

## COVID-19 FINANCIAL UPDATE

### 1. Background

- 1.1. 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.
- 1.2. 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.
- 1.3. Local Government has received two initial allocations of funding from Government to help meet the costs of dealing with the emergency and to recognise the wider financial impact that this is having in terms of lost fees and charges, taxation revenues and delays to planned savings. Nationally a total of £3.2bn has been provided, with Milton Keynes receiving £13.5m.
- 1.4. On the 15 April the Council along with all other local authorities was requested to submit details to MHCLG of how it had allocated the first tranche of funding (£6.07m), an initial forecast of expenditure, income loss and impact on planned savings. A further data return was completed on 15 May 2020, which was based on the assumption that costs would revert to approved budget assumptions by the end of July 2020, as instructed by MHCLG.
- 1.5. It is clear the financial impact of COVID-19 for Local Government will be very significant; with initial estimates from the Local Government Association suggesting this could be £5bn more than has already been provided. However, the cost could vastly exceed even this amount. The sector is calling for further urgent financial support from Government and assurances that the full cost will be met. This includes all additional expenditure, and lost revenue including Council Tax and Business Rates.
- 1.6. The Government has confirmed that in light of the emergency that the planned Fair Funding Review and move to 75% Business Rates retention will not be taking place in 2021/22. The proposed revaluation of Business Rates has also been postponed to an unknown date. It is recognised that the financial impact of COVID-19 will span more than just 2020/21 and this will now need to be considered as part of the next local government settlement round.

- 1.7. The scale of this is unprecedented and all Councils are feeling the financial strain of this impact, with a number already indicating that may need to issue Section 114 notices unless more urgent Government funding is forthcoming.
- 1.8. This note provides members with a summary of the emergency expenditure to date, losses to income and delays to planned savings in 2020/21. The full financial impact of COVID-19 is only just emerging and will not be known for some time, given the uncertainty over the timescale of Government measures to control the outbreak, impact on the UK economy and locally for our residents and businesses.
- 1.9. To help aid members understanding we have undertaken some initial modelling on the financial impact of COVID-19 based on our current understanding of the situation and by making some key assumptions about the timeframe of Government measures, its impact against 3 scenarios (High, Medium and Low Impact). Whilst the actual impact will no doubt be different in reality this does begin to provide a better insight into the potential financial challenge that this emergency situation may present without any further Government funding.

## **2. Financial Governance**

- 2.1. On 18 March 2020 in response to COVID-19 MKC set up a Financial Authorisation Board (FAB). The Board's key responsibility was to ensure that the Council could fund the continued delivery of critical frontline services and make urgent decisions relating to all financial matters relating to COVID-19.
- 2.2. The role of the Board was to:
  - Monitor, track and report on the costs associated with COVID-19.
  - Approve all variations to contractual arrangements in response to COVID-19.
  - Approve funding from reserves to address the Councils response in dealing with COVID-19.
  - Approve any changes to existing policies where changes are proposed in response to COVID-19 which had any financial implications.
- 2.3. The Board applied a set of guiding principles when considering decisions with the main aim to preserve the financial sustainability of MKC as a going concern through appropriate, effective and proportionate use of public money.
- 2.4. The financial decisions approved by the Board to date are summarised in Table 1.

**TABLE 1 – Financial Authorisation Board COVID-19 Allocations – 2020/21**

<b>New Emergency Expenditure/ Loss of Income</b>	<b>2019/20 Actuals £m's</b>	<b>2020/21 Period 1 Commitment £m's</b>	<b>Future Commitment £m's</b>	<b>Total Allocation £m's</b>	<b>Commentary</b>
Adults Social Care	0.000	0.394	1.153	1.547	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	0.113	0.202	0.335	Costs cover provision for Rough sleepers until 5th July 2020
Regulatory Services	0.040	0.052	0.064	0.156	Additional mortuary capacity
Waste Collection and Disposal	0.020	0.000	0.060	0.080	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	0.000	0.005	0.005	Remote meeting software
Resources	0.000	0.000	0.153	0.153	WAN link, office 365 licences
<b>Loss of Income</b>					
Parking Revenue	0.353	1.028	2.337	3.718	Assumed no income April to 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	0.019	0.079	0.098	3 month closure of Emberton Park
Registrar	0.000	0.000	0.124	0.124	Loss of ceremony income
LD Day Services	0.000	0.070	0.000	0.070	Loss of Day care income per month
Children's	0.000	0.105	0.000	0.105	Loss of library, community centre income & schools per month
Commercial Property	0.000	0.000	0.511	0.511	Loss of commercial tenant income and sponsorship income
Government Funding				(13.540)	
<b>Balance</b>	<b>0.413</b>	<b>1.841</b>	<b>4.702</b>	<b>6.976</b>	

2.5. From the 18 May 2020, the responsibilities of the FAB were transferred to the Council's Corporate Portfolio Board. All decisions continue to be made in line with the Council Constitution.

