

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY AND FINANCE COMMITTEE

Agenda Item No 7

meeting date: 17 NOVEMBER 2020
 title: COVID-19: FINANCIAL UPDATE
 submitted by: DIRECTOR OF RESOURCES
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1 PURPOSE

- 1.1 To provide an update regarding the latest financial information concerning Covid-19 and agree next steps with regard to budget preparation for 2020/21.

2 EMERGENCY FUNDING

- 2.1 The Secretary of State for MHCLG, Robert Jenrick has announced various tranches of un-ringfenced emergency funding for local authorities for Covid related spending pressures.

- 2.2 I have set out below the allocations for ourselves and the rest of Lancashire.

Local Authority	First Tranche of Covid-19 Funding	Second Tranche of Covid-19 Funding	Third Tranche of Covid-19 Funding	Fourth Tranche of Covid-19 Funding	Total Covid-19 Additional Funding
Blackburn with Darwen	5,212,134	4,085,159	1,633,377	4,102,748	15,033,418
Blackpool	6,084,606	3,810,835	1,767,168	4,601,334	16,263,943
Burnley	75,105	882,080	229,091	920,404	2,106,680
Chorley	51,797	1,180,904	177,413	223,960	1,634,074
Fylde	34,085	803,687	124,957	188,032	1,150,761
Hyndburn	63,415	802,773	188,857	682,058	1,737,103
Lancashire	35,296,352	21,404,634	8,284,533	11,315,235	76,300,754
Lancaster	101,034	1,443,734	271,680	684,057	2,500,505
Pendle	71,704	909,385	201,832	673,825	1,856,746
Preston	97,914	1,409,104	316,188	1,085,396	2,908,602
Ribble Valley	23,853	602,234	77,185	100,000	803,272
Rossendale	38,386	710,257	132,457	337,995	1,219,095
South Ribble	41,325	1,097,210	160,799	181,833	1,481,167
West Lancashire	58,378	1,131,077	190,792	376,334	1,756,581
Wyre	60,043	1,110,815	190,281	390,656	1,751,795
Total Lancs	£47,310,131	£41,383,888	£13,946,610	£25,863,867	£128,504,496

- 2.3 Each month we are required to complete a detailed Government survey namely COVID-19 local authority financial management information. This is a collection of estimated spend, income and cash pressures attributable to COVID-19, as well as expenditure of emergency COVID-19 funding.

- 2.4 We have recorded our Covid-19 related expenditure anticipated for the full year and this covers the following expenditure heads.

Service area	Full Financial Year 2020-21 £
Public Health - Testing, contact tracing and outbreak planning	25,000
Public Health - Other	
Public Health sub total	25,000
Housing - homelessness services	50,000
Housing - rough sleeping	
Housing - other excluding HRA	188,000
Housing sub total excluding HRA	238,000
Cultural & related - Sports, leisure and community facilities	20,000
Cultural & related - other	
Cultural & related sub total	20,000
Environment & regulatory - cremation, cemetery and mortuary services/Excess deaths	3,000
Environment & regulatory - waste management	30,000
Environment & regulatory - other	
Environment & regulatory - sub total	33,000
Finance & corporate - ICT & remote working	75,000
Finance & corporate - Revenue & benefits expansion	20,000
Finance & corporate - other	120,000
Finance & corporate - sub total	215,000
Other - Shielding	50,000
Other - PPE (non-Adult Social Care and HRA)	40,000
Other – lockdown compliance and reopening costs (incl. enforcement)	25,000
Other sub total (includes Shielding)	115,000
TOTAL SPENDING PRESSURE (General fund)	671,000

- 2.5 As above we have been allocated funding of £803k which leaves £132k unallocated at this stage.
- 2.6 To date there have been seven data collection rounds. It is expected that the November and December collections will be merged together in early December. Following that, it is expected the returns will continue on a monthly basis from the second-half of January.

3 SALES, FEES AND CHARGES INCOME LOSSES

- 3.1 On the 2 July 2020 the SoS also announced a new scheme to reimburse councils for lost income from sales, fees and charges due to Covid-19.
- 3.2 Recognising the impact the pandemic has had on income from sales, fees and charges, they have introduced a co-payment scheme to compensate councils for relevant unforeseen losses that are irrecoverable. Councils will absorb the first 5% of all relevant irrecoverable losses compared to their original budget, with the Government compensating councils for 75 pence in every pound of loss thereafter. By introducing a 5% deductible, the Government is accounting for an acceptable level of volatility, whilst shielding councils from significant losses.
- 3.3 The first payment round was launched with a closing date of 30 September 2020 which concerned eligible losses from April to July. Detailed guidance has also been issued which sets out the various principles which define relevant losses:

Principle one:

- The income is transactional income from customer and client receipts (excluding commercial and residential rents and investment income), which is generated from the delivery of goods and services and which was budgeted for in 2020/21.
- Revenues that are collected in exchange for a good or service where demand has been reduced because of COVID-19, including budgeted management fee income.
- Income collection must be directly linked to the delivery of goods and/ or local services
- Income from traded services which generate the same types of income could be eligible where the losses meet the principles. However, commercial investment revenues and rental income are not eligible losses and will not be compensated for under this scheme.

