

**CORPORATE SERVICES SCRUTINY REVIEW  
BOARD 23 July 2020**



Report sponsor: Simon Riley, Director of  
Financial Services

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Financial Services

# ITEM 08

## **Covid-19 – Financial Impact**

### **Purpose**

- 1.1 To share the Covid. 19 return submitted to MHCLG detailing the costs incurred by the Council in responding to the Covid pandemic alongside the impact on core Council Services including income losses.

### **Recommendation(s)**

- 2.1 To note the financial impact of the Covid 19 pandemic.
- 2.2 To make any further comments or recommendations following discussions on the report

### **Reason(s)**

- 3.1 To update the Board on the financial impact of the Covid pandemic
- 3.2 To allow the Board an opportunity to seek further information and assurances on the Council's response to Covid and the financial impact.

### **Supporting information**

- 4.1 The Covid 19 pandemic required Councils to respond quickly to community, business and individual needs both locally and in response to Government guidance. The Council response was agile and cost effective. However, the quantum of need means that every Council in the country have had to spend money ahead of Government funding to be confirmed – this was done in good faith with initial announcements by the Secretary of State at the time.
- 4.2 The Cabinet received a Covid 19 report on 10<sup>th</sup> June. This is attached at Appendix 1 for reference. This demonstrates the type of interventions that the Council made with and for the Community. It is important to note that not all the Council's support required additional spend, especially due to the amazing response of the community in supporting others during this unprecedented time.

- 4.3 In order to understand the impact of Covid 19 on Council Finances, MHCLG have requested monthly returns of actual spend and forecasts. These have been submitted by the Council's finance team who maintain a comprehensive record of financial impact (attributed to Covid 19) supplied by Departments. It is clear from comparisons of the returns by the LGA and SIGOMA that there are wide differences across the Country in the financial impact (and potentially the recording) of the financial impact of the pandemic.

In general, the impact on Derby is lower than some neighbouring Councils due to our fast response, commission of additional services that demonstrate VFM and on the income side not being as exposed to the impact on commercial income. Having said this, it is important to note that the current funding provided from Central Government is insufficient to meet the forecast financial impact and the Council will continue to lobby Government for additional funding to minimise the impact on the financial sustainability going forward.

The June MHCLG return is attached at Appendix 2 for the Board's information.

- 4.4 The financial impact of Covid 19 can be split into 3 main categories
- (a) Expenditure Pressures
  - (b) Reduced Income
  - (c) Council Tax and Business Rate Impact

The June forecasts (alongside the forecast for 2020/21) is summarised in the below table:

	<b>June</b>	<b>2020/21 Forecast</b>
	<b>£000s</b>	<b>£000s</b>
Expenditure Pressures	2,651	17,629
Income Pressures	1,500	7,289
Council Tax and Business Rate Pressures (excl. reliefs)	927	11,131
<b>Total</b>	<b>5,078</b>	<b>36,049</b>

Forecasting is difficult due to the phased exit from lockdown, the inability at the moment to reopen some facilities at the moment (such as leisure) and the risk of future outbreaks that may require further action and spend. In addition, the Council has only just in July commenced recovery action for Council Tax and Business Rate Debt and it will be a few months before the potential impact on income becomes known.

Board's attention is drawn to the monthly cost (illustrated by the June figures) which indicates that the monthly impact remains significant.

- 4.5 To date the Government have provided two un-ringfenced grants to meet the costs of Covid alongside two ringfenced grants for Infection Control and Track and Trace. These are summarised in the below table

	<b>£000s</b>
Covid Grant 1	7,669
Covid Grant 2	7,084
<b>Sub Total</b>	<b>14,753</b>
Infection Control	2,832
Track and Trace	1,808
<b>Total</b>	<b>19,393</b>

The first two un-ringfenced grants are insufficient to meet the financial impact of the Covid Pandemic. The Government has recently announced another £500 million for local authorities and an income guarantee to fund 75% of income losses from fees and charges after the first 5% loss has been met by Councils. The Council awaits the formal allocation and methodology following the announcement. The Board will be updated verbally on this if received by the time of the Board.

- 4.6 It is likely that the impact of the Covid Pandemic will have long impact on Council's Finances nationwide such as increased social care costs, social distancing measures, reduction in income (e.g. car-parking). The Council's MTFP is being refreshed to model some of these impacts and is expected to be presented at September Cabinet.

However, it is clear nationwide that the current system and quantum of the Local Government Finance system needs to change in the post Covid world. Once again, we await any future Government announcement on this.

## **Public/stakeholder engagement**

- 5.1 Cabinet Report, 10<sup>th</sup> June 2020

## **Other options**

- 6.1 None.

## **Financial and value for money issues**

- 7.1 These are detailed in the report

## **Legal implications**

- 8.1 None directly arising from this report.

## Other significant implications

9.1 None directly arising from this report.

This report has been approved by the following people:

<b>Role</b>	<b>Name</b>	<b>Date of sign-off</b>
<b>Legal Finance Service Director(s) Report sponsor Other(s)</b>	Simon Riley, Director of Financial Services	9/7/2020
<b>Background papers: List of appendices:</b>	Appendix 1 – Cabinet Report, 10 <sup>th</sup> June 2020: Council Response to Covid 19 pandemic Appendix 2 – MHCLG return	