



CABINET REPORT

Report Title	FINANCE AND MONITORING - PROVISIONAL IMPACTS - COVID 2020/21
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	27 May 2020
Key Decision:	No
Within Policy:	Yes
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred
Ward(s)	All

1. Purpose

- 1.1 This report sets out the provisional financial implications of the Covid19 Pandemic on the Council's General Fund.

2. Recommendations

- 2.1. That Cabinet note the provisional financial impacts for the General Fund for the financial year 2020-21 as set out at appendix 1 and appendix 2.
- 2.2 That Cabinet notes the risks to the budgets for 2020-21 which may impact on the levels of reserves maintained and/or drive a need to seek additional in year savings measures.
- 2.3 It is recommended that Cabinet approves option 3.3.1c, to reduce the financial risk to the Council and the future West Northants Council

3. Issues and Choices

3.1 Report background

- 3.1.1 The Council's budget is set in February each year, based on known assumptions and risks. Whilst risks around specific services are understood,

the Council was not aware of the risk and impact of Covid19 on Local Authorities or their respective residents and economy.

- 3.1.2 Whilst it is too early to fully understand the full impact of the pandemic on the Council's finances. It is possible to highlight some of the specific costs incurred to date and to outline some of the risks and assumptions on costs and income that are being used to understand and model the full year impact.
- 3.1.3 The Council set a General Fund Reserve of £4M with a minimum safe level of £3M. There are further Reserves which are held but earmarked for specific purposes, if they were to be used it could add costs to future years and impact on the new West Northants Council.
- 3.1.4 Appendix 1 provides information relating to specific service areas, the costs and pressures incurred to date and the assumptions going forward.
- 3.1.5 Appendix 2 provides information on the Govt. funding received to-date both to support the Councils costs and to be administered by the Council to support the Community.

3.2 General fund balances and earmarked reserves

- 3.2.1 The latest risk-based assessment of reserves suggests that, taking all known risks into account along with the Council's gross expenditure requirement, the minimum level of balances should remain in the order of £4.0m.
- 3.2.2 The Council also holds general fund earmarked reserves of just over £25m to mitigate against specific risks to which the Council may be exposed and for investing in service improvement.

3.3 Choices (options)

- 3.3.1 Cabinet is invited to note the report and the risks to the 2020-21 Budget and either:
 - a) Agree to continue without seeking savings and relying on addition Govt. funding and if necessary the review and use of specific earmarked reserves, which may impact on future years funding, or
 - b) Task the Chief Executive and Corporate Management Board to present proposals for cost savings to Cabinet in July 2020, to preserve a revised minimum level of General Fund Reserves.
 - c) Task the Chief Executive and Corporate Management Board to identify and present proposals for cost savings to July Cabinet, which become contingent spend, subject to further Government funding becoming available, or agreed reprioritisation of earmarked reserves.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1. Annual Budget set by Council, including Section 25 statement on the robustness of reserves.

4.2 Resources and risk

- 4.2.1 This report informs Cabinet of the current assumed pressures and risks in respect of the Council's own financial position.
- 4.2.2 The current forecast General Fund pressure after receipt of the Government Grants identified in Appendix 2, is between £2M to £3M.
- 4.2.3 The Council will have more information to base its projection on at the end of June, when detailed costs are known and whether there may be additional Govt. support. Should the assumptions be proven valid and there is no further funding support the Council will need to actively consider additional savings in year or risk breaching its minimum level of safe General Fund Reserves.

4.3 Legal

- 4.3.1 There are no specific legal implications arising from this report.

4.4 Equality and health

- 4.4.1 There are no specific equality and health implications arising from this report.

4.5 Consultees (internal and external)

- 4.5.1 Chief Executive, Service Directors, Partner Organisations, Government Departments and Cabinet

4.6 How the proposals deliver priority outcomes

- 4.6.1 The Council is required to deliver its statutory duties and obligations, it also seeks to deliver its Corporate Plan objectives, but must do so within the resources available.

