,400 staff) fall within one of the following categories e.g. self-isolation, vulnerability (shielding), or sickness absence directly COVID-19 related, beyond ‘business as usual’. This is being monitored , managed and reviewed pro-actively through the corporate business continuity group, reporting directly to Executive Leadership Team twice weekly.
- 2.1.14 The attached link to the Council’s website illustrates the sheer scale and extent of the Council response to date across the whole breadth of its activities ‘working with’ a plethora of partners, communities and stakeholders :

[Coronavirus | Kirklees Council](#)

Essential guidance for local authorities on all aspects of coronavirus support can also be found on the GOV.UK website. See below link :

[COVID-19 guidance for local government](#)

2.1.15 Government has also issued a number of Procurement Policy notes setting out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current COVID-19 outbreak. A link to the most recent Note 02/20 is included below for reference :

[Procurement Policy Note 02/20: Supplier relief due to COVID-19 - GOV.UK](#)

2.1.16 The Council is working with a range of contracted services and suppliers, to ensure timely and appropriate payments that will deliver service continuity and future sustainability, including the social care provider market, home to school transport, educational including early years provision, and leisure activity. These current arrangements are subject to ongoing review.

2.2 Revenue impact

2.2.1 Revenue budget plans for 2020/21, including indicative plans for following 2 years, were approved at Budget Council on 12 February 2020. The financial impact COVID-19 across the organisation's activities could not have been anticipated at the time the budget plans were approved for the 2020/21 financial year, given the chronology of events set out in paras 2.1.1 to 2.1.3 earlier.

2.2.2 Appendix A attached sets out a high level summary of a potential range of spend impacts in 2020/21, above and beyond approved budget plans, which are specifically attributable to measure taken in light of COVID-19.

2.2.3 Overall, the potential range of revenue cost impacts are indicated in the range £34m to £65m as noted at Appendix A, over the next 12 months.

2.2.4 These are acknowledged to be somewhat fluid forecasts at this time and will remain thus over the coming months; informed short term by transitional arrangements from Government on the emerging national recovery plan, and medium term in light of more structural impacts and subsequent national Government policy informing the 2020 Spending Review in Autumn, which will set out public expenditure intent for 2021/22.

2.2.5 Council officers have implemented processes to capture COVID-19 related costs across the totality of Council activity. In addition, Government has requested monthly returns on the financial impact of COVID-19, starting from April 2020, to help inform Government intelligence on the scale of financial impact on Councils.

2.2.6 There will be some activity that has reduced or temporarily ceased as a result of the national lockdown measures and subsequent local response e.g. premises related non-staffing costs, car mileage and other transport related costs. Any temporary reduction in spend will have some impact in mitigating the overall scale of additional COVID related spend, and this will be assessed in more detail as part of ongoing monthly monitoring through the remainder of 2020/21.

2.2.7 The emerging financial impact on Council finances is also significant across a range of Council income streams. National lockdown measures are having a material short-term impact on fees and charges across organisational service activity. To give some illustrative examples, car parking income losses are currently estimated to be upwards of £90k per week, and education catering income about £80k per week.

