

Agenda Item	
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Report to Cabinet



Date of Meeting	25 th February 2021
Portfolio	Cabinet Member for Corporate Delivery
Report Author	Julie Murphy
Public/Private Document	Public

Financial Update on the Covid-19 Pandemic

Executive Summary

- To update Members on the forecast financial position relating to the impact of Covid-19 on the Council.

Recommendation

- Members are requested to note the financial impact of the Covid-19 pandemic on the Council and the funding provided by the Government to help mitigate this.

Reason for Recommendation

- To update Members on the use of the emergency Government funding to mitigate the additional expenditure/loss of income resulting from the Covid-19 pandemic.

Key Points for Consideration

4.1 Background

- In response to the pandemic, the Government has made a series of policy announcements, some of which have impacted on local authorities. The Council is dealing with a wide range of issues to support residents and businesses which will have a considerable impact on the Council's financial position both in the short term and in the longer term.
 - The financial impact is being reviewed and updated regularly to reflect the latest information available. Monthly returns are submitted to the Ministry for Housing, Communities and Local Government (MHCLG) detailing the forecast additional expenditure and loss of income in relation to the pandemic. This report reflects the return as at the end of January 2021 and subsequent government announcements.

4.2 Government Funding 2020/21

4.2.1 Some of the government's initiatives have been supported by additional funding, and the Council has received a number of government grants, which can be split into general grants, specific grants and grants for businesses.

General Grants

4.2.2 Emergency funding for local government

£22.2m share of the £4.6bn total funding to support local authorities to manage pressures on social care and support vulnerable people and to help deal with pressures on other public services.

4.2.3 Income compensation scheme for lost sales, fees and charges

A one-off income loss scheme to compensate local authorities for irrecoverable and unavoidable losses from sales, fees and charges income generated in the delivery of services, during 2020/21. It is currently estimated that the Council will receive c£1.8m from this scheme.

Specific Grants

4.2.4 Infection Control Fund

£4.130m share of the £1.1bn Infection Control Fund and care home support package. The funding is ringfenced for actions which support care homes and domiciliary care providers mainly to tackle the risk of Covid19 infections.

4.2.5 Adult Social Care Rapid Testing Fund

£0.532m share of £149m to support additional rapid testing of staff in care homes, and to support visiting professionals and enable indoors, close contact visiting where possible. The funding is ringfenced for lateral flow device testing in adult social care. Local authorities will be required to pass on 80% of the funding to care homes on a per beds basis, with 20% used at the local authorities' discretion to support the care sector in delivering additional lateral flow device testing.

4.2.6 Workforce Capacity Fund

An indicative £0.554m from the £120m fund for local authorities to boost staffing levels. The funding can:

- provide additional care staff where shortages arise;
- support administrative tasks so experienced and skilled staff can focus on providing care;
- help existing staff to take on additional hours if they wish with overtime payments or by covering childcare costs.

4.2.7 Hardship Fund

£3.1m share of the £500m total funding:

- £0.5m targeted to ease financial hardship;
- Balance to provide increased Local Council Tax Support (LCTS) discount to eligible claimants.

- 4.2.8 **Contain Outbreak Management Fund**
£4.3m in various payments from the Contain Outbreak Management Fund to support proactive containment and intervention measures.
- 4.2.9 **Enforcement Funding**
£0.152m share of £30m funding for local authorities for enforcement and compliance including Covid marshals.
- 4.2.10 **Reopening High Streets Safely Fund**
£0.197m share of the £50m funding from the European Regional Development Fund (ERDF) to support practical measures to allow businesses to reopen and to support a range of practical safety measures. Due to the strict eligibility criteria it is unclear whether the Council will be able to claim all of this funding.
- 4.2.11 **Test and Trace Service**
£1.592m share of £300m additional funding for councils in England to support the Test and Trace Service and to develop tailored outbreak control plans.
- 4.2.12 **Test and Trace Support Payments**
£0.717m funding for Test and Trace support payments of a £500 lump sum payment for those on low incomes to support them if they cannot work during their self-isolation period. A further £0.077m for administration costs.
- 4.2.13 **Winter Grant Scheme**
£0.937m funding from the winter package of £170m to provide further support for children and families. This funding is ring-fenced, with at least 80% earmarked to support with food and bills.
- 4.2.14 **Clinically Extremely Vulnerable Individuals**
£0.238m to enable councils to support Clinically Extremely Vulnerable individuals.
- 4.2.15 **Further funding to support those who are vulnerable**
£0.347m share of £63m for local authorities to assist those struggling to afford food and other essentials.
- 4.2.16 **Rough Sleepers - Next Steps Accommodation Programme**
A £0.274m share of £91.5m allocated to help vulnerable people housed during the pandemic. The funding will provide interim accommodation and support as part of the government's commitment to end rough sleeping.
- 4.2.17 **Community Testing Programme**
Funding to enable local authorities with high prevalence of Covid-19 to work in partnership with the government to accelerate a reduction in prevalence by identifying asymptomatic cases through local testing and supporting them to isolate. Local authorities will receive funding of up to £14 per test.

