

## COVID-19 FINANCIAL UPDATE - June 2020

### 1. Background

- 1.1. This report provides members with a further update on the emergency expenditure presented to Cabinet in June 2020 together with losses to income and delays to planned savings in 2020/21. The assumptions in the 3 modelled scenarios have been updated to reflect changes since the Cabinet report; the reopening of Emberton Park, reinstatement of Food and Garden Waste Collection, income collected during April and May for planning and highways, and other known changes.
- 1.2. The Council set its 2020/21 Budget in February 2020, prior to the World Health Organisation declaring COVID-19 a world Pandemic on the 12 March 2020 and the subsequent UK lockdown which started on the 23 March 2020.
- 1.3. As a Category 1 responder, MKC has been providing a wide range of support to vulnerable residents, businesses and partner organisations. This has required the Council to incur additional costs outside of our approved budget and take decisions in line with new government direction and guidance to ensure that essential services are able to continue in what is an extremely challenging situation.
- 1.4. The financial decisions approved by the Financial Authorisation Board and the Corporate Portfolio Board to date are summarised in Table 1 overleaf.

**TABLE 1 – COVID-19 Allocations – 2020/21**

<b>New Emergency Expenditure/ Loss of Income</b>	<b>2019/20 Actuals £m's</b>	<b>2020/21 YTD Commitment £m's</b>	<b>2020/21 Future Commitment £m's</b>	<b>Total Allocation £m's</b>	<b>Commentary</b>
Adults Social Care	0.000	0.751	0.970	1.721	Main items include costs to fund PPE, enhanced fees to care homes, continuation of payment to day care providers for 8 which are currently closed.
Homelessness including Rough sleeping	0.000	0.303	0.032	0.335	Costs cover provision for Rough sleepers until 5th July 2020.
Regulatory Services	0.040	0.115	0.054	0.209	Additional mortuary capacity until 5/6/20. Facility now decommissioned.

<b>New Emergency Expenditure/ Loss of Income</b>	<b>2019/20 Actuals £m's</b>	<b>2020/21 YTD Commitment £m's</b>	<b>2020/21 Future Commitment £m's</b>	<b>Total Allocation £m's</b>	<b>Commentary</b>
Waste Collection and Disposal	0.020	0.194	0.157	0.371	Increased contamination at MRF, and tonnages at RWTF in March, and costs of reinstating FGW and HWRC
Corporate	0.000	0.060	0.000	0.060	Foodbank xtra, discretionary grant
Democratic Services	0.000	0.005	0.000	0.005	Remote meeting software
Growth, Economy & Culture	0.000	0.000	0.120	0.120	3 months of support to leisure provider, up to £40k per month.
Resources	0.000	0.000	0.153	0.153	WAN link, office 365 licences
Env & Property	0.000	0.000	0.015	0.015	Costs of re-opening Emberton Park
Resources	0.000	0.000	0.008	0.008	Software to enable payment of discretionary Covid-19 related grants
<b>Loss of Income</b>					
Parking Revenue	0.353	2.160	1.205	3.718	Actual shortfall in revenue until 31 May and assumed no income in June.
Other transport income	0.000	0.000	0.014	0.014	3 months suspension of Community Transport service, gear change and Taxi MOT facility
Emberton Park	0.000	0.056	0.042	0.098	3 month closure of Emberton Park
Actual Registrar	0.000	0.000	0.124	0.124	Loss of ceremony income
LD Day Services	0.000	0.140	0.070	0.210	Loss of Day care income £70k per month
Children's	0.000	0.070	0.035	0.105	Loss of library, community centre income & schools £35k per month
Commercial Property	0.000	0.000	0.511	0.511	Loss of commercial tenant income and sponsorship income
Government Funding				(13.505)	
<b>Balance</b>	<b>0.413</b>	<b>3.854</b>	<b>3.510</b>	<b>(5.728)</b>	

## 2. Additional Government Funding Allocations

In addition to the £13.505m allocation, the council has been managing and accessing various other Government support funds. Table 2 shows the total grants received, and how these are being used.