### **3. Financial Impact in 2020/21**

3.1. Whilst the Council has spent and allocated £6.976m 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. Further in this annex we have set out 3 scenarios which look to model the financial impact over 2020/21, taking account of all COVID-19 impacts on the General Fund budget. Even under the best case scenario (low impact) the additional funding provided by the Government to date is not sufficient.

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

3.2.1. **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 (203 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. 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.

3.2.2. **Homelessness** – The Council in response to COVID-19 had to secure additional temporary accommodation for Rough Sleepers in Milton Keynes 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 if the current lockdown continues or there is a second wave then further costs will need to be incurred to protect some of the most vulnerable people in our borough.

- 3.2.3. **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.
- 3.2.4. 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 (circa £0.300m in April and May), however there is a significant risk when schools are open and the service will be working on an action plan and options paper to bring this spend into line with budget. 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.
- 3.2.5. 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. As a result this is expected to be a monthly income loss of £0.070m.
- 3.2.6. **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.
- 3.2.7. In addition to these service changes 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 will increase by approx. £80k 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 £17k per month.
- 3.2.8. **Highways Maintenance** – To achieve greater certainty over costs, the service have responded to the pandemic by moving away from Target Cost to Cost plus payment mechanism. This model better suits the uncertainty over the level of defect repair work in current pandemic.

3.2.9. Enquiries have reduced by up to 75% and associated with reduction in traffic there is a considerable reduction in the cost of service. For running the highways & street lighting repairs in 2019/20 we were spending £230,000/month compared to the first month of 2020/21 where we are spending £72,000/month revenue.

3.2.10. **Revenues and Benefits** – The service has been put under significant pressure in terms of additional workloads to deliver Government schemes in terms of reliefs, grants and re-billing and due to a large increase in demand in Benefits due to the large increase in Universal Credit claims. To date the service has been able to cope through redeployment both within and from outside the service. Given the specialist nature of Benefits it may be necessary to bring in some specialist resources to help manage the high workloads.

### 3.3. Income

3.3.1. 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.

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

3.3.3. The key risks the Council faces include:

- Increase to Council Tax Relief Claims reducing the Council Tax Base – the Council currently has 11,080 working age claimants. It is expected that there will be a very sharp rise in claims and 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.
- Collection Rate – In April we saw a reduction of 0.5% in the overall collection rate to 12 months ago. This translates to £0.803m. The Council has suspended recovery action in response to the current emergency and has recently rebilled 11000 residents to award the Governments additional £150 Council Tax Relief. 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 we have suspended all debt recovery to allow time to rebill businesses who are entitled to new reliefs announced by the Chancellor. This has now been completed. We are currently analysing collection performance which is more complicated than with Council Tax due to the number of changes to bills and reliefs. 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 £1.028m in period 1 and we expect this to continue in May and June. As people return to working in CMK, it is anticipated that income will gradually increase.

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 was £0.135m 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. Period 1 General Fund Position**

4.1. In Table 2.0 below we have reported the Period 1 position but separated out the above costs to show how we are performing excluding the financial impact of COVID-19 against our planned budget. (In some cases the expenditure reported in Table 1 for Period 1 has not yet been processed through ERP and therefore is not included in the actuals to date in Table 2, income received is shown within the Corporate codes).