Principle two:

- As a result of COVID-19, and consequent reductions in economic activity, this income has been unavoidably lost and will not be recovered in this financial year.
- This principle is intended to apply where reductions in economic activity because of lockdown and social distancing restrictions directly lead to lost revenues.
- “Unavoidably lost” means that factors outside of the authority’s control caused the loss to be incurred. Voluntary decisions, which were made locally, and which were not aligned to relevant government guidance at the time, are not covered by this (e.g. closure of services by choice rather than because of government guidance)

Principle three:

- Compensation will be based on net losses. Where a local authority has been able to reduce expenditure, or has received other compensation, compensation will only be provided for the residual loss.

- Compensation will be provided to mitigate the net budget gap which irrecoverable service income losses have created in the local authority's balanced budget set before the start of the year. Where possible, authorities should have taken action to mitigate the impact of losses, e.g. by reducing expenditure such as stock purchases or running costs.
- If other funding has been provided in relation to specific (e.g. other emergency government grant, or furloughing staff) it should also be netted off as this would have contributed to closing the net budget gap in the relevant service area.
- Where possible, the temporary reallocation of employees to deliver other services which have been supported by emergency grant funding should be appropriately accounted for as a net saving in the service that the unfunded income loss relates to. This is in order to identify and compensate for the net pressure the loss of income has had on the authority's budget.

3.4 Our first return for the period April – July has resulted in a claim of £193k in respect of our losses.

4 OTHER SPECIFIC COVID FUNDING

Small Business Grants, Retail, Hospitality and Leisure Grants and Discretionary Business Grants

4.1 We received £18.926m to support eligible businesses under the above grant schemes. See separate report on the agenda.

Surge Enforcement Funding

4.2 On 8 October the Government announced £60m additional funding for Police and Local Authorities for four months to support a range of additional compliance and enforcement activity. Both the Police and LA's received £30m overall. The allocation for Ribble Valley was £21,956.

Test and Trace Support Payment Scheme

4.3 The Test and Trace support scheme provides a £500 compensation payment for eligible residents who have been told to self-isolate, because they have tested positive for coronavirus, or have been in close contact with someone who has tested positive.

4.4 The payment is available to people who are employed or self-employed, cannot work from home and in receipt of at least one of the following benefits: universal credit, working tax credit, income-related employment and support allowance, jobseeker's allowance, income support, pension credit or housing benefit.

4.5 In total, the Government have provided £50m for the Test and Trace Support Payment and corresponding discretionary payments. This will cover the full four months of the scheme until 31 January 2021 and for Ribble Valley includes:

- £21,500 for programme costs (costs of payments to applicants), excluding discretionary payments.
- £23,199 for administration costs.
- £10,985 for discretionary payments.

4.6 Whilst the allocation for admin costs and discretionary payments are fixed sums the Government will meet the actual cost of payments to applicants if this is higher than our allocation.

5 TIER 3 FUNDING

5.1 On 17 October 2020 Lancashire entered the Tier 3 Very High alert level.

Contain Outbreak Management Fund:

5.2 The Department of Health and Social Care has announced funding to support proactive containment and intervention measures. The funding is equivalent to

Covid Alert Level	Amount per head of population £
Medium	£1
High	£3
Very High	£8

5.3 Funding at the Covid Alert level Very High has a broad scope and is intended to support activities including assisting with the continued functioning of commercial areas and their compliance with public health guidance, targeted support for school/university outbreaks and support for vulnerable people classed as Clinically Extremely Vulnerable who are following tier 3 guidance

5.4 We understand this funding will be paid to the upper tier authorities for onward disbursement. For the Ribble Valley area we expect to receive around £480k but a discussion will need to take place on how this funding will be shared between LCC and ourselves.

Additional Restrictions Grant to Support Businesses

5.5 In addition to support for closed businesses and backdated cash grants for businesses in high and very high alert levels, the Government will provide funding equivalent to £20 per head to enable councils to support businesses over the coming months more broadly, who are a key part of the local economy. In Lancashire this payment equates to the £30m negotiated with the Government when we moved to the very high alert level.

Funding to support Clinically Extremely Vulnerable (CEV) individuals

5.6 Following the announcement by the Prime Minister of the second national lockdown commencing on 5 November the Department for Health and Social Care will be issuing guidance to CEV individuals on how they can protect themselves during the 4-week lockdown period.

