

BROMSGROVE DISTRICT COUNCIL

CABINET

8TH JULY 2020

FINANCIAL IMPACT – CORONAVIRUS PANDEMIC

| | |
|----------------------------------|--|
| Relevant Portfolio Holder | Councillor Geoff Denaro , 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 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.
- 3.3 The Ministry of Housing, Communities and Local Government (MHCLG) have undertaken a data collection exercise using the Delta system to 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

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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:

| Service | Estimated loss impact (April–July) | Estimated loss impact (Aug-Oct) | Total estimated 2020/21 shortfalls in income |
|--|---|--|---|
| | £'000 | £'000 | £'000 |
| Off-street car parking | 380 | 150 | 530 |
| Planning | 30 | 20 | 50 |
| Building control | 50 | 20 | 70 |
| Contractual Costs / Leisure losses of income | 200 | 400 | 600 |
| Bereavement/Cemetries | 30 | 20 | 50 |
| Bulky Waste | 50 | 20 | 70 |
| Development Management | 50 | 20 | 70 |
| Land Charges | 20 | 10 | 30 |
| Licensing - General | 40 | 20 | 60 |
| Licensing - Taxi | 30 | 10 | 40 |
| Trade waste | 150 | 50 | 200 |
| Markets | 30 | 10 | 40 |
| Lifeline | 40 | 10 | 50 |
| Other Income | 20 | 10 | 30 |
| Council Tax (BDC Share) | 150 | 40 | 190 |
| TOTAL | 1,224 | 743 | 2,080 |

- 3.5 It is important to stress that these estimates are based on the assumptions set out at 3.4. and have been calculated on a number of accounts across the Council taking into account trends of when income may be received. 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. The return for June will enable a more informed projection to be made on the income losses for the Council and this will be reported to Members in July.

- 3.6 As can be seen in the table above the main areas of estimated losses are car parking income, Trade Waste and Council Tax losses. Officers are currently in negotiation with our Leisure providers 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.
- 3.7 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.
- 3.8 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 £30k which was seen to be inadequate in terms of the potential pressures the Council faced. This was increased to £993k in the second tranche of funding received resulting in a total allocation of just over £1m. It is anticipated that a further funding round will be allocated in early July which may aim to fund the current gap between funding received and the losses expected.
- 3.9 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.
- 3.10 We have also received £461k 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
- 3.11 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. Bromsgrove has been allocated £88k to spend on specific costs that will enable safe high streets across the District. This is currently under review as to the most appropriate items to fund and to date signage and hand sanitisers have been purchased.

3.12 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 District 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 where 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 District 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.

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 before government support.

AUTHOR OF REPORT

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