**TABLE 2 – Total Funding Allocations**

	<b>Allocation</b>	<b>Received to Date</b>	<b>Actual Spend to date (Apr &amp; May)</b>	<b>Balance of Allocation Remaining</b>
	£m	£m	£m	£m
LA Support Grant	(13.505)	(13.505)	7.777	(5.728)
Covid-19 Hardship Fund	(2.322)	(2.322)	1.749	(0.573)
Business Support Grant	(39.440)	(39.440)	37.530	(1.9100)
LA Discretionary Grant Fund	(1.972)	(1.972)	0.000	(1.972)
Infection Control Fund	(2.012)	(1.006)	0.000	(2.012)
Rough Sleeping Contingency Fund	(0.026)	0.000	0.026	0.000
Bus Services Support Fund	(0.124)	(0.082)	0.082	(0.042)
Emergency Active Travel Fund	(0.228)	0.000	0.000	(0.228)
Test, track and trace funding	(1.065)	0.000	0.000	(1.065)
Reopening High Streets Safely Fund	(0.239)	0.000	0.000	(0.239)
Business Rates Retail Relief (MKC share 49%)	(69.467)	(69.467)	69.467	(0.000)
Food & Other Essentials (£63m national)	TBC	0.000	0.000	TBC
NHS Discharge Funding (claim in arrears)	(0.840)	0.000	0.840	0.000
	<b>(131.240)</b>	<b>(127.794)</b>	<b>117.471</b>	<b>(13.769)</b>

## 3. Financial Impact in 2020/21

3.1. Whilst the Council has spent and allocated £7.777m of the government funding provided to date, the financial impact will be significantly higher as this does not include any allowance for losses in Council Tax and Business Rates income and the real financial impact on other income and expenditure still to be felt beyond the end of June 2020. Grants to businesses, and business rates support in 2020/21 will soften the impact of the reduction in business rates income this financial year, with the full effect being seen in 2021/22. The scenarios presented to Cabinet in June have been updated to reflect the current position, and actual costs to date.

3.2. The key COVID-19 financial issues are set out below:

3.3. **Adult Social Care** – The impact of COVID-19 has been significant on the provider market, with a number of care homes known to have seen infections (308 suspected covid cases) and sadly some residents passing away. This has presented an immediate financial impact with some homes losing substantial private income, whilst also being unable to take new clients (there are currently 248 vacancies across all homes in MK). The Council has supported providers through a number of measures by guaranteeing payments at pre-COVID-19 levels and providing a 10% top up payment for 12 weeks based upon the number of MKC funded placement at the end of March (in line with government advice). The additional cost of these measures for 3 months is £0.327m. It is expected that the position is likely to get worse before it improves and there is a significant risk this could last for an extended period of time and the future viability of the sector will be a concern moving forward.

3.3.1. New care packages and placements (and increases to existing care packages) across Adult Services are currently funded from the NHS hospital discharge funding and this is claimed in arrears. There is financial uncertainty as to the impact of this funding and the current demand levels as there has been no guidance to outline the period of time the funding will be available for. There is currently no continuing healthcare (funded by the CCG) or individual financial assessments so we are unable to predict which packages of care will be fully funded by MKC long term.

3.3.2. The government have announced a £600m Infection Control Fund, which is given to LAs to ensure care homes can continue to halt the spread of the virus. 75% of the funding must be passed out to care homes based on the number of CQC beds and LAs have flexibility to allocate the remainder based on need and issues in the local area. Providers can only spend the money on certain areas and this must also go towards new costs - there are also a number of reporting requirements (at individual care home level). The second tranche of funding is dependent on compliance with grant conditions (including reporting) which is concerning as a number of care homes have already raised concerns about the additional burden of reporting during this time.

3.3.3. **Homelessness** – The Council in response to COVID-19 had to secure additional temporary accommodation for Rough sleepers in MK in response to government directives. The Council was able to secure provision but for this to be viable has had to guarantee a minimum payment to the provider. The existing agreement runs until 5th July and an extension period is currently being progressed to 4 August 2020.

3.3.4. **Children's**– The impact of COVID 19 on children's services is difficult to predict at this stage and this will continue to be monitored in addition to reviewing the whole budget as part of the MTFP. There is a concern that when children begin to return to school, GP's and access other professional services there is likely to be an increase in referrals which will impact on services and could potentially lead to an increase in the number of looked after children. There is a significant risk that COVID 19 will have an impact on mental health issues and family breakdowns and any impact of this will continue to be reviewed. In April and May, £0.079m of additional placement costs have been incurred, directly in relation to COVID19 (placement breakdowns, carer availability etc.) with a full year cost projection of £0.500m.