4.7 Appendices

- 4.7.1 The Appendices are set out as follows:
 - 1. Northampton Borough Council – covid costs/pressures
 - 2. Government Grants

5. Background Papers

- 5.1 Council Report – General Fund Revenue Budget and Capital Programme, 2020/21 and Medium Term Financial Plan 2020/21 – 2023/24 Budget setting and budget monitoring throughout 2019/20. [24 Feb 2020].
- 5.2 Council Report - Report by the Chief Finance Officer on the Robustness of Budget Estimates and Adequacy of Reserves [24 Feb 2020].

Stuart McGregor

Chief Finance Officer (Section 151 Officer)

NORTHAMPTON BOROUGH COUNCIL – COVID COSTS/PRESSURES

1. HOUSING

The Housing Service, along with the Council's ALMO, NPH, had worked hard to alleviate pressures from Temporary Accommodation during 2019-20 to reduce the risk of overspends in 2020-21.

The Government requirement to provide Temporary Accommodation for Rough Sleepers saw the contracting with two hotels to provide 80 rooms for accommodation. As this scheme comes to an end, whilst it has provided positive outcomes for a traditionally hard to reach group of people. It is likely to see a block unanticipated pressure on the Temporary Accommodation budget. The scheme so far has cost in the order of £250K including accommodation, staffing and PPE. A specific Government grant of £21K has been received toward this cost.

There are also unavoidable costs of those who were initially accommodated under Temporary Accommodation legislation, but found not to be entitled going forward, could not be moved on during the 'lockdown'.

Due to a combination of factors from accommodating Rough Sleepers who do not wish to return to their prior position, unavoidable costs and an expectation of an increase in homelessness post lockdown, along with reduced income from enforcement and licensing. It is estimated that there will be pressure (possible overspend) on this Service Area of £750K to £1.5M during the year.

2. ECONOMY ASSETS and CULTURE

The pressures for this service area are primarily income related, from the risk of loss of income from commercial tenants, through to the loss of revenue income from car parking. The Council has a modest commercial property portfolio, primarily to support regeneration and the local economy, however the income is used to support services

The Council as with many businesses is suffering from fixed property costs and a reduction / loss. At present the Council Car Parks have had charges suspended, to assist key workers with free parking in specific areas and to assist those businesses still trading. The Council continues to suffer costs such as Business Rates, Utilities, Insurance and Maintenance. Parking income is considered to be a perishable income, if it is not earned on a specific day / week it cannot be recovered at a future date.

The current assumption is that the Council will have lost already c£700K with an anticipated reduction continuing throughout the year. The Council will also lose income from the lack of 'movements' on which payments are based in respect of the Bus Station. The total pressure therefore could be between £1.5M to £2M dependent on how transition works and no second peak to the pandemic.

As the Market was and continues to be impacted, there is an estimated likely loss of income to the Council of £75K.

Impact on Facilities Team and Museum from loss of income for room hire, wedding and events and paying back deposits, many prospective hirers are also awaiting to understand how the restrictions impact before progressing with future bookings.

3. CORPORATE COSTS

As a result of the Pandemic the Council along with other organisations was obliged to 'disperse' its staff and enable working from home, where practicable. Along with many organisations the Council had a good and robust Business Continuity Plan, however like many at the outset of 'lockdown' the plan assumed that there would be some capability to utilise some office/equipment capacity in another building or via a partner. There were therefore unbudgeted costs in acquiring additional ICT equipment and mobile phones to enable core key services to function whilst alternative solutions were developed and implemented. The Council has also had to acquire commercial versions of Telephone Conferencing and Video Conferencing, the latter and the additional volume working 'off site' also required an upgrade to the Council's IT infrastructure and in particular bandwidth, at speed. The costs of IT, telephony and conference facilities is currently estimated to be £75K. This was lower than anticipated due to innovative and swift work by ICT teams to enable more 'desk based' equipment to become mobile and so avoid the need to procure a large volume of laptops to enable 'home working'.