4.2.18 **Community Champions Local Authority Fund**

Funding of £0.495m to support a range of interventions to build upon, increase or improve existing activities to work with residents who are most at risk of Covid-19, helping to build trust and empower at-risk groups to protect themselves and their families. The broader aim is to reduce the impact of the virus on all communities, beyond just the target areas for the scheme.

4.2.19 **Culture and Leisure Funding**

Link4Life was allocated £0.666m as part of the £257m provided to 1,385 venues, theatres, museums and cultural organisations, through the first tranche of Culture Recovery Fund. A further £0.522m has been allocated from the National Leisure Recovery Fund, which will be passported to Link4Life.

4.2.20 **NHS/Clinical Commissioning Group Funding**

£3.7m funding from NHS/CCG allocations, mainly to fund hospital discharge measures, Personal Protective Equipment, and care provider costs.

Grants for Businesses

4.2.21 **Business Grants**

£43.2m was paid out in business grants to 3,889 businesses from the Small Business Grants Fund and Retail, Hospitality and Leisure Grant Fund, during the first lockdown.

£2.3m was also paid out to 252 small businesses in discretionary business grants.

£0.170m new burdens funding to support the administration of the business grants, and £0.039m new burdens funding for business rates and council tax administration.

4.2.22 **Local Restriction Support Grant (LRSG)**

£11m of LRSG funding has been received during the year, mainly for mandatory payments to businesses.

4.2.23 **Closed Business Lockdown Grant**

£9.7m funding has been received for Closed Business Lockdown payments during Lockdown 3. One-off payments have been made to businesses based on the rateable value of properties.

4.2.24 **Additional Restrictions Grant**

£6.7m funding received via Greater Manchester Combined Authority to enable councils to develop schemes to support businesses in their area. This grant is to be spent by the end of 2021/22 in discretionary grants to businesses.

4.2.25 **Business Rates Retail Relief**

The Government has also increased Business Rates Retail Relief to 100% for 2020/21 impacting on Retail, Leisure and Hospitality sectors, and Nurseries. The financial impact of the additional relief given for the Council is forecast to be £21.1m, which will be offset by Government Section 31 grant funding.

4.2.26 **Schools Funding**

The Government has also provided additional funding for Schools:

- Covid Catch-Up Premium – £2.1m
- Schools Covid exceptional costs – estimated £289k.
- Wellbeing for Education grant – £31k.
- Designated safeguarding leads in school – £50k.

Summary of Funding

4.2.27 Table 1 shows a summary of the current funding forecast for 2020/21, excluding funding of Business grants, Test & Trace support payments, and funding for schools as these relate to non-Council services. Further funding may be received depending on how the pandemic progresses.

Table 1 Funding 2020/21

	£m
Covid Grants	(22.231)
NHS/CCG funding	(3.682)
Infection Control	(4.130)
Hardship Funding	(3.064)
Test and Trace	(1.592)
Defra Food	(0.347)
High Street Re-opening - ERDF	(0.197)
New Burdens funding for administration of grants	(0.286)
Next Steps Accommodation Provision	(0.274)
Funding of enforcement	(0.152)
Contain Outbreak Management Funding	(4.272)
Clinically Extremely Vulnerable Funding	(0.238)
Winter Pressures	(0.937)
Adult Social Care Rapid Testing Fund	(0.532)
Workforce Capacity Fund	(0.554)
Community Champions Local Authority Fund	(0.495)
Culture Recovery fund	(0.666)
National Leisure Recovery fund	(0.522)
Sales, Fees & Charges - funding for losses	(1.759)
Total Funding	(45.930)

4.3 Government Funding 2021/22

4.3.1 The Chancellor of the Exchequer announced his Spending Round 2021/22 on 25th November 2020. To support local authorities in England with Covid-19 pressures in 2021/22, the government expects to provide over £3bn in additional support by:

- Providing an additional £1.55bn of grant funding to local authorities to meet additional expenditure pressures as a result of Covid-19. Rochdale's share of this funding is £7.6m.
- Providing local authorities with £670m of additional grant funding to help local authorities support the more than 4 million households that are least able to afford council tax payments. Rochdale's allocation has been confirmed as £3.1m.
- Providing an estimated £762m to compensate local authorities for 75% of irrecoverable loss of council tax and business rates revenues in 2020/21, which would otherwise need to be funded through local authority budgets in 2021/22 and later years. The government will also allow local authorities to spread the remaining deficit over 3 years.
- Extending the existing Covid-19 sales, fees and charges reimbursement scheme for a further 3 months until the end of June 2021.