3.3.5. Some of this spend will be offset in 2020/21 by a temporary reduction in payments to Home To School providers as schools are not fully operating (£0.279m in April and May). However, it should be noted that in order to meet government safety guidelines there may be a requirement to provide additional capacity once schools return.

3.3.6. The Youth and Community service receive income throughout the year from fees and charges. As a result of COVID-19 the children's centres, civic café, libraries and other services have ceased to be open or offered. In April and May, this resulted in a loss of income of £0.136m.

3.3.7. **Waste Management** – In response to the high level of staff absence, the Council agreed the temporary suspension of the Garden Waste Service between 6 April - 11 May 2020. Under government advice around social distancing the Council also closed the Household Waste Sites between 25 March - 18 May 2020. These services are now operating as normal, however, the impact of the lock down has seen a significant increase to the level of household waste that has needed to be collected and disposed of. April kerbside collection tonnages rose by 16.7% compared to the same period in 2019/20. If this level of waste tonnage continues, the cost of waste disposal through the Residual Waste Treatment Facility may increase by approx. £54k per month. Contamination of waste processed through the Material Recycling Factory also increased from 22% in 19/20 to 25.7% in April 2020. Continuation of these levels of contamination, are likely to result in an additional cost of £13k per month. However, this could fluctuate greatly and if the country enters a recession during this financial year, then these costs could reduce significantly as household waste declines.

3.3.8. **Highways Maintenance** – To achieve greater certainty over costs, the service have responded to the pandemic by moving away from Target Cost

to a Cost plus payment mechanism. This model better suits the uncertainty over the level of defect repair work in current pandemic.

3.3.9. **Revenues and Benefits** – The Revenues and Benefits service have completed an initial assessment of expected resource requirements for Qtr 2 and 3 of 2020-21. This resource will support stabilising the work outstanding and managing additional peaks in demand. Specialist officers are being recruited, where available to support increased demand across benefits administration alongside billing and recovery expertise. Additional costs in respect of automating large numbers of additional universal credit notifications have also been agreed, alongside technology to automate wider interactions with the service. The Service were already planning a number of projects to digitalise and automate processes and these are also being prioritised in Quarter 2. Funding for resource has been agreed with partners of the Revenues and Benefits partnership and these will either be funded by new burdens government funding or held as a cost against Covid-19. The service is aware an assessment is being made following its participation in a data sharing process with Government on work volumes and demand received over the period March to present. Risks remain over the period ahead and it is still hard to accurately forecast exact requirements.

3.3.10. **Income** - Whilst the Council is facing cost pressures in a number of areas, this is dwarfed by the financial impact and risk around income. As with many businesses the Council does not only face the short-term impact with income either reducing or ceasing altogether, but the prospect that some of this may never recover to previous levels or take a significant amount of time to do so.

3.3.11. Aside from government grant funding the single biggest source of income is Council Tax. This provides £123.954m revenue to fund essential services.

3.3.12. The key risks the Council faces include:

- Increase to Council Tax Relief Claims reducing the Council Tax Base – in the first 9 weeks of 2020/21 there was a 7% increase to caseload and together with the average cost rising, this will increase the cost to the Authority by circa £2m in 2020/21. However, levels are expected to rise further as the government furlough scheme is withdrawn. The cost of providing this support is funded 100% locally through a reduced tax base. Note this will impact ALL preceptors.
- Slower house completions due to the lockdown and economic impact of the emergency. Within the 2020/21 Council Tax base we have allowed for 1,590 new properties to be added in year generating £2.273m in additional Council Tax for MKC. By the end

of May 400 had been added to the register. This was in part due to the VOA catching up with processing new registrations from 2019/20 and it won't be until later in the year we will understand the impact on the construction sector more fully.