**Table 2 – Period 1 Financial Summary**

General Fund High Level Revenue Summary	Year to Date				Profile adj	COVID-19 Impact adj	Revised Variance
	2019/20 Full Year Budget	2019/20 Budget to Date	2019/20 Actuals to Date	2019/20 Variance			
Service	£m's	£m's	£m's	£m's	£m's	£m's	£m's
Adult Social Care	71.507	5.536	5.835	0.299	0.000	(0.182)	0.117
Public Health	11.650	0.951	0.850	(0.101)	0.101	0.000	0.000
Children's Services	54.562	4.121	4.261	0.140	0.000	(0.115)	0.025
Policy, Insight & Communications	1.069	0.137	0.294	0.157	(0.190)	0.000	(0.033)
Strategy and Futures	0.000	0.012	0.026	0.014	0.000	0.000	0.014
Housing and Regeneration	1.003	0.047	(0.024)	(0.071)	0.076	0.000	0.005
Growth, Economy and Culture	5.536	0.168	0.277	0.109	0.000	(0.135)	(0.026)
Environment and Property	58.541	4.375	5.140	0.765	(0.380)	(1.145)	0.000
Resources - Retained MKC	(1.738)	0.091	0.177	0.086	(0.086)	0.000	0.000
Resources - LGSS	5.505	0.915	0.832	(0.083)	0.083	0.000	0.000
Law & Governance	1.954	0.294	0.302	0.007	(0.007)	0.000	0.000
Debt financing, corporate codes	23.064	(1.308)	(6.764)	(5.455)	(0.038)	5.494	0.000
<b>Net Cost of Services</b>	<b>232.653</b>	<b>15.339</b>	<b>11.204</b>	<b>(4.135)</b>	<b>(0.439)</b>	<b>3.917</b>	<b>0.102</b>
Reversal of Depreciation	(26.030)	0.000	0.000	0.000	0.000	0.000	0.000
<b>General Fund Requirement</b>	<b>206.623</b>	<b>15.339</b>	<b>11.204</b>	<b>(4.135)</b>	<b>(0.439)</b>	<b>3.917</b>	<b>0.102</b>
<b>Financing</b>							
Council Tax	(129.205)	(10.767)	(10.767)	0.000	0.000	0.000	0.000
RSG	(5.592)	(0.466)	(0.466)	0.000	0.000	0.000	0.000
NNDR	(54.264)	(4.522)	(4.522)	0.000	0.000	0.000	0.000
New Homes Bonus	(6.000)	(0.500)	(0.500)	0.000	0.000	0.000	0.000
Public Health	(11.562)	(0.964)	(0.964)	0.000	0.000	0.000	0.000
<b>Total Financing</b>	<b>(206.623)</b>	<b>(17.219)</b>	<b>(17.219)</b>	<b>0.000</b>	<b>0.439</b>	<b>0.000</b>	<b>0.000</b>
<b>Net Surplus / Deficit</b>	<b>0.000</b>	<b>(1.879)</b>	<b>(6.014)</b>	<b>(4.135)</b>	<b>0.000</b>	<b>3.917</b>	<b>0.102</b>

## 5. Key Financial Issues

- 5.1. In the 2019/20 Outturn 3 key areas of concern were highlighted due to the size of the overspending. The position on each of these 3 areas is summarised below for Period 1:
- 5.2. **Homelessness** - In 2019/20 the Council overspent its homelessness budget by £3.672m. Whilst some work has continued to improve the service, it has not been possible to deliver all of these changes and some of the financial benefits of this will be delayed. Whilst the Council made a substantial additional budget provision in 2020/21 this was based on a series of improvements being

implemented. There is therefore an increased risk that this budget will not be sufficient for 2020/21.

- 5.3. The Period 1 actual position shows an overspend against budget of £0.117m in homelessness/temporary accommodation. A contingency of £1.0m was set aside when the budget was set for homelessness whilst the full review of the service was undertaken and this will be available to fund the anticipated overspend. The service is undergoing a full review and whilst some actions are moving forwards (implementation of a new daily panel to review new cases, a review of lease and contractual arrangements, better links to social care services), some have been paused due to current restrictions, for example, taking enforcement action on debt.
- 5.4. **Children's** - During 2019/20 a number of base budget issues were identified largely around staffing. Across the frontline social work teams there was an increase in activity and a resultant need for additional staff to meet service demands, as well as the need to use agency staff to cover maternity leave, sickness and vacant posts. Therefore a high level period 1 forecast has been completed, mainly focusing on staffing within the children's social work and corporate parenting teams to review caseloads, pressures, demand increase and right sizing the base budget. Children's placements, income across the youth and community service, legal services and home to school transport have been reviewed.
- 5.5. A detailed costing of the frontline social care staffing establishment has been completed and this shows that across the children's social work and corporate parenting services there is expected to be a 2020/21 budget shortfall of £1.668m. This figure does not make any allowance for the use of agency staff to cover absences such as maternity, sickness and vacant posts.
- 5.6. This pressure has been funded by base budget grant income totalling £0.283m, a reduction on placement costs of £0.395m, reducing the gap to £0.948m. This remaining pressure will be funded through the use of unallocated Social Care Grant in 2020/21. It is expected that £0.448k of costs being funded from the Social Care Grant will be one off costs in 2020/21 which leaves a continuing need for £0.500m funding to be identified within Children's Services for 2021/22 onwards.
- 5.7. The social care grant allocation for 2020/21 is £4.830m and in addition there was £0.050m carried forward from 2019/20. Currently there is committed spend of £1.529m. This grant is not ring-fenced but is primarily for Children and Adult Social Care services.
- 5.8. **Highways Maintenance** – The 2019/20 outturn reported a £0.947m overspend on highways maintenance.
- 5.9. A new methodology was introduced for 19/20 following the Pothole Review and in line with the Highways Asset Management Plan; this heralded a multi-faceted approach to risk management, with broader action trigger points as

