
FINANCIAL IMPACT – CORONAVIRUS PANDEMIC

Relevant Portfolio Holder	Councillor David Thain , Portfolio Holder for Finance and Enabling Services
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Corporate Resources
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 This report aims to provide a briefing for members on the potential impact of the current Coronavirus Pandemic on the Council's financial performance for the first quarter of 2020-21 and beyond.

2. RECOMMENDATIONS

- 2.2 **That the projected budgetary impact of the Coronavirus Pandemic outlined on this report and related actions both taken so far and planned for the future be noted.**

3. KEY ISSUES

Financial Implications

- 3.1 In terms of the financial impact of the Covid-19 pandemic, the council has seen a significant loss of income from fees and charges, Housing Revenue Account (HRA) rental income and can also expect losses on business rates and council tax collection. The overall impact is difficult to predict and will to a large extent depend on how quickly the economy returns to normal levels of activity.
- 3.2 If the Government does not provide full funding to mitigate the financial losses, the Council's reserves will be used at a faster rate than predicted in the Medium Term Financial Plan (MTFP), the Funding Gap will increase and a more radical approach will be necessary to accelerate the Savings plans after the most significant period of the pandemic has passed and movement restrictions have been significantly relaxed. There is a limited ability to draw down balances to support any reduction in income or additional costs due to the need to increase balances in light of the S24 Notice.
- 3.3 The Ministry of Housing, Communities and Local Government (MHCLG) have undertaken a data collection exercise using the Delta system to

REDDITCH BOROUGH COUNCIL

EXECUTIVE

4TH AUGUST 2020

gauge the degree of impact of the ongoing pandemic on public sector finances. A submission was made by this Council to meet the deadline of the 15th May; similar data collection exercises are continuing on a monthly basis with the next return due date being 19th June. It is hoped these data collection exercises will result in additional funding. The Local Government Association, Societies of District and County Council Treasurers and District Councils' Network continue to lobby hard on the sector's behalf.

- 3.4 The estimated losses to the Council in 2020/21 based on a 4 months restriction of movement (lockdown) and the a slow recovery (3 months partial impact) is as follows:

	4 month total loss of income	3 month 50% loss impact (Aug-Oct)	2020/21 shortfalls in income
	£'000	£'000	£'000
On-street car parking	32	12	44
Planning	4	1	5
Building control	30	20	50
Potential cost associated with Leisure shortfalls in income	500	600	1,100
Bulky Waste	22	8	30
Property rental	150	25	175
Planning	80	20	100
Land Charges	80	40	120
Licensing - General	18	7	25
Licensing - Taxi	62	40	102
Dial A Ride	19	7	26
Shopmobility	10	4	13
Lifeline	120	50	170
Other Income	200	121	321
Council Tax Support (RBC Share)	209	39	249
TOTAL	1,536	994	2,530

3.5 HRA

Officers are monitoring rental from HRA tenancies to ensure that the debts are managed in a proactive way and support is given to tenants, particularly in light of the increase in Universal Credit claimants and the potential of a further increase once the furlough scheme finishes. Whilst initial estimates were showing a significant increase in debt, recent officer reports have shown debt levels at around £1.2m. As a prudent measure

the return to Government for July will state an estimated level at approximately £2m for the year. A dedicated team are contacting tenants on a daily basis to offer support and advice to enable debts to be reduced during these challenging times.

- 3.6 It is important to stress that these estimates are based on the assumptions set out at 3.4. These were the agreed assumptions for data collected across the County and within the Government returns to enable a consistent review. However, it is quite conceivable that actual Council losses could be considerably more than this and potentially double the amounts shown above.
- 3.7 As can be seen in the table above the main areas of estimated losses are Leisure services provision, HRA Rental income and Council Tax losses. Officers are currently working with Rubicon to address the financial impact of the forced closure of the leisure centre and this will be reported to members once the position is clearer in terms of reopening. No impact of Business Rate loss has been factored into the position as it is hoped that the allocation of grants has provided much needed financial support to businesses during this period.
- 3.8 In addition to the income losses there has been additional expenditure by the Council to enable services to be continued during the pandemic. Estimates are included in the Government return to ensure that this cost is offset by funding received. To date the additional spend of approximately £50k has been incurred on home working kit, homelessness support and agency staff to cover staff absence.
- 3.9 As Members are aware funding has been received from Central Government to support the Council in addressing additional pressures resulting from the pandemic. From the initial funding of £1.6bn the Council received £38k which was seen to be inadequate in terms of the potential pressures the Council faced. This was increased to £840k in the second tranche of funding received resulting in a total allocation of under £900k. A further round was announced in early July and we have received confirmation that a further £158k is to be allocated to the Council bringing the total to just over £1m. The main areas of concern in relation to provision of leisure services and HRA debt have yet to be addressed by Government and lobbying for support continues for these areas.
- 3.10 Officers will continue to review the accounts and cash flow of the Council to ensure that the income losses are reported to ensure that any impact on future budget projections is mitigated. The review of the Medium Term Financial Plan will commence in late July and the impact of the pandemic will clearly be a significant pressure to address in this review.
- 3.11 We have also received £510k from the government to provide hardship payments of up to £150 to all working age council tax support claimants. Based on current and expected caseloads