- Collection Rate – In May we saw a reduction of 0.85% in the overall collection rate to 12 months ago. This translates to £1.336m. Recovery action has been suspended in response to the current emergency but will resume from 22 June with initial contact being made with those who have been unable to make any payment, to confirm that they have claimed any help they may be entitled to, and/or entered into a payment arrangement. It is difficult at this very early stage to model the financial impact on the Council of collection rate but given the current emergency we would expect a significant reduction in collection rate in 2020/21 with uncertainty over the timing and level of recovery in this in 2021/22.

3.3.4 The other major source of income for the Council is Business Rates Income, which for 2020/21 the Council was budgeting to retain a £54m share.

3.3.5 Key risks to this include:

- Increasing Empty Property Relief 3-6 months
- Lost growth – In the MTFP we have made provision for an annual growth level of £1m per annum. This is now at significant risk and may now not be realised.
- Collection Rate – as with Council Tax recovery action has been suspended but will also resume from 22 June. Analysing collection performance is more complicated than with Council Tax due to the number of changes to bills and reliefs. However, the current collection rate is 3.24% below target which equates to £3.703m. We are expecting a sharp reduction in collection with uncertainty over how quickly this might recover during the year.

### **3.4. Fees and Charges**

3.4.1. The Council in its 2020/21 budget has income from fees and charges totalling £35.5m covering over 191 different budget lines. We have assessed the financial impact on all of these and summarise the key impact below:

3.4.2. Parking income - CMK parking showing a pressure of £2.16m as of Period 2 and we expect this to continue in June. As people return to working in CMK, it is anticipated that income will gradually increase, however current estimates are for an in year pressure of approx. £10m.

- 3.4.3. New Station Multi Storey Car Park – The funding of the new car park assumed that the costs of financing the build would be offset by parking income. There is a potential £250k revenue pressure based on the revised assumption of achieving £100k income in the year (50 spaces per day from July, steadily increasing each month).
- 3.4.4. Planning income – income in April and May was £0.304m lower than budget, a reduction of 65%.
- 3.4.5. Adoptions – Highway adoption income in recent years has exceeded budget due to the development in the expansion areas. Whilst April income remained high, if there is a slow-down in the housing market, adoption income will fall.

### **3.5. Other income**

- 3.5.1. Grant Income of £257m is forecast as budgeted, this includes areas such as DSG and other schools funding, rate support grant, social care funding, and housing subsidy, where we don't anticipate any immediate reduction due the nature of the income.
- 3.5.2. Other Income – the main other income source is contributions to day care services (£.12m pa), currently income is not being received for this area.

## **4. Financial Outlook – COVID-19 Impact**

- 4.1. At this early stage the financial impact of the pandemic cannot be fully understood. The level of uncertainty over the wider economic and social impacts and behavioural changes are still to be felt.
- 4.2. We have modelled 3 different scenarios to illustrate the scale of the financial impact that the Council could face in 2020/21 and over the medium term.
- 4.3. For 2020/21 based on the current level of financial support provided by government these scenarios provide an estimated financial gap of between £7.468m and £17.991m, a slightly worse position in year and in the medium term than in the previous forecast.

**Table 3 – Three Scenarios for 2020/21**

	<b>Low Impact</b>	<b>Medium Impact</b>	<b>High Impact</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Additional Expenditure	5.681	7.973	10.090
Savings on suspended services/ running costs	(2.177)	(2.729)	(3.105)
Loss of income	14.905	17.796	21.947
Delayed Savings	2.149	2.149	2.149
Government funding 20/21*	(13.09)	(13.09)	(13.09)
<b>Shortfall</b>	<b>7.468</b>	<b>12.098</b>	<b>17.991</b>