- 2.2.8 In addition to the above, there will be emerging pressures on council tax income. Nationally, the number of working age people claiming Universal Credit has doubled since the national lockdown came into force. Overall, national unemployment is currently about 4% compared to 2% pre-COVID. This in turn is anticipated to increase significantly, the number of working age claimants eligible for the Council's council tax reduction (CTR) support scheme beyond budgetary predictions pre-COVID-19.
- 2.2.9 The Council has implemented measures to enhance support to existing and new CTR working age claimants in 2020/21 through the Government Hardship Fund (see also para 2.7.3). However, any underlying growth in working age CTR claimants that would have an adverse impact on the Council Tax Base (CTB). There is also likely to be increased pressure on income collection rates and resultant arrears due to additional volatility on household income for some of our most vulnerable households.
- 2.2.10 Council tax income budgetary assumptions for 2020/21 also reflect underlying growth in the council tax base from a net increase in housing supply across the borough; equivalent to 1,100 Band D properties. Clearly COVID-19 has impacted on the construction industry and at this stage, it is anticipated that there will be an overall slowdown in growth assumptions in-year, from budgeted.
- 2.2.11 The economic impact is also clearly felt across the borough's businesses. And while Government has introduced a number of financial support measures (see also para 2.7.4), it is anticipated that there could be an overall reduction in business rates income in light of current challenging economic conditions over the short and possibly medium term.
- 2.2.12 Any in-year deficit or surplus on council tax income and business rates income is carried forward into the following financial year through the Collection Fund. This means there is a timing delay when the financial impact of COVID-19 on the Collection Fund would hit Council finances; effectively 2021/22.
- 2.2.13 The only exception is the grant compensation the Council receives from Government in relation to national business rate reliefs granted in 2020/21. If business activity reduces in-year, any corresponding reduction in compensating grant will impact on Council finances in 2020/21.
- 2.2.14 The financial impact of any s Collection Fund deficit rolled forward into 2021/22 would also extend to other precepting authorities, namely the Office of Police & Crime Commissioner and Fire & Rescue Authority. This is because the Council also collects and pays over the relevant council tax income relating to these precepting bodies, including their share of the overall Collection Fund deficit rolled forward into 2021/22.
- 2.2.15 The Housing Revenue Account (HRA) is a statutory ring-fenced account which manages all income and expenditure in relation to landlord services to the Council's 22,000 tenants and 1,000 leaseholders. Day to day management of landlord services is provided by the Council's arms length management organisation, Kirklees Neighbourhood Housing (KNH).
- 2.2.16 To date, Government funding support to Councils has concentrated on general fund COVID financial impacts. For Councils with HRA's like Kirklees, there are potential financial impacts on income collection and rent arrears for some of the Council's most

vulnerable tenants who may also be experiencing additional volatility with regard to household income.

- 2.2.17 The Government has acknowledged this and the monthly Council financial impact returns have been updated now to include specific reference to HRA impacts. This includes COVID financial impacts on arms length management organisations i.e. KNH, as ultimately KNH as a wholly owned company of the Council, and any KNH financial risk is ultimately the Council's HRA financial risk.
- 2.2.18 The Council is also monitoring closely the impact of COVID-19 on the financial resilience of other organisations that have ongoing financial arrangements with the Council, such as Kirklees College, and joint ventures for which the Council is a part shareholder, namely Kirklees Stadium Development Limited.

2.3 Capital impact

- 2.3.1 The Council budget plans approved at Budget Council in February 2020 included the recommendation to undertake a more fundamental review of the current 5 year capital planning framework during Summer 2020, and the intention still is to undertake this review, with a view to re-profiling the existing multi-year plans over a more realistic longer time frame. Clearly, emerging COVID impacts will influence some of the re-profiling as well, in conjunction with an overall affordability review as part of the broader annual re-refresh of the Council's multi-year plans.
- 2.3.2 The Council is continuing to deliver baseline capital programmes across its operational asset base, including highways, education, corporate landlord capital activity. On some baseline activity, current social distancing measures means officers are reviewing how schemes are prioritised. In terms of strategic priorities, programmes and schemes, developer/partner as well as on-house capacity, and emerging local, regional and national economic and infrastructure considerations and funding opportunities and broader economic recovery plans, will clearly be in scope as part of the broader strategic capital plan review.

2.4 Council Treasury Management

- 2.4.1 The impact of COVID-19 on Council finances has added some volatility and unpredictability on Council daily cashflow management. As the emerging scale of the Government's response to COVID-19 began to materialise, access to short term liquidity in the financial markets was an immediate issue, as inter-authority lending practically ceased overnight. In response, Government implemented a number of early measures to fund Councils 'upfront' at the start of 2020/21 across a range of grant funding streams, and as a result of this, liquidity access in the money markets has eased.
- 2.4.2 Senior Council finance Officers will continue to monitor and proactively manage the Council's cashflow and treasury management requirements through 2020/21, in conjunction with our external treasury management advisors, Arlingclose, and will set this out in more detail as part of the 2019/20 annual review of treasury management activity report, in due course.