- 3.12 Funding has also been allocated by the Government for opening of the High Streets safely. The Fund will provide councils with additional funding to support their business communities with measures that enable safe trading in public places. Redditch has been allocated £88k to spend on specific costs that will enable safe high streets across the District. Some of this funding has been used to provide hand sanitisers and signage in the high street to keep customers safe.
- 3.13 It is unlikely that the Government will provide full funding to mitigate the financial losses arising as a result of the pandemic. The Council's focus has to remain at present on sustaining essential services and playing its part in responding to the pandemic through the Local Resilience Forum, but attention needs to be now given to Council recovery. This will include ensuring support to our communities, potentially with an increase in unemployment and providing support and advice to businesses to help them increase trade in the new environment. In addition, if additional funding from the Government does not cover all the lost income and extra costs faced by the Borough Council, and the gap between the two is significant, the Council's own recovery will focus on where savings have to be made and over what timespan in order to bring the position into line with the MTFP. It is stressed that it is impossible at this stage to know the scale of the issue to be addressed, as there is no certain knowledge about the totality of Government funding or about the Council's loss of income and extra costs. It is therefore impossible to predict what steps might be required but it is right that the Council should be candid with local residents and others about what might have to happen. Over the next few months the following actions will be undertaken and reported to members were appropriate;
- a) development and presentation to members of the Councils recovery plan to demonstrate how the strategic purposes will be delivered over the next few months
 - b) full review of the Council Plan to ensure that key elements can be delivered and identifying where there are areas that may be deferred to future years
 - c) embedding digital and other methods of service delivery that have worked perfectly satisfactorily during the pandemic, particularly if these would reduce operational costs for the Council;

4 Legal Implications

- 4.1 Under section 114 of the Local Government Finance Act 1988, the chief financial officer in consultation with the monitoring officer has the power to issue a report if there is, or is likely to be an imbalanced budget. A full council meeting must then take place within 21 days to consider the notice. In the meantime, no new agreements involving spending can be entered into. The impact of this would effectively be to "freeze" the financial activity of the council in terms on any new/non-essential expenditure. There is no plan to do so at present and it is understood that MHCLG are considering further measures, in addition to the funding and other changes mentioned

above, to minimise the risk of any council being the subject of a section 114 notice.

- 4.2 Officers have been in discussion with the External Auditors as to the impact of Covid on the Section 24 Notice. The intention of the Audit team is to assess the decisions and actions taken by the Council since September 2019 to enable a judgement to be made in terms of the S24.

5 Service / Operational Implications

- 5.1 During the pandemic a number of services had been reduced to enable teams to focus on the delivery of the core services to the communities. These services are now being reintroduced and a recovery plan is under development by officers to present to members in August.

6 Customer / Equalities and Diversity Implications

- 6.1 Vulnerable members of the community have been supported by the Council and other partners during this period and this will continue to ensure all support is given where needed.

7 RISK MANAGEMENT

- 7.1 There is a risk that the lockdown is longer or that the recovery is slower than assumed resulting in a more severe financial impact for the Council. Projections will therefore be kept under review as circumstances develop. In the meantime we will plan for total losses of up to £5m (to include HRA) before government support.

AUTHOR OF REPORT

Name: Jayne Pickering – Exec Director Finance and Resources
e-mail: j.pickering@bromsgroveandredditch.gov.uk
Tel: 01527-881400