As some services that cannot function remotely, continue to operate within the Guildhall, additional regular deep cleaning costs are being incurred, along with protective screens being installed in public customer service areas.

There is a general Corporate Cost in respect of the acquisition of the appropriate PPE requirements to enable frontline and core services to operate in an appropriately safe manner for both staff and the public. At present the costs incurred are around £50K.

4. CUSTOMERS & COMMUNITIES

This Service Area has responsibilities for parks and public spaces and has seen material costs in securing childrens play areas and supporting social distancing, as well as direct support to the community. As the Government prepares to ease restrictions, new requirements and proposals are coming forward that are likely to see further cost pressures around public spaces and facilities.

This service is also anticipating a reduction in income through lower licensing activity.

With some additional costs – cleansing and recycling due to additional agency costs, sickness to keep Environmental Services functioning during the pandemic.

5. PLANNING

As a result of the restrictions in place, large new developments are not coming forward, resulting in a reduction in both Development Management and Building Control income from those applications. However, small scale and householder developments are continuing to be submitted, and the return to work on a number of existing building sites has seen a significant increase in the number of discharge of condition and Building Regulations applications needing to be processed. However, as these are lower income activities, the net impact on overall budgets is likely to be in the order of a £200K pressure. Land searches volumes have not seen significant changes.

6. CHIEF FINANCE OFFICER

The CFO area encompasses the corporate finance costs, audit fees etc. Whilst the distribution of over £30M to local businesses of BEIS Grants is very welcome to assist with the local economy, along with the Business Rates reliefs being changed after bills

were issued for 2020-21, providing over £34M of Business Rate Relief to the Retail, Hospitality, Leisure sector and Small Business Rates Relief. There is cost to administering both of these schemes, along with rebilling over 8,500 recipients of the Council Tax Reduction Schemes(CTRS). These costs exist, however additional 'administrative funding' has been proposed by Govt. however until it is provided, the Council has unfunded costs of around £200K.

As the Pandemic struck at the end of March, it will be considered to have had a detrimental impact on asset valuations and other investments which had been valued prior to the Pandemic as part of the Financial Year End routine, there is likely to be cost to revisit those items and the impact on 2020-21, with a probable increase in Audit Fees for these impacts and the grant processes.

Challenges around cashflow could also see reductions in 'interest earned' on deposits and the need to borrow to cover cashflow.

GOVERNMENT GRANTS

The Council has received two forms of funding, grant to support its services and costs and also specific grant to be administered on behalf of Government.

1. Government Administered Grants

The Council has received funding from the Department of Business Economy, Investment and Strategy (BEIS) to distribute to specific business within the Retail Hospitality Leisure (RHL) Sector and businesses in receipt of Small Business Rate Relief (SBRR).

The Council received initially, £37.374M of 'funds', of which it is expected that grants under Scheme One will require £34.550M. Under the new Scheme Two – Discretionary Scheme, the Council has been allocated £1.727M which will be drawn from the initial cash provided of £37.374M.

At the time of this report, the Council will have paid out over 2,400 grants worth over £30M in respect of BEIS Grants Scheme One.

The Council has also received £1.861M to fund the Govt initiative to reduce all residual Council Tax bills for those in receipt of locally funded Council Tax Reduction Scheme (CTRS), by £150.00 at any point during 2020-21.

2. Government Grant Funding to the Council

The Council has received three tranches of funding to support the costs of Covid both on the Council and the delivery of its core services.

Tranche One:	£0.021M toward Rough Sleeper costs
Tranche Two:	£0.120M non ringfenced funding [From Govt. first £1,6Bn]
Tranche Three:	£2.239M non ringfenced funding [From Govt. second £1.6Bn]