2.5 Sectoral analysis

- 2.5.1 A Yorkshire & Humberside COVID-19 financial impact survey at the start of April summarised the overall forecast cost impact as reported by 21 Local Authorities, including Kirklees at an estimated £900m eventual cost. After factoring in the surveyed Councils local share of the £3.2billion Government COVID-19 funding allocated to date, this was adjusted to about £600m. On average, about 1/3rd of the forecast cost impact was spend related, about 2/3^{rds} was income loss related.
- 2.5.2 The high level analysis also showed the cost impact expressed as a proportion of annual net revenue budgets at an individual Council level. The range was between 9% to 18% across the 8 metropolitan Councils included in the survey (after factoring in local shares of the £3.2bn additional funding to date). Kirklees share was about 15%.
- 2.5.3 The Special Interest Group of Metropolitan Authorities (SIGOMA) analysed the Ministry for Housing, Communities & Local Government (MHCLG) financial impact returns submitted by SIGOMA Councils for the 15 April deadline; 36 metropolitan Councils and 8 unitary Councils. SIGOMA concluded that across the 44 Councils surveyed, after factoring local shares of the £3.2bn funding to date, there would be a shortfall of about £1.35bn. This is consistent with the earlier Yorkshire/Humberside survey.

2.6 Government funding support

- 2.6.1 There have been numerous financial support measures put in place by Government to support individuals and businesses through the emerging COVID-19 crisis. The Council report to Cabinet on 1st May set out a range of national measures implemented locally for 2020/21. This included an extension of 100% business rate reliefs for all businesses with a rateable value of upto £51k, and for specific businesses in retail, hospitality and leisure above £51k rateable value.
- 2.6.2 The report also notes the two COVID-19 related Government grant schemes available to eligible businesses at £10k/£25k. Councils have administered these locally on Government's behalf. To date (as at 13 May 2020), Kirklees Council has paid out in excess of £80m to over 7,000 eligible businesses in just over 5 weeks, which is a significant achievement and testament to the Council's commitment to deliver the grant payments as quickly as possible to support the borough's eligible businesses at this critical time.
- 2.6.3 The report also makes reference to an enhanced £4.9m Hardship Fund scheme for working age residents claiming Council tax Reduction (CTR) support, plus additional funding for the Council's discretionary Local Welfare Provision Scheme.
- 2.6.4 Government has provided two tranches of £1.6 billion COVID-19 funding to local government to date ; £3.2 billion in total. Tranche 1 was allocated largely on the current adult social care formula , and as such was more weighted to Councils with statutory social care responsibilities. The Council's share is £12.2m. The main emphasis at the time was around immediate pressures in social care. It was announced alongside the £1.3 billion national NHS funding allocation to support a range of measures to free up non-urgent bed spaces for COVID-19 patients..

- 2.6.5 Tranche 2, £1.6 billion funding was allocated pro-rata to Council populations and is intended to recognise a broader sweep of financial impacts on universal provision including fees & charges income loss, and explains why district councils received a bigger share this time, overall. The Council's share is £12.1m.
- 2.6.6 Other Government measures include the staff furloughing scheme administered through HMRC which went live on 20th April, compensating businesses for 80% of eligible staff costs up to a monthly salary cap of £2,500; also includes eligible self-employed workers. It is estimated that this will cost Government about £8 billion a month, and at the time of writing this report, was for an initial period covering 19 March to 30 June 2020.
- 2.6.7 The business Interruption Loan Scheme is also now live. This includes an 80% Government underwrite for loans awarded by participating banks. Subsequent to this, Government announced a 100% loan underwrite scheme for eligible small businesses, up to a maximum £50k loan.

The link below to the relevant Government website sets out in more detail, the current range of financial support available to individuals and businesses :

[Support for those affected by COVID-19 - GOV.UK](#)

- 2.6.8 Government also announced £370m funding support to be allocated direct by government departments to charities providing key services and supporting vulnerable people during a crisis. A further £360m was also to be allocated to small and medium sized charities, including through a grant to the National Lottery Community Fund to support organisations working in local communities, including those delivering food, essential medicines and providing financial advice during the current COVID-19 crisis.
- 2.6.9 Government funding announcements are ongoing, such as the very recent 'top up' or discretionary fund; national funding allocation about £650m or 5% 'top up' on the original national £12.3 billion national business grant allocation. The Council's share is anticipated to be about £6m and at the time of writing this report, is waiting on more detailed Government guidance on how it is to be administered locally.
- 2.6.10 Government has also announced schools funding for exceptional costs associated with COVID-19 for the period March to July 2019, and subject to a current proposed funding allowance or cap of between £25k and £75k per educational establishment depending on the number of pupils and nature of provision; mainstream, special and alternative .