discussed. Insurance risk would contractually lay with Ringways and as long as they inspected and repaired in accordance with the new pothole criteria they could repudiate claims.

- 5.10. In 2019/20 the number of defects fixed was 47% more than budget, resulting in an extra 11900msq of repairs. In response to this the number of pothole enquiries reduced by 33%. These results are reflected in the actual road condition which is measured as a % of the category of road which should have been considered for maintenance. For MK what is significant is that MKC's highways service have managed to maintain the condition below 1% on the principal and non-principal roads and improved the unclassified roads from 7% to below 4%. This bucks the national trend where many authorities are struggling to maintain their unclassified road network condition.
- 5.11. Although the condition of the highway has improved, financial constraints mean that this level of work must be reviewed. Intervention processes have been put in place for 2020/21 to ensure that expenditure is contained within existing budget. These measures include, increased working with Ringway to understand costs, and new measures for sign off of works orders with the Head of Service.

## 6. Financial Outlook – COVID-19 Impact

- 6.1. 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.
- 6.2. 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.
- 6.3. For 2020/21 based on the current level of financial support provided by Government these scenarios provide an estimated financial gap of between £5.7m to £15.3m.

**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	4.872	7.417	9.118
Savings on suspended services/ running costs	(3.599)	(2.742)	(5.595)
Loss of income	15.719	18.716	23.047
Delayed Savings	2.249	2.249	2.249
Government funding	(13.504)	(13.504)	(13.504)
<b>Shortfall</b>	<b>5.737</b>	<b>12.136</b>	<b>15.315</b>

- 6.4. 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 no loss of income	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 impact all year
Homelessness & Rough sleeping	Assumes on-going impact of £150k for additional need and floating support for housing rough sleepers	Assumes on going impact of £600k additional costs of housing rough sleepers	Assumes on going impact of £600k additional costs of housing rough sleepers
Children's	Savings on Home to School for 2 months of 300k	Savings on Home to School for 2 months of £300k, then additional cost of HTS when schools reopen £400k  Additional costs of placements £300k, and school deficit projections £200k	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) Additional costs of placements £600k, and school deficit projections £400k
Waste	Saving on Garden waste & HWRC in April/May whilst service suspended, increased contamination at MRF, and tonnages at RWTF continuing at current levels until Sept £97k pm, then reduced to £57k pm	Saving on Garden waste & HWRC in April/May whilst service suspended, increased contamination at MRF, and tonnages at RWTF continuing at current levels £97k pm	Saving on Garden waste & HWRC in all year whilst service suspended, increased contamination at MRF, and tonnages at RWTF at current levels until July £97k pm, then increasing due to closure of HWRC and FGW to £110k pm

	<b>Low Impact</b>	<b>Medium Impact</b>	<b>High Impact</b>
Parking Income	Assumed no income April /May, 20% June and July, 50% for Aug-Oct, and 75% 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	Assumed reduced levels (down £135k 33% of monthly budget) continue until end of calendar year, and then recover to 66% of budget	Assumed reduced levels continue until end of calendar year, and then recover to budgeted level.	Assumed reduced levels continue to decline only achieving 20% of budget
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

6.5. 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.

## 7. Council Funding

- 7.1. In addition to service budget impacts, we are seeing an impact on funding streams and the impact on the Medium term funding position.
- 7.2. 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 summarise below in Table 5, together with details of the assumptions made in Table 6.