5.7 MHCLG will provide £678k to Lancashire County Council based on the number of CEV individuals in Lancashire. This funding is to be passed on to lower tier authorities. Based on our numbers we expect to receive approximately £28k.

6 COUNCIL TAX AND BUSINESS RATES

- 6.1 The monthly returns also expect us to estimate the losses on business rates and council tax over the following categories. It is important to note that as a billing authority we have to estimate these amounts for the whole of the collection fund.

Income source	Full financial year 2020-21 £
Business rates losses- COVID-19 Reliefs	7,226,300
Business rates losses - Deferrals	0
Business rates losses- Other	680,000
<i>Business Rates losses subtotal (cash receipts)</i>	<i>7,906,300</i>
<i>Business rates losses subtotals (after reliefs)</i>	<i>680,000</i>
Council Tax receipt losses - working age LCTS	300,000
Council Tax receipt losses - payment failure	1,000,000
Council Tax receipt losses - other	
<i>Council Tax receipt losses sub total</i>	<i>1,300,000</i>
Collection fund losses sub total (after Business Rates reliefs)	1,980,000

- 6.2 In August we wrote to all council taxpayers who were in arrears asking them to contact us to discuss payment arrangements and any support that we could provide. Approximately 200 households have contacted us to make alternative payment arrangements. Initially deferrals were agreed for a 3-month period with the expectation that payment would be made in full by the end of the financial year.
- 6.3 The Government announced a Council Tax Hardship Fund whereby any residents who are of working age, and who have had their bill reduced by an award of Council Tax Reduction, will be eligible for relief of at least £150 from the fund. We received £222k for our Hardship Fund and anticipate that our total payments will exceed this and be in the region of £250k by the end of the financial year.
- 6.4 We are also contacting business ratepayers who are in arrears to discuss payment arrangements.

Business Rates 2021/22

- 6.5 The Government has announced that the Fair Funding review and the implementation of 75% Business Rate Retention will no longer be implemented in 2021/22.
- 6.6 The Government also emailed all local authorities asking for their pooling preferences for next year. Authorities had until 23rd October 2020 to confirm continuation of their existing pooling arrangements in 2021/22 or, if not, to submit alternative arrangements.
- 6.7 This is an extremely difficult question to answer. Whilst we know the Fair Funding Review and the move to 75% BRR have both officially been deferred to a later year, the issue of whether there will new baselines and a reset of the system is not clear.

- 6.8 There is no doubt based upon our current record of growth in Business Rates we are all doing really well under the current (and previous) Lancashire Pooling arrangements. This suggests it would be worth continuing as a member of the current pool. However there are 3 potential downsides.
- 1) The Government reset business rate baselines and we lose all or part of our accumulated growth and therefore there may be no advantage to being in a pool. In fact it may be that we would be in a negative growth position without the benefit of our individual safety net.
 - 2) The Government do not extend Retail, Hospitality and Leisure Discount into next year which could mean businesses who have had their rates paid for by the Government either defaulting/going bust/struggling to pay
 - 3) In addition to 2) we may see lots of other businesses struggling to pay/cease trading.
- 6.9 After careful consideration we have informed the Government that we wish to continue as a member of the Lancashire pool next year. All other current members of the Lancashire pool have also stated they wish to remain in the pool. However we all fully appreciate/respect the right of any member to pull out when provisional local government finance settlement is announced (which would mean the whole pool would fall).

7 BUDGET PREPARATION 2021/22

- 7.1 The Government have reduced the planned spending review to a one-year spending review for 2021/22. This will be announced on 25 November 2020.
- 7.2 The immense economic uncertainty associated with the COVID-19 pandemic makes this an extraordinarily difficult time for all councils in formulating their budget (both revenue and capital) plans. A budget working group meeting was held on 28 September which amongst other things considered the setting of next year's budget.
- 7.3 I have set out below a brief summary of our latest budget planning assumptions for preparing next year's budget.

Revenue Budget

Expenditure (non Covid related)	Inflationary increase to base budget
Covid 19 Expenditure	Unknown but budget on basis costs will be reimbursed by the Government
Income (non Covid related)	Inflationary increase to base budget
Income – Impact of Covid	Budget on basis any losses will be reimbursed by the Government. However could be substantial even if pandemic ends and may not be reimbursed. Some income could be substantially impacted.

Council Tax/Business Rates	<p>Difficult to assess the impact of pandemic particularly on businesses in the next financial year.</p> <p>Collection fund deficits can be spread over 3 years.</p>
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- 7.4 The Budget Working Group concluded that we should prepare our budget on the base budget plus inflation and any variance due to Covid we expect to be made good by the Government.

Capital Programme

- 7.5 Due to the uncertainty surrounding the Covid pandemic and potential local government reorganisation, it is proposed we do not consider adding a new fifth year to our five-year capital programme at this stage. We already have a capital programme for the years 2021/22 to 2024/25.

DIRECTOR OF RESOURCES

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