3. Implications for the Council

- 3.1 Working with People**
- 3.2 Working with Partners**
- 3.3 Place Based Working**
- 3.4 Climate Change and Air Quality**
- 3.5 Improving outcomes for children**

The issues highlighted in this report are set out in the overall context of the short term impact on current approved Council budget plans.

Existing approved budget plans were developed to ensure that resources were allocated in the areas that would further improve outcomes for individuals and communities as a whole.

To facilitate this, resources were allocated in areas that allowed the Council to maximise contributions to the Council's strategic priorities of working with people, working with partners and delivering Administration priorities with regard to outstanding children's services, tackling climate change and investing in our places.

3.6 Other (e.g. Legal/Financial or Human Resources)

Financial

- 3.7 The Council remains committed to fulfilling its long terms ambitions for Kirklees residents, but needs strong Government backing and support not just for the short term, but longer term as well. This was the key sectoral message to Government, for a longer term and sustainable funding commitment from 2021/22 onwards, even before the COVID-19 crisis. The current crisis and the local government frontline response has brought this message into even starker focus.
- 3.8 Senior officers at both a local and regional level are currently reviewing a whole range of potential and emerging social and economic impacts and what this means for residents, local communities, Council resources and service delivery, partners, supplier and provider sustainability, businesses, health and education sectors.
- 3.9 Government's £3.2 billion COVID-19 funding to date, and the Council's share at £24.3m, is welcome, as is the other financial support. However, Government will need to continue to honour its commitment to compensating Councils that continue to be at the frontline of local support to the national effort during what is an unprecedented global crisis.
- 3.10 Alongside the above, the Council is also exploring other mitigating measures where it can, given the unprecedented circumstances, including early proposals to bolster further the Council's financial resilience reserves as part of the 201920 final accounts process.
- 3.11 Government has also confirmed that the Review of Relative Needs and Resource and 75% business rates retention will no longer be implemented in 2021/22. This will allow Councils to focus on meeting the immediate public health challenge posed by the pandemic. Government will continue to work with councils on the best approach to the next financial year, including the approach to the 2021/22 local government finance settlement.
- 3.12 Given the unprecedented global and national situation, which remains fast moving and volatile, beyond the immediacy of the current COVID-19 crisis, the longer term prognosis for the economy , future tax revenues, Government fiscal policy and public services funding is particularly uncertain, and is likely to remain thus for some considerable time, and certainly beyond autumn 2020.
- 3.13 The medium and longer-term economic and societal impact and implications for the Council's Medium-Term Financial Strategy, revenue and budget plans, will be reviewed over the coming months, acknowledging the fluid and volatile environmental

context within which said plans will be reviewed, and as transitional arrangements start to be rolled out by Government as part of the national recovery plan.

Council Financial Resilience

- 3.14 The Council's budget plans approved at Budget Council in February 2020 included consideration of the Council's key corporate risks, and the overall adequacy of Council financial reserves, and the rationale for holding those reserves. This also included a benchmark using the Chartered Institute of Public Finance & Accountancy (CIPFA) financial resilience index, which indicated that our reserves held, as a proportion of annual net revenue budget, at 34%, (as at 31 March 2019) was largely similar to the majority of the other 35 metropolitan Councils benchmarked against.
- 3.15 This was in a pre-COVID-19 context, and while Government has re-affirmed its commitment to compensate Councils fully in due course, Council officers are taking some early prudent measures as part of the 2019/20 year end accounting process to release more revenue resources into financial resilience reserves.
- 3.16 These measures will be set out in more detail in a forthcoming early 2019/20 closedown review report to Cabinet in early June. The 2019/20 financial outturn position is currently being finalised, and it is anticipated that there will be some element of COVID-19 financial impact on the finalised 2019/20 year end position, albeit at the back end of the 2019/20 financial year.