4.4 Alternatives considered

4.4.1 Not applicable.

Costs and Budget Summary

5.1 Forecast additional expenditure and loss of income 2020/21

5.1.1 As detailed in section 4.2.2, the Council has received emergency funding to offset additional expenditure and reduced Council Tax and Business Rates income caused by the direct government initiatives in response to Covid-19.

5.1.2 The Council submitted a return to the Ministry of Housing, Communities and Local Government (MHCLG) on 29th January 2021 detailing the forecast additional expenditure and loss of income expected in 2020/21.

5.1.3 Table 2 shows a summary of estimated additional expenditure/loss of income in 2020/21, updated for the latest figures.

Table 2 Estimated additional expenditure/loss of income 2020/21

	£m
Expenditure	
Adult Social Care	10.305
Children's Social Care	0.939
Education	0.100
Highways and Transport, Public Health & Housing	8.370
Cultural & Related	1.242
Environmental and regulatory services	1.690
Finance & Corporate	5.994
Other services	0.491
Estimated Total Spending Pressure	29.131
Income	
Sales, fees and charges	3.097
Commercial Income	7.020
Estimated Total Reduction in Income	10.117
Estimated Spending and Income Pressure	39.248

5.1.4 There is also a forecast £5.9m loss of income in relation to Business Rates and Council Tax. The impact on the Council's General Fund budget can be spread over the financial years 2021/22 to 2023/24, and is partially offset by government compensation, as detailed in Section 5.2.

5.1.5 Table 3 summarises the Council's position for 2020/21

Table 3 Summary 2020/21

	£m
Estimated Total Spending Pressure	29.131
Estimated Total reduction in Income	10.117
Estimated Spending and Income Pressure	39.248
Total Funding	(45.930)
Unallocated Funding	(6.682)

5.1.6 The remaining £6.7m of the general Covid Grant will be carried forward to 2021/22 in order to meet expected further Covid pressures. The future pressures that are expected to arise, and have previously been forecast for 2020/21, are within Children's Social Care, Economy, Cultural services and Investments.

5.2 Collection Fund 2020/21

5.2.1 There is a considerable impact on the Collection Fund in 2020/21 as a result of the impact of Covid-19 and government initiatives. This will impact on the Council's General Fund in 2021/22.

5.2.2 For 2020/21 the Council's General Fund income relating to Business Rates and Council Tax was approved at Budget Council, and is guaranteed. However, the net impact on the Council of the 2020/21 Collection Fund forecast is a net deficit of approximately £5.9m. This takes into account increased government funding to offset the impact of:

- Increased Business Rates Retail Relief to 100% for 2020/21 impacting on Retail, Leisure and Hospitality sectors, and Nurseries.
- Increased Local Council Tax Support discount.

5.2.3 The forecast deficit is due to:

- Lower anticipated collection rates re Business Rates and Council Tax, and the need for higher bad debt provisions.
- Anticipated higher level of Business Rates and Council Tax discounts.
- Reduced/delayed expansion of Business Rates and Council Tax bases re developments/ new build plans.

5.2.4 The government will compensate local authorities for 75% of irrecoverable loss of Council Tax and Business Rates revenues in 2020/21, which would otherwise need to be funded through local authority budgets in 2021/22 and later years. The government will also allow local authorities to spread the remaining 2020/21 deficit over 3 years. The net impact on the Council's budget is £1.288m in 2021/22; £0.680m in 2022/23; and £0.680m 2023/24. This may be subject to change once detailed guidance on the calculation of the compensation is received from the government.

5.2.5 There is likely to be a longer term impact on Business Rates and Council Tax income dependent on the recovery of businesses and households. The estimated impact for 2021/22 and future years has been reflected in the Revenue Budget 2021/22 to 2023/24 being reported to Cabinet on 25th February 2021.

5.3 Forecast additional expenditure and loss of income 2021/22

5.3.1 The current forecast for the impact of Covid in 2021/22 is £24.4m, made up of:

- £12.0m on non-grant specific costs.
- £2.1m sales, fees and charges losses.
- £8.2m of commercial income losses.
- £2.1m reduction in Business Rates and Council Tax income

5.3.2 The funding for 2021/22 includes:

- £6.7m of the 2020/21 Covid Grant carried forward.
- £7.6m 2021/22 Covid Grant.
- £1.2m of compensation for the sales, fees and charges income.

5.3.3 The 2021/22 position will be updated throughout the year, and the Council will continue to lobby the government for funding to offset all additional expenditure and loss of income resulting from the pandemic.

Risk and Policy Implications

- 6.1 There are no major legal implications arising as a result of this report.
- 6.2 The use of reserves may be required to address the ongoing pressures as a result of the pandemic, if the government does not continue to provide adequate funding. Any reserves deployed would require replenishing to their original value.

Consultation

7.1 All services engage with the production of the service based financial information within this report. The Leadership Team, the Leader and Cabinet Member for Corporate Delivery have been updated on the financial implications for the Council resulting from the Covid-19 outbreak.

Background Papers	Place of Inspection
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