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

	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
	£m's	£m's	£m's	£m's	£m's
Funding - High Impact	29.200	(3.300)	(6.100)	1.800	1.900
Funding - Medium Impact	15.200	(3.000)	(4.600)	0.300	0.000
Funding – Low Impact	7.900	(3.200)	(1.400)	0.000	0.000

7.3. 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**

	<b>Council Tax</b>	<b>Business Rates</b>
High Impact	Council Tax Reduction (CTR) - 5000 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- 3000 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 - 2000 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 – Medium Term position**

<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	3.401	(1.593)	0.000	0.000	0.000
Increased Homelessness demand	0.544	(0.394)	0.000	0.000	0.000
Increased demand for Waste Management	0.853	(0.678)	0.000	0.000	0.000
Other expenditure net of savings on suspended services	(3.525)	3.525	0.000	0.000	0.000
Loss of Car Parking income	8.549	(8.549)	0.000	0.000	0.000
Loss of Other fees and charges	7.170	(6.870)	0.000	0.000	0.000
Delayed Savings	2.249	(2.249)	0.000	0.000	0.000
One off Government funding	(13.504)	13.504	0.000	0.000	0.000
Loss of funding	7.900	(3.200)	(1.400)	0.000	0.000
<b>Revised Gap</b>	<b>13.637</b>	<b>(4.393)</b>	<b>4.052</b>	<b>6.751</b>	<b>7.044</b>
<b>Cumulative Gap</b>	<b>13.637</b>	<b>9.244</b>	<b>13.296</b>	<b>20.047</b>	<b>27.091</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	4.519	(2.307)	0.000	0.000	0.000
Increased Homelessness demand	0.994	(0.394)	0.000	0.000	0.000
Increased demand for Waste Management	0.930	(0.348)	0.000	0.000	0.000
Other expenditure net of savings on suspended services	(1.768)	1.768	0.000	0.000	0.000
Loss of Car Parking income	9.370	(8.070)	0.000	0.000	0.000
Loss of Other fees and charges	9.346	(8.746)	0.000	0.000	0.000
Delayed Savings	2.249	(2.249)	0.000	0.000	0.000
One off Government funding	(13.504)	13.504	0.000	0.000	0.000
Loss of funding	15.200	(3.000)	(4.600)	0.300	0.000
<b>Revised Gap</b>	<b>27.336</b>	<b>(7.731)</b>	<b>0.852</b>	<b>7.051</b>	<b>7.044</b>
<b>Cumulative Gap</b>	<b>27.336</b>	<b>19.605</b>	<b>20.457</b>	<b>27.508</b>	<b>34.552</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	5.327	(1.057)	0.000	0.000	0.000
Increased Homelessness demand	1.494	(0.394)	0.000	0.000	0.000
Increased demand for Waste Management	0.623	0.541	0.000	0.000	0.000
Other expenditure net of savings on suspended services	(3.921)	3.921	0.000	0.000	0.000
Loss of Car Parking income	10.122	(6.872)	0.000	0.000	0.000
Loss of Other fees and charges	12.925	(12.025)	0.000	0.000	0.000
Delayed Savings	2.249	(2.249)	0.000	0.000	0.000
One off Government funding	(13.504)	13.504	0.000	0.000	0.000
Loss of funding	29.200	(3.300)	(6.100)	1.800	1.900
<b>Revised Gap</b>	<b>44.515</b>	<b>(5.820)</b>	<b>(0.648)</b>	<b>8.551</b>	<b>8.944</b>
<b>Cumulative Gap</b>	<b>44.515</b>	<b>38.695</b>	<b>38.047</b>	<b>46.598</b>	<b>55.542</b>

## **8. Housing Revenue Account (HRA)**

### **8.1. 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. Discussions are being held with Mears over the implementation of Cabinet Office Briefing Note 20-20 and any resulting additional costs to the Council.

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

## **9. Dedicated Schools Grant (DSG)G**

9.1. 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 2020/21 budgeted surplus carry forward was £1.936m. 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.

9.2. The funding blocks within the DSG are now ring-fenced (with effect from 2018/19).

## **10. Capital Programme**

10.1. 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 at the next Cabinet meeting.

## **11. Recovery Planning**

- 11.1. 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 Corporate Leadership Team 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.

## **12. Next Steps**

- 12.1. 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.
- 12.2. As part of the review of the 2019/20 outturn, Directors with the support of finance are developing robust action plans to ensure that they contain existing spend with approved budgets.
- 12.3. 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.
- 12.4. We will continue to update and remodel the financial scenarios in this report and ensure that these are used to inform the Councils Recovery Planning.
- 12.5. 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.
- 12.6. A detailed update will be provided at the September Cabinet meeting together with a revised Medium Term Financial Plan.