Statutory responsibilities of the Council's Chief Financial Officer (CFO)

- 3.17 There are a range of safeguards in place that mitigate against local authorities over-committing themselves financially. One of the safeguards currently under scrutiny nationally are CFO s114 statutory powers. This refers specifically to s114 of the Local Government Finance Act 1988 which requires any CFO in England and Wales to report to all the authority's Councillors if there is or is likely to be unlawful expenditure or an unbalanced budget.
- 3.18 This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. The issue of a s114 notice cannot be taken lightly and has serious operational consequences. The authority's full Council must meet within 21 days to consider the s114 notice and during that period the authority is prohibited from entering into new agreements involving the incurring of expenditure.
- 3.19 In practice, s114 notices have been relatively few and far between; the most recent example being Northamptonshire County Council back in 2018. There has been discussion recently across the local government sector about how COVID-19's financial impact might play out in relation to potential s114 notices being issued more extensively within the next 12 months. CIPFA's COVID-19 Financial Bulletin issued on 15 April 2020 includes the following helpful and measured advice:

"We (CIPFA) are also in discussion with government on the present risk that some local authorities may not be able to reach a balanced budget position. To that end, we urge any authorities alive to the possibility of an unbalanced budget position due to COVID-19 to alert MHCLG (Ministry for Housing, Communities & Local

Government) at the same time as the council executive. Any prohibitions on spending should not be imposed until MHCLG have responded with what support and advice they are able to offer. At this difficult time, section 114 notices should continue to be used only as a last resort.“

4 Consultees and their opinions

Not applicable

5 Next steps and timelines

To present this report to Cabinet on 21 May, and the early 2019/20 closedown review report on 2 June. The finalised 2019/20 financial outturn and rollover report will be considered by members in due course later in June/early July.

Regular financial monitoring reports will be reported to Cabinet monthly, and published quarterly. A review of current multi-year revenue and capital budget plans will commence through early Summer informed by national, regional and local intelligence including COVID-19 impacts, in preparation for the forthcoming 2021/22 budget round.

6 Officer recommendations and reasons

To note the contents of this report which sets out an early high level overview of the emerging COVID-19 impact on the Council's finances.

7 Cabinet Portfolio Holder's recommendations

I would like to thank officers who have worked very hard on this report to ensure we have captured all the relevant data and information that we have at this moment in time.

The Council's financial situation will evolve as time goes on, as the immediate and longer term impacts of the pandemic become clearer.

Whilst this is a high level report, the very nature of the current COVID-19 outbreak means that some assumptions on the impact on the current budget, have to be made, these are based on the best information and intelligence we have at the moment. We will continue to monitor and record all extra spending and falls in income due to COVID-19, and fully expect as promised that these costs will be covered by the government.

8 Contact officer

James Anderson – Head of Accountancy
Sarah Hill – Finance Manager

9 Background Papers and History of Decisions

Approved budget plans 2021/22 – Budget Council 12 February 2020
Gov.uk - support for those affected by COVID-19
Gov.uk – COVID-19 guidance for local government

10 Service Director responsible

Eamonn Croston – Service Director- Finance

APPENDIX A

| <u>COVID-19 IMPACT - high level forecasts</u> | | | | |
|---|--|--|---------------|---------------|
| | | | | |
| 2020/21 | | | | |
| | | | £000 | £000 |
| GENERAL FUND (Net Revenue Budget £302m) | | | 6 month | 12 month |
| | | | scenario | scenario |
| | | | | |
| Additional Spend | | | 12,890 | 23,390 |
| Income Loss | | | 10,000 | 20,000 |
| Total cost | | | 22,890 | 43,390 |
| | | | | |
| HRA (Annual turnover £91m) | | | | |
| Income loss | | | 1,500 | 3,000 |
| | | | | |
| 2021/22 | | | | |
| | | | | |
| COLLECTION FUND | | | | |
| Council Tax (£189m annual income) | | | | |
| In-year deficit rolled forward into 2021/22 | | | 6,250 | 12,500 |
| | | | | |
| Business Rates (£51m Council Share) | | | | |
| in-year deficit rolled forward into 2021/22 | | | 3,500 | 6,825 |
| | | | 9,750 | 19,325 |
| | | | | |
| Bottom Line - Council Financial Pressure | | | 34,140 | 65,715 |
| | | | | |
| Government COVID-19 Funding offset to date | | | (24,300) | (24,300) |
| | | | | |
| Council Financial Pressure after funding applied | | | 9,840 | 41,415 |