\*£414k allocated in 2019/20

4.4. In Table 4 we have set out the main assumptions used in each of these different scenarios for 2020/21.

**Table 4 – Key Assumptions used in Scenarios**

	<b>Low Impact</b>	<b>Medium Impact</b>	<b>High Impact</b>
Adult Social Care	Assumes expenditure approved by FAB plus £600k for future PPE costs. Additional costs of care home provider support 5% all year, Excelcare £150k loss of income for Qtr1	Assumes expenditure approved by FAB plus £600k future PPE costs. Additional costs of care home support 10% for first 26 weeks and 15% for the rest of the year, Excelcare contract estimated £150k impact at Q1 and £250k full loss for future 3 quarters.	Assumes expenditure approved by FAB plus £600k future PPE costs. Additional costs of care home support 10% for first 3 months 15% for next three and 25% for rest of the year Excelcare contract estimated £250k per qtr loss of income impact all year
Homelessness & Rough sleeping	Assumes on-going impact of £150k for additional need and floating support for housing rough sleepers on top of £335k, 12 week cost	Assumes on going impact of £600k additional costs of housing rough sleepers on top of £600k in year cost	Assumes on going impact of £900k additional costs of housing rough sleepers on top of £900k in year cost
Children's	Total savings on Home to School for 2 months of £300k  Childrens social care £200k additional placements	Savings on Home to School for 2 months of £300k, then additional cost of HTS when schools reopen £400k  Additional costs of placements £300k,	Savings on Home to School for 2 months of £300k, then additional cost of HTS when schools reopen,30% extra cost from September £600k (£4m annual budget assumption)

	Low Impact	Medium Impact	High Impact
		and school deficit projections £200k	Additional costs of placements £600k, and school deficit projections £400k
Waste	Increased contamination at MRF, and tonnages at RWTF continuing at current levels until Sept £97k pm, then reduced to £57k pm	Increased contamination at MRF, and tonnages at RWTF continuing at current levels £97k pm, reduced to £57kpm from January	Increased contamination at MRF, and tonnages at RWTF continuing at current levels £97k pm
Parking Income	Assumed no income April /May 15% June August, 30% for Sept - Dec, and 60% remainder of year	Assumed no income April to June, 10% of budgeted levels Qtr2, 25% Qtr3 and 50% Qtr 4	Assumed no income April to July, 10% of budgeted levels for 4 months and 30% for 4 months
Planning Income	Assumes only 80% of annual income will be achieved	Assumes only 66% of annual income will be achieved	Assumes only 52% of annual income will be achieved
Day Care Income	no income until August	no income until August then, 50%	no income all year
Other fees and charges	Assumes 0% Qtr 1, 50% Qtr 2. 75% Qtr3, 100% Qtr 4	Assumes 0% Qtr 1, 25% Qtr 2. 50% Qtr3, 75% Qtr 4	Assumes 0% Qtr 1 & 2 10% Qtr3 & Qtr 4

4.5. We have reviewed the planned savings in 2020/21 and 2021/22 to assess the impact of delivery against these. It has been assumed that due to both staff resources and the impact of COVID-19 on income streams these will be delayed until 2021/22.

## 5. Council Funding

5.1. In addition to service budget impacts, we are seeing an impact on funding streams and the impact on the Medium term funding position.

5.2. As covered earlier in this update we are anticipating a reduction to income levels from Council Tax and Business Rates as a direct consequence of COVID-19. A summary of this impact across the 3 different scenarios are summarised below in Table 5, together with details of the assumptions made in Table 6.

**Table 5 – Funding Projections (Council Tax and Business Rates)**

	2020-21	2021-22	2022-23	2023-24	2024-25
	£m's	£m's	£m's	£m's	£m's
Funding - High Impact	29.500	(3.300)	(6.100)	1.800	1.900
Funding - Medium Impact	15.000	(3.000)	(4.500)	0.300	0.000
Funding – Low Impact	8.000	(3.200)	(1.400)	0.000	0.000

5.3. The impact of reduced Council Tax and Business Rates income will be from 2021/22, as contributions are fixed a year in advance.

**Table 6 – Funding Assumptions**

	Council Tax	Business Rates
High Impact	Council Tax Reduction (CTR) - 9,000 additional claims in 2020/21 and remaining at this level in future years.	Growth - Yr1 no growth, Yr2+ loss growth £1m pa base
	Housing growth - yr1,500, yr2+ 1000	Empty Property Relief Cost increased by 75% on 2019/20 level.
	Reduced collection rate by 10%	Reduced collection Rate by 10%
Medium Impact	CTR- 6,000 additional claims - 20 % reduction 21/22+	Growth - zero growth
	Housing growth - Yr1 1250, Yr2+ 1500	Empty Property Relief – Yr1 33%, Yr2+ 20%
	Reduced collection rate by 5%	Reduced collection rate by 5%
Low Impact	CTR – 5,000 additional claims - 50% reduction 21/22 & 22/23 returning to pre-covid level in 22/23.	Growth per current MTFP (£1m pa)
	Housing growth - 1500 pa	Empty Property Relief - Yr1 25%, Yr2+ 10%
	Reduced collection rate by 2.5%	Reduced collection rate by 2.5%

**Table 7 – Forecasts with Revised Assumptions**

<b>Low Impact Scenario</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
	<b>£m's</b>	<b>£m's</b>	<b>£m's</b>	<b>£m's</b>	<b>£m's</b>
<b>Gap at February Cabinet</b>	<b>0.000</b>	<b>2.111</b>	<b>5.452</b>	<b>6.751</b>	<b>7.044</b>
Increased costs of Adult Social Care	3.575	(1.767)	0.000	0.000	0.000
Increased Homelessness demand	0.730	(0.580)	0.000	0.000	0.000
Increased demand for Waste Management	0.760	(0.585)	0.000	0.000	0.000
Increased demand for Children's Social Care	0.200	0.000	0.000	0.000	0.000
Other expenditure net of savings on suspended services	(1.760)	1.760	0.000	0.000	0.000
Loss of Car Parking income	9.135	(7.835)	0.000	0.000	0.000
Loss of Other fees and charges	5.770	(5.470)	0.000	0.000	0.000
Delayed Savings	2.149	(2.149)	0.000	0.000	0.000
One off Government funding	(13.09)	13.090	0.000	0.000	0.000
Loss of funding	8.000	(3.200)	(1.400)	0.000	0.000
<b>Revised Gap</b>	<b>15.468</b>	<b>(4.625)</b>	<b>4.052</b>	<b>6.751</b>	<b>7.044</b>
<b>Cumulative Gap</b>	<b>15.468</b>	<b>10.844</b>	<b>14.896</b>	<b>21.647</b>	<b>28.691</b>

<b>Medium Impact Scenario</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
	<b>£m's</b>	<b>£m's</b>	<b>£m's</b>	<b>£m's</b>	<b>£m's</b>
<b>Gap at February Cabinet</b>	<b>0.000</b>	<b>2.111</b>	<b>5.452</b>	<b>6.751</b>	<b>7.044</b>
Increased costs of Adult Social Care	4.693	(2.481)	0.000	0.000	0.000
Increased Homelessness demand	0.995	(0.395)	0.000	0.000	0.000
Increased demand for Waste Management	1.169	(0.587)	0.000	0.000	0.000
Increased demand for Children's Social Care	0.300	0.000	0.000	0.000	0.000
Other expenditure net of savings on suspended services	(1.913)	1.913	0.000	0.000	0.000
Loss of Car Parking income	9.370	(7.170)	0.000	0.000	0.000
Loss of Other fees and charges	9.051	(8.451)	0.000	0.000	0.000
Delayed Savings	2.149	(2.149)	0.000	0.000	0.000
One off Government funding	(13.090)	13.090	0.000	0.000	0.000
Loss of funding	15.000	(3.000)	(4.500)	0.300	0.000
<b>Revised Gap</b>	<b>27.723</b>	<b>(7.118)</b>	<b>0.952</b>	<b>7.051</b>	<b>7.044</b>
<b>Cumulative Gap</b>	<b>27.723</b>	<b>20.605</b>	<b>21.557</b>	<b>28.608</b>	<b>35.652</b>

<b>High Impact Scenario</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
	<b>£m's</b>	<b>£m's</b>	<b>£m's</b>	<b>£m's</b>	<b>£m's</b>
<b>Gap at February Cabinet</b>	<b>0.000</b>	<b>2.111</b>	<b>5.452</b>	<b>6.751</b>	<b>7.044</b>
Increased costs of Adult Social Care	5.501	(1.231)	0.000	0.000	0.000
Increased Homelessness demand	1.295	(0.195)	0.000	0.000	0.000
Increased demand for Waste Management	1.478	(0.314)	0.000	0.000	0.000
Increased demand for Children's Social Care	0.600	0.000	0.000	0.000	0.000
Other expenditure net of savings on suspended services	(1.888)	1.888	0.000	0.000	0.000
Loss of Car Parking income	10.122	(4.622)	0.000	0.000	0.000
Loss of Other fees and charges	11.825	(10.925)	0.000	0.000	0.000
Delayed Savings	2.149	(2.149)	0.000	0.000	0.000
One off Government funding	(13.090)	13.090	0.000	0.000	0.000
Loss of funding	29.500	(3.300)	(6.100)	1.800	1.900
<b>Revised Gap</b>	<b>47.491</b>	<b>(5.646)</b>	<b>(0.648)</b>	<b>8.551</b>	<b>8.944</b>
<b>Cumulative Gap</b>	<b>47.491</b>	<b>41.845</b>	<b>41.197</b>	<b>49.748</b>	<b>58.692</b>

## 6. Housing Revenue Account

### 6.1. Key areas affected by COVID-19 are:

- Rent income (£55m) –about 61% of rent income is collected from Housing Benefit Universal Credit, with the balance through Direct Debits, Standing Orders, and cash payments from tenants. Reductions are expected in payments from tenants affected by COVID-19 (job losses, furloughing, etc.) but these should be offset by additional Universal Credit receipts. Owing to the delays in Universal Credit payments, the net impact is not yet ascertainable. The HRA's Provision For Bad Debt and Universal Credit reserves are expected to be adequate to absorb the 2020/21 impact; the Prudent Minimum Balance held by the HRA also includes provisions for rent losses and civil emergencies.
- Responsive Repairs (£10m) – the range of responsive repairs undertaken has been severely curtailed to reduce opportunities for COVID-19 transmission and so to protect the health of tenants and operatives.

6.2. An assessment on the impact of the HRA Budget and Business Plan will be published at the September Cabinet meeting.

## **7. DSG**

7.1. When the budget was set, it was anticipated that there would be a surplus carry forward of £2.637m from 2019/20, however the actual carry forward was a surplus of £2.096m. The overall DSG income budget is £252.396m. Most of the income and expenditure remains fixed within the DSG and at this stage there is no impact expected from COVID 19. There remains some uncertainty about Early Years funding as the income and expenditure in this area are based on take up which is likely to be affected. The DfE have confirmed they will review this and update in due course.

## **8. Capital Programme**

8.1. A review of the whole capital programme is currently being undertaken by the Corporate Portfolio Board. This review includes the potential impact of COVID-19 both on delivery and cost. The findings of the review which is anticipated to include significant re-phasing of the programme will be reported in a delegated decision in July 2020.

## **9. Recovery Planning**

9.1. Whilst the primary focus has been on dealing with the immediate impacts of the emergency, the Council is already developing its approach for the Recovery Phase. This phase will require a significant amount of work and will last for an extended period. This will undoubtedly have major resource implications for the Council as it works to support residents, businesses and other stakeholders whilst addressing a range of service issues that have arisen as a fall out of the pandemic. The Cabinet and CLT will be leading on this and developing this plan with partners to ensure that this is effectively co-ordinated, appropriately prioritised and that the resource implications are understood. Further funding and support from government will be essential to ensuring that the Recovery Phase is well planned, reduces the impact to our economy and wider social fabric and helps provide the stimulus needed.

## **10. Next Steps**

10.1. At a national level the Council is lobbying government to secure both immediate financial support and to gain commitment to a clear timeframe and assurances that the impact of COVID-19 beyond 2020/21 will be reflected in future funding settlements. An understanding on this is needed urgently to help plan and make decisions on how the Council can support the recovery effort and continue to deliver services.

- 10.2. Finance are working closely with Directors to monitor progress with their finance action plans to ensure that spend is contained within existing budgets (allowing for COVID-19 impacts).
- 10.3. A review of existing reserves and provisions is being carried out to identify any opportunities to reallocate existing resources to support the overall delivery of the Council's budget and Recovery Plan. This will be published in September at Cabinet.
- 10.4. We will continue to update and remodel the financial scenarios in this report and ensure that these are used to inform the Council's Recovery Planning.
- 10.5. If government assurances are not forthcoming then further work will be needed to review the level and scope of Council services in 2021/22 to ensure that the Council remains financially sustainable, can support the economic recovery and our most vulnerable residents.
- 10.6. A detailed update will be provided at the September Cabinet meeting together with a revised Medium Term